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RESEARCH SUMMARY

Evaluating Arguments for Antitrust Action against Tech Companies: The Benefits of Sticking with the Consumer Welfare Standard

In the United States, growing concern that large digital platform companies such as Google, Facebook, Amazon, and Apple are exercising monopoly power has resulted in accusations of anticompetitive behavior and investigations into whether these companies are guilty of exclusionary practices. Tracy Miller examines the validity of these concerns in "Evaluating Arguments for Antitrust Action against Tech Companies." He finds that increased enforcement could be detrimental to consumer welfare, which has been, and should remain, the guiding light in antitrust policy.

WHAT IF ANTITRUST LAWS WERE MORE STRINGENTLY ENFORCED?

- Companies found guilty of antitrust violations would likely face divestiture of acquired firms. Companies that benefit from combining different stages of the production process (known as *vertical integration*) might find their products and services structurally separated.
- These antitrust remedies would likely harm consumers, who benefit from the lower costs and increased innovation that result from combining complementary products into one ecosystem.
- Assessing the tradeoffs that result from alleged anticompetitive firm conduct would likely be difficult—such conduct often benefits some consumers while making others worse off.
- Further, antitrust decisions may not be based entirely on objective analysis but be influenced by political pressure, sometimes coming from a firm's competitors.

THE BENEFITS OF KEEPING THE CONSUMER WELFARE STANDARD

- To become dominant in any market, companies must engage in mutually beneficial, voluntary exchanges with millions of customers on a regular basis.
- Tech companies can remain dominant only by effectively coordinating the plans of numerous diverse market participants worldwide (a huge undertaking).
- Billions of people are better off because of the information they can access thanks to the market-coordination efforts of firms like Google.

The goal of antitrust policy should be the promotion of market competition that results in mutually beneficial transactions. This consumer welfare standard has guided antitrust policy since the 1970s. It also serves as a check on regulators interfering with the plans of consumers and entrepreneurs in a market economy.

KEY TAKEAWAY

Firms such as Google, Facebook, Amazon, and Apple have remained dominant, in part, because they continually improve the quality of the goods and services they offer while keeping prices low and affordable. Focusing on static measures of competition (e.g., number of firms competing) may discourage the dynamic competition that has helped spur the innovation that has improved consumer welfare in recent years.

Excessive rules and regulations (such as strict privacy regulations) make it harder for new firms to compete with existing firms. Lowering such barriers to entry allows competitors to find creative ways to keep the pressure on the big tech companies so that, as they try to retain their position in the marketplace, they must continue to provide innovative products and services at affordable prices.