



# ARE GOOGLE AND FACEBOOK MONOPOLIES?

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*Introduction to Public Policy*  
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# IMPERFECT COMPETITION

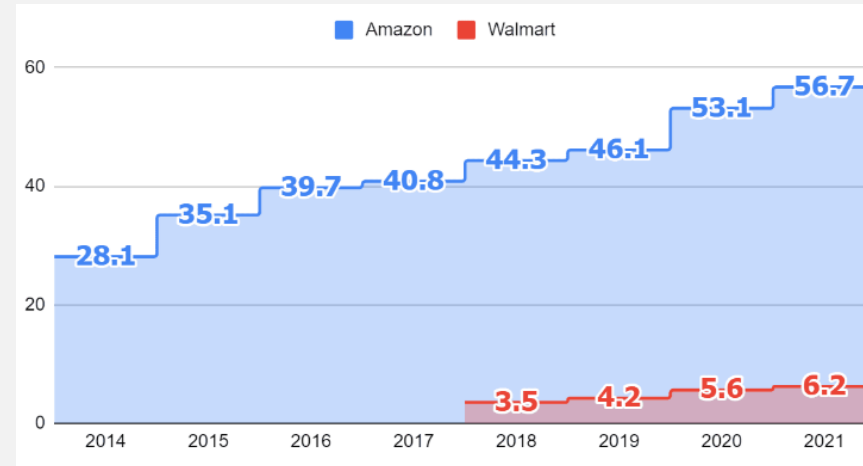
- Monopoly and oligopoly: Producers that control enough of the market to influence the price of goods and services
  - High barriers to entry: high research and regulatory costs to bring a drug to market
  - Natural monopolies: high fixed costs, for example a railroad network, so average costs are continually falling.
  - Monopolistic competition: competition through marketing and small differences between essentially identical goods and services (Coke and Pepsi)
- Solutions:
  - Competition laws to block mergers and acquisitions that reduce competition
  - Price regulation to prevent monopolists from earning exceptionally high profits
  - Public provision (water and sewage, irrigation systems)



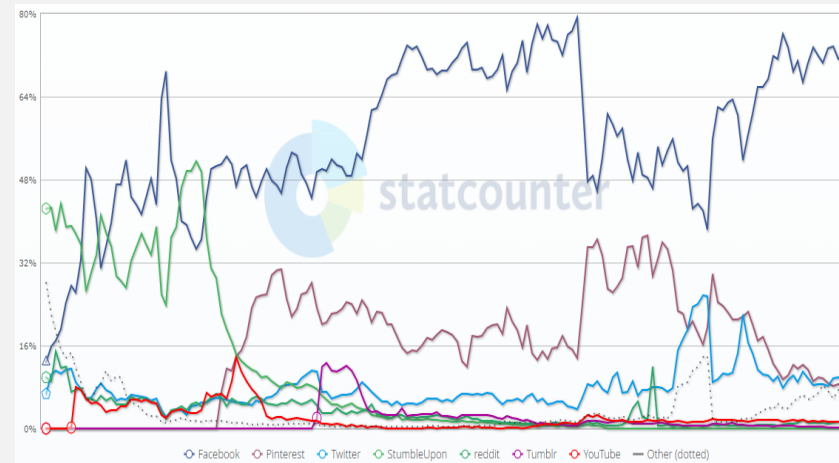
# BIG TECH AND MONOPOLY POWER

- Google, Facebook, Amazon, and Apple have changed the boundaries between the “marketplace” and “market player”
- Nearly 60% of online sales in the US were completed on Amazon in 2021—doubled since 2014.
- Facebook receives 64% US social media visits September 2022
- Google controls 92% of internet search market worldwide
- Apple controls 53% of the US smartphone market (2021) and more than half of revenue from mobile applications.

Amazon.com share of online sales



Facebook share of social media visits



# YOU ARE THE COMMODITY

- Big tech companies make money selling hardware, software, other goods and services, advertising, and user data
- Facebook, Google and Amazon collect information on users and deploy it to sell targeted ads.
- They create and acquire companies (Whatsapp, Instagram, Youtube) that provide new vehicles to collect user data, and developed free apps (maps, productivity software, photos)
- They aggregate news and information and present it to users based on reading habits, creating “filter bubbles” in which users only read articles that they are likely to agree with.
- Cambridge Analytica acquired personal data on 87 million Americans during the 2016 election campaign to target them with disinformation.





# GOVERNMENT HAS RARELY USED ANTI-COMPETITION LAW AGAINST BIG TECH

- 1998 US government sued Microsoft for using its domination of the market for computer operating systems to bundle its internet browser. Microsoft won.
- Big Tech argues that no one is forced to use their platforms, and that alternatives exist but are less popular
  - Network effects as a positive externality for users
  - Free services (Google and Facebook) and cheap prices (Amazon)
  - The advertising market is competitive and diverse (TV, radio, print, etc.)
- Opponents of Big Tech argue that they cannot be allowed to use their control of the marketplace to favor their own products and services
  - Facebook cannot both claim that it is delivering a positive externality to users and then monetize the data that they acquire as a monopolist
  - Amazon can use its market power to pressure its suppliers and steer customers to goods and services that earn higher profits
  - Google effectively sells data from search, photos, maps, docs



# QUESTION: IS BIG TECH ANTI-COMPETITIVE?

- Yes: Google and Facebook are monopolies that use their dominance of search and social media to earn super-profits and eliminate competitors. What actions should the government take to re-introduce competition into these markets?
- No: Google and Facebook deliver free or low-cost services to users, and new competitors emerge all the time. The technology industry is dynamic and we don't know if these companies will dominant for long.

