

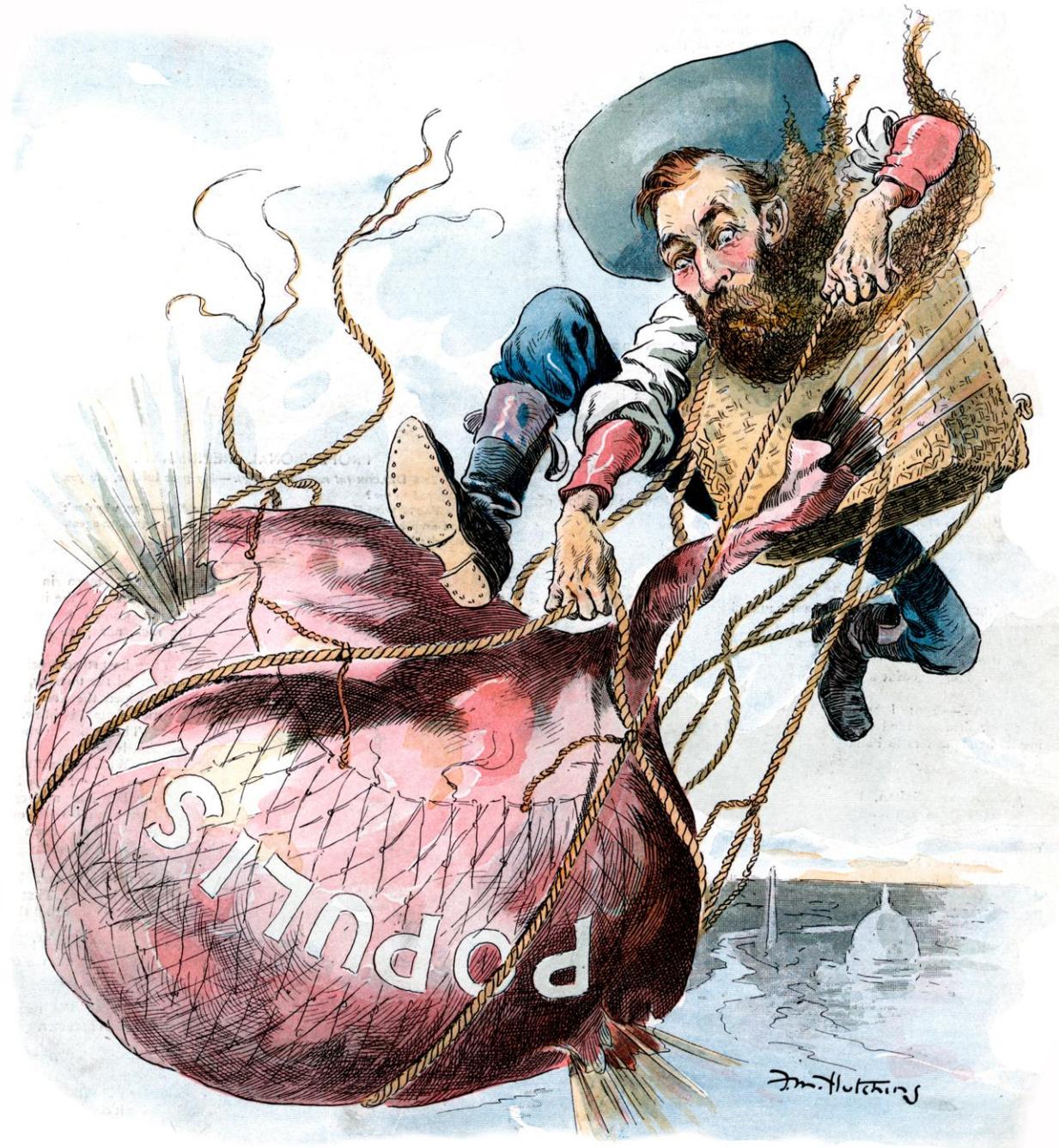
Antitrust Populism

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