

Discussion of
Do Platform/Big Data companies diminish
competition and innovation?

Tucker, Weyl, Zhu

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July 24, 2018

Alexandria Ocasio-Cortez



Democratic nominee for congress in NYC (Bronx)

Some headlines

- Alexandria Ocasio-Cortez Defeats Joseph Crowley in Major Democratic House Upset (NYT, 6/26)
- Alexandria Ocasio-Cortez Emerges as a Political Star (NYT, 6/27)
- Alexandria Ocasio-Cortez: A 28-Year-Old Democratic Giant Slayer (NYT, 6/27)
- Yes, She Is in Kansas: Ocasio-Cortez Makes Her National Campaign Debut (NYT, 7/20)

Since 2010?

- What would I say to her if she asked about antitrust since 2010?
- What advice would I give to any policy maker?
- What advice would I give to someone running far to the left?

My view: Platform *strategies*, not platform markets

- Firms choose whether to be two-sided or not.
- Microsoft:
 - 3-sided with respect to PCs (consumers, hardware, software)
 - 2-sided with respect to video games (only MS produces Xbox consoles).
- Palm
 - Originally produced OS, hardware and apps all by itself.
 - Eventually opened up to 3rd party apps.
 - Later, separated OS and hardware company.
- AOL offered most internet content itself.
- Some magazines do not sell advertisements.

Is anyone with me?!

- I claim Zhu's research for my cause!
- Seamans & Zhu study Amazon choosing which products to offer itself.
- Wen & Zhu study Google choosing which apps to include in Android.
- Theory side: See recent papers by Hagiu & Wright.
- Can the issues of Hagiu & Wright be built into Zhu's agenda?

Comments on Zhu

- Emphasize free vs paid more.
- Are updates real innovation or a form of marketing?

Weyl and coauthors

- Traces out the benefits of stronger consumer ownership of data.
- Income distribution.
- Sense of self.
- Is stronger data ownership equivalent to the question of data-as-labor vs. data-as-capital?

Market failure?

- Is there a market failure here?
- For example: No clear ownership of data could lead to poor exploitation.
- If ownership is clear, we might still achieve distributional benefits from a different allocation of ownership.
- Plus sense-of-self issues!

In practice?

- Google and Facebook sells data.
- Netflix exploits data directly.
- Is the prohibition on selling data or exploiting data?
- If we prohibit selling, are we encouraging integration?
- Can we prohibit exploitation, even within a firm?
 - Ex: Insurance companies.

Model markets?

- Financial institutions have data at least as valuable as on-line companies.
- And yet, we do not observe data selling.
- Why not?
- Health care industry has strict consumer ownership of data.
- Should we observe data-as-labor payments?

Generally:

- Paper focuses on markets with weak consumer ownership of data and heavy corporate exploitation.
- Can we learn more about these ideas from studying markets with strong consumer ownership and weak exploitation.

Tucker

What have we learned about network effects and market power in the last decade?

- 1 Network effects may lead to instability rather than entrenchment.
- 2 Network effects are local.
- 3 Network effects can be negative.

Agree or disagree?

- I agree on 2 and 3.
- But probably not on 1.
- Are the current big platform firms here to stay?
- Examples did not resonate for me.
 - Facebook displacing MySpace feels dated.
 - The failure of Google Plus feels like a counterexample.

Platform competition

- It seems that often the most significant competition in platform markets comes from adjacent markets.
 - Google Plus
 - Microsoft entering browser market.
 - Zhu research.
- Antitrust addresses this through the doctrine of *potential competition*.

Implication

Increase emphasis on role of potential competition in merger analysis.

Some famous network cases

- Microsoft foreclosed market for web-based applications.
- Comcast-Time Warner was opposed in part based on effect on video delivered over the Internet (over-the-top video services).
- Common thread: Harm was to nascent and arguably theoretical markets.

Implication?

Antitrust in network markets puts agencies in a position of speculating about markets that barely exist.

What to tell my student about how antitrust policy should evolve?

- Recognize the importance of the removal of potential competition in merger analysis.
- Protect data ownership because of equity issues.
- Networks can be quite local even for giant platforms, which affects our evaluation of market power.
- Recognize the importance of nascent markets in antitrust analysis of platform markets.