Antitrust Populism

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US Economy: Concerns

• Dominance of technological giants

• Decline in business dynamism (since the 1970s)

• Decline in economic growth (since the 1970s)

• A large sector of unskilled labor (with voting rights)
Three Related Long-Term Trends

- The Third Industrial Revolution
- Globalization/Nationalism
- Populism

- Is competition policy related to technological progress (innovation)? If so, how?
- Does competition policy respond to public tastes? If so, can such responses have negative effects?
Is It Different This Time?

• Between 1870 and 1914, the US produced a very large number of inventions that generated economic growth until the early 1970.

• The period is known as the “Second Industrial Revolution.”

• The Second Industrial Revolution brought the “modern business enterprise” of the twentieth century that displaced the “traditional business.”
  − Multiunit corporations that utilize economies of scale and vertical efficiencies developed.

• The “anti-trust” movement was a populist reaction to the rise of large corporations.
Three Related Long-Term Trends

• **The Third Industrial Revolution**: The transition from the “old economy” to the “new economy.”

• Globalization/Nationalism

• Populism

The ”Old Economy”:
• Relatively local manufacturing
• Vertical distribution chains
• Dependence on fossil fuels

The ”New Economy”:
• Global production
• Technologies that permit automation a wide range of complex routine and non-routine cognitive tasks (mostly known as “high-tech”)
• Distribution platforms.
• More efficient energy sources and use of energy
• Advanced Materials
Three Related Long-Term Trends

• **The Third Industrial Revolution**: The transition from the “old economy” to the “new economy.”

• **Globalization/Nationalism**: Technological advancements promote globalism; we witness a tide of nationalism.

• Populism
Three Related Long-Term Trends

• **The Third Industrial Revolution**: The transition from the “old economy” to the “new economy.”

• **Globalization/Nationalism**: Technological advancements promote globalism; we witness a tide of nationalism.

• **Populism**: Political use of anxieties caused by economic disparities and displacement. Specifically, (1) rage against large corporations, and (2) use of simplistic theories/explanations.
Technological Progress

- **Productivity Growth**: increased efficiency measured by GDP per capita per hour (e.g., autonomous vehicles; automated application review systems; compliance programs).

- Historically, productivity growth defined countries’ ability to improve the **standard of living over time**.

- Thus, **economic policies** emphasize economic growth.

- **Innovation** has been the primary source of economic growth in the United States.

- Market **competition** affects innovation intensity and quality.
The Pain of Progress

• Technological advancements (“innovation”) diffuse slowly. It takes time for the entire society to benefit from technological progress.
  – Technological progress introduces "adjustment costs": retirement of older technologies, unfavorable changes in labor markets, changes in the demand for skills.
  – Rapid technological changes come with high adjustment costs.
  – Populism: a reaction to high adjustment costs.

• The Productivity Paradox: A long delay between a wave of innovation and productivity growth.
Competition Policy and Technological Progress

• Competitive markets are needed for innovation; however, innovation tends to eliminate competition.

• Contemporary competition law policies generally build on economic ideas developed at a late phase of the old economy.

• The relationships between Competition law and IP confuse courts and agencies.

• Traditionally, technological companies argued that competition policies hinder innovation.

• Since 2010, we observe a massive resurrection of the “anti-trust movement.”
Observations

• No policies for the new economy; No policies for the global economy.

• Technological giants (Amazon, Apple, Facebook, Google, Uber) face a new choice: supporting competition policies or facing populism.

• The human species has limits. Efficiency improvements don’t.
  − With increased efficiency that pressures down marginal costs, profit margins require scale.
  − There is a growing gap between the demand for skills and availability of skills.

• Optimism: we were there before; A Policy Concern: This time it may be different.
Thanks!