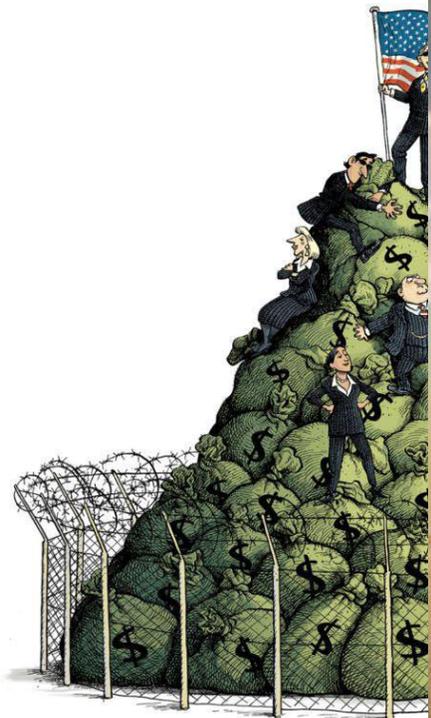
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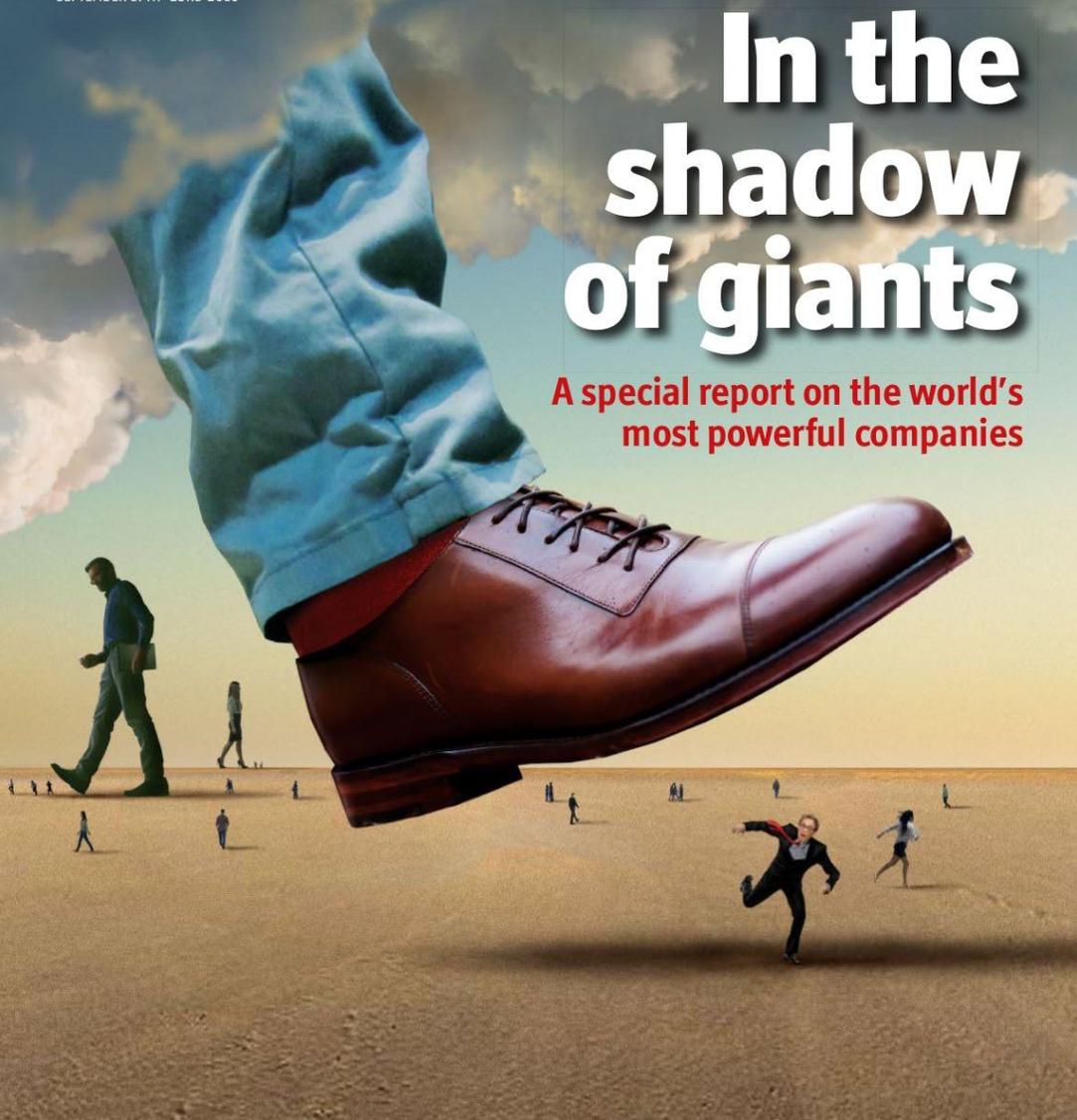
