

Intelligence MEMOS



The C.D. Howe Institute's third Regent Debate recently addressed the question: should governments regulate Big Tech to protect the public interest? In today's Intelligence Memo, Melanie Aitken, Canada's former competition commissioner, and David Plouffe, head of policy and advocacy at the Chan Zuckerberg Initiative and a senior adviser in the Obama White House, offer their rebuttals.

Melanie Aitken: Listen, you know market power is not a dirty word. We absolutely celebrate the innovative energy that builds the better mousetrap, that launches the better Uber service.

But the difficulty is that market power, once acquired, grows rapidly and is durable. The challenge is to identify when it is abusing that power, when it is moving relentlessly in the direction of extinguishing competition and competitors and we see in the digital platforms that we have tripped that wire.

There is gateway power – the power to exclude to set the terms of play. There is leverage power, where we see the dominant platforms systematically excluding, weakening and denying access to their competitors, and we see the exercise of exploitative power.

We see the all-knowing platform owner using its asymmetrical information in order to identify, target and eliminate its competition.

We do need to respond and we do not need to abandon the incentive to profit, to encourage innovation, to urge people to make that new invention, to launch that new business.

What we need to do though is to harness that power and to protect innovation, because if we eliminate it through allowing these platforms to dominate, we will, make no mistake, eliminate innovation.

If we had innovation today, we would see different options in terms of protections for privacy. We don't. We see a unified assault on that principle. And so what we need to do – and I fully agree with my counterpart – that we need to be careful and surgical in creating these laws, we only intervene as a last resort. But it is essential. We have hit that tipping point, that inflection point is here.

David Plouffe: Obviously, we can all find data to support our views on market power, but I think there are a few recent developments that are interesting.

First of all, generically, you're most concerned about market power that turns into price gouging and really reducing consumer choice. And, if anything, you see a lot of the tech-based services – whether it's Amazon, or ride-sharing – consistently trying to keep prices down which makes goods more available and democratizes things like transportation and food delivery.

And I think that's really important. I think a lot of these services have brought more choice. And it's not just our urban areas like Toronto or San Francisco, rural areas, poor urban areas, have really been well served by this. And if you look at just today, Amazon announced it was closing up its restaurant delivery service because other players have emerged that are succeeding with more force and with more confidence.

Netflix is obviously under great competitive pressure now from Disney and others. You see a lot of pressure even in social media where particularly people under 25 are more and more often choosing not to sign up for Facebook. And I do think about what's happened in Europe around the GDPR – the EU's general data protection regulation – and I agree with a lot of the GDPR principles. Robert Atkinson mentioned what's happening to some of the venture investing, but you're also seeing a lot of smaller tech companies close up shop.

Because at the end of the day, when you are laying on huge compliance requirements, massive consumer outreach, when you do things like opt-in, you are putting a huge onus on smaller firms, firms that are less resourced. And obviously, the more established firms – the better resourced firms – are going to be able to engage in a form of regulatory arbitrage and be benefited from that.

So again I think the idea of we need to regulate big tech because they have too much market power sounds good, but I think when you dig in a little bit there's a different story and all tech companies are not the same. Amazon's different than Facebook. Facebook's different than Uber, which is different from Airbnb.

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