Après moi, le déluge!*  

Tech giants in the digital age

CRA
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* Karl Marx, Das Kapital, Vol. 1, Part III

Disclaimer: The views expressed are those of the author and cannot be regarded as stating an official position of the European Commission
Digital platforms

What they promised: ...
- Multi-homing
- Seamless hopping
- Rational search
- Low transaction costs
- ...

... not really

First fundamental theorem of welfare economics often fails
Mergers

Concentration debate (later panel) -> “superstars”

*Prevent* problems from arising (but cannot prevent organic growth)

*Problem*: acquisition of small firms (most below threshold) – “killer” mergers (later panel)
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Discussion/proposals

1. Systematically examine data for acquisitions, price paid, nature of business acquired, internal documents giving reasons for transactions (academia)

2. Value of the transaction is informative for digital:
   - Thresholds
   - Use evaluation methods to catch pre-emption (large, unexplained payments)

3. For super-dominant firms, shift the burden of proof (larger general debate on structural presumptions; more controversial):
   - Parties should show efficiencies, else adopt an anticompetitive presumption
4. Potential competition

4. Reinvigorate “potential competition”
   - Do we have the 'right' standard?
   - Type I/Type II errors

A good rule should be “symmetric” around the social value created by good/wrong decisions

“More likely than not” vs expected welfare

Small probability of future competition can be sufficient to make it optimal to block mergers
Advertising and attention
Move away from anonymous “eyeballs” analogy

Study how hyper-targeted advertising works:
- Markets defined at the individual level (and then apply standard economic analysis)

“Attention” markets (Wu, 2018; Prat and Valletti, 2018)
- Supply-side market shares not always informative (even unique visits) (later panel)

5. Look for attention “overlaps”: need micro-data/surveys
Abuse of dominance

Information (= data) is valuable

*Dominance* can come from control/access to data and their monetisation

Note: markets with zero prices to users. Chicago argument (one monopoly theory) not valid

*Claim*: Privacy *is* a competition problem
Learn about consumers

- Search activity
- Browsing activity
- Responses to targeted ads
- Location
- Electronic communications
- Activity in social networks
- Past purchases

Some platforms can combine different sources
Data extraction and market power

- **Russian dolls**: A consumer needs to accept ToS of a company and, therefore, its Privacy Policy:
  - Company X Privacy Policy: you agree to provide **personal** information. Cannot be shared (GDPR) except...
  - ...to X’s **affiliates** and other trusted businesses, based on X’s instructions and...
  - ... X can then share results with X’s partners — like publishers, **advertisers**, or developers.

- Absent such consent the consumer would not be able to obtain any of those services
How a platform $X$ can use privacy policy to entrench dominance

1. X’s dominance allows it to impose restrictive ToS and privacy terms
2. Consumers agree to X’s ToS and privacy: X can then use and commercialise its users’ data
3. X acquires data advantage vis-à-vis its competitors. Limited ability of X’s rivals to offer and monetise alternative platforms
4. The market tips towards monopoly
5. X entrenches its monopoly position, which allows it to extract rents and impose even more restrictive privacy policy on consumers

Ancillary restrictions (zero price) to entrench dominance and exploit consumers [Note: AEC test will not work in this environment]

Platform envelopment and leverage
Is this a problem?

Possibly not *if*:
- Consumers cared and understood about privacy
- Consumers asked for money (e.g., Weyl and Posner: Labour Data Unions; see later panel)
- We believe in dynamic competition
What can we do?

- Attack the symptoms
  - Preferencing
  - Tying
  - Exclusivity

- Regulate privacy policies?

- Data portability/interoperability? (eID)