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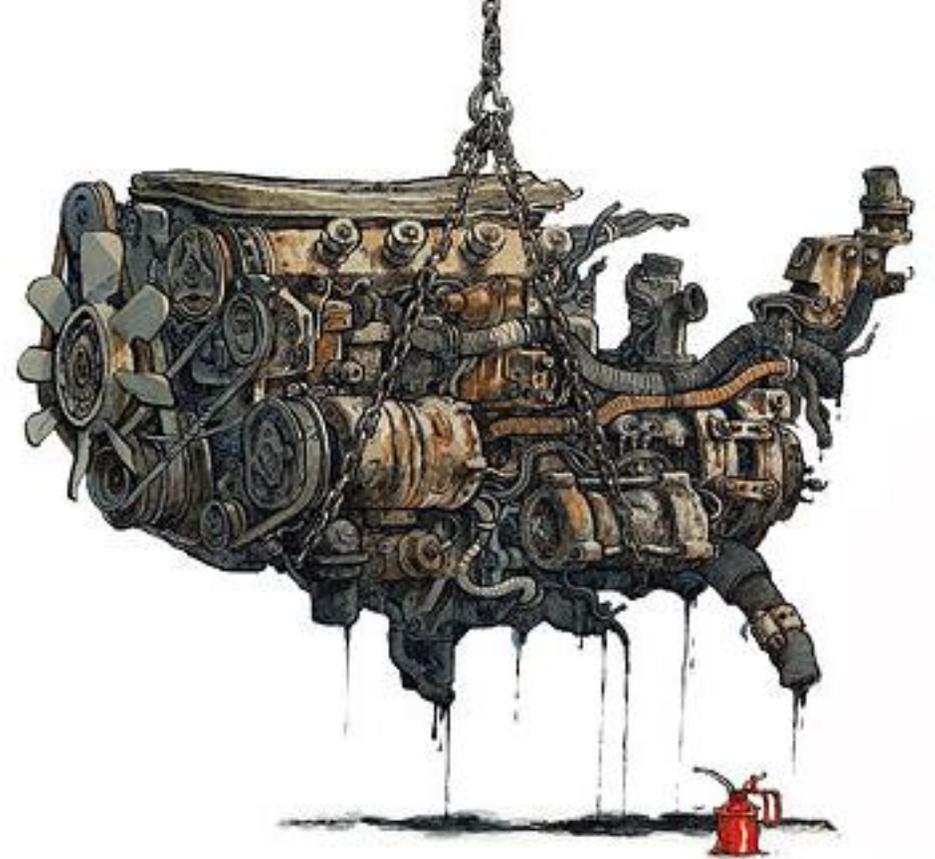
In the shadow of giants

