

CEPR Competition Policy RPN Webinar

Reinvigorating Antitrust: Citizens, not just Consumers

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FTC Chair **Lina Khan** has promoted a major effort to apply US antitrust laws as originally crafted, to pursue the interests of all citizens, workers, farmers, small businesses - and protect them from exploitation by corporate power. **Daron Acemoglu**, MIT and CEPR, has studied the dynamics of power and technology, and their impact on workers and democracy in multiple seminal contributions.

The conversation between these two superstars, moderated by **Cristina Caffarra**, University College London, looked at the role of antitrust as a key tool to keep corporate power in check, what economics is interesting and useful to regulators dealing with power today, and how to think of innovation and AI.

Webinar Transcript *(Transcript lightly edited for brevity and clarity)*

Tommaso Valletti: Introduction and Welcome

Cristina Caffarra

It is an incredible privilege and pleasure to host this conversation, a historic event, between two superstars, two rockstars, who really need no introduction. Lina Khan has been Chair of the FTC since 2021. She has major cases and policy initiatives under her belt - complaints against big tech, multiple merger challenges, mergers also abandoned but also a lot of focus on pharma, healthcare, with major results, groceries, hospitals, private equity, rental markets, labour, right to repair, data protection, AI and more. This list is incredible in such a short period of time. Daron Acemoglu is a superstar