A special report on the world's most powerful companies



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)



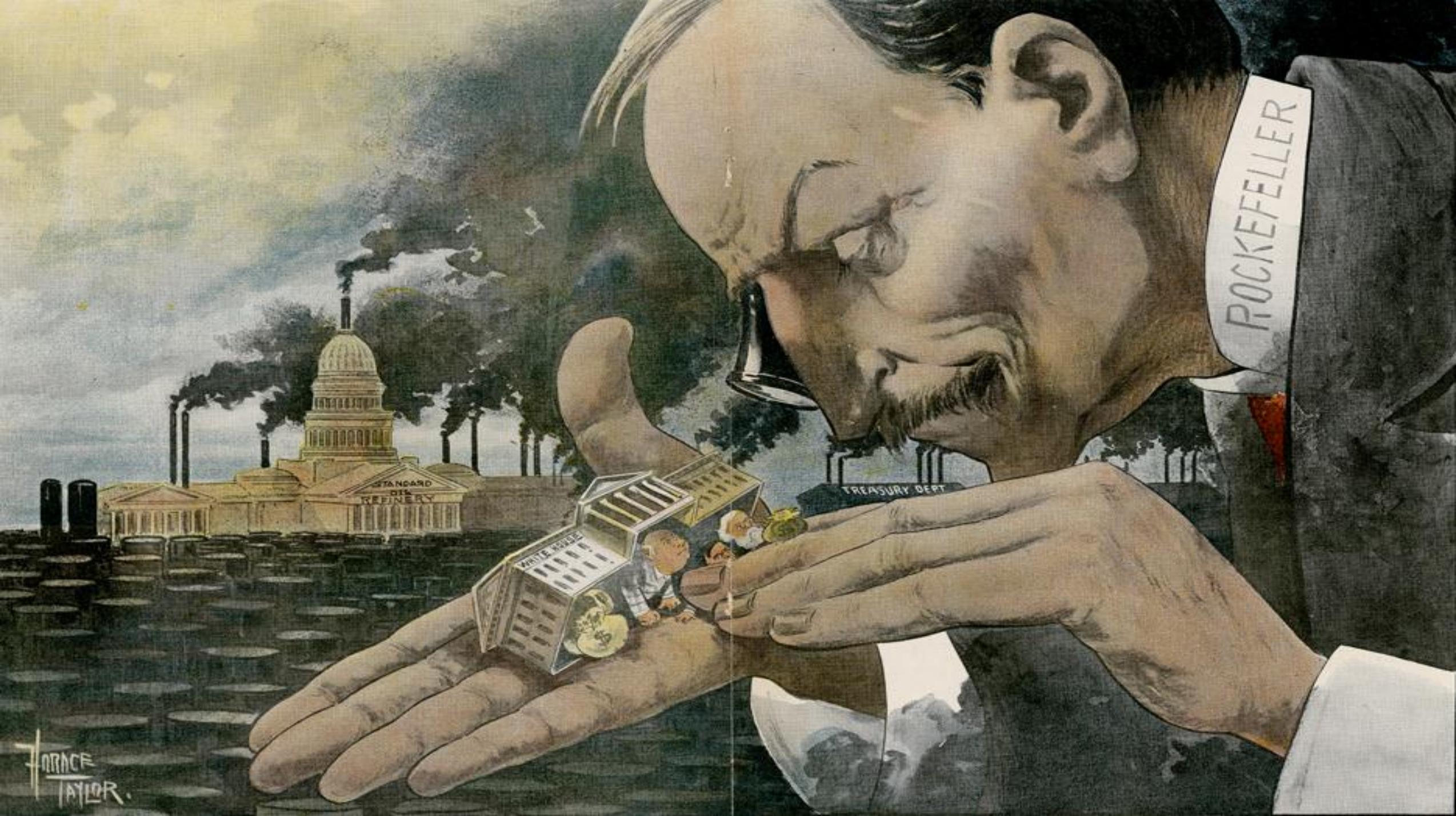
Three Related Long-Term Trends

- 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.





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HARDWARE MERCHANT
GENTS FURNISHINGS DEALER
MILLINER
PIANO DEALER
BOOKSELLER
HATTER
DRUGGIST

DRY GOODS MERCHANT

GROCEER

SHOE DEALER

BICYCLE DEALER

LEON BARRITT

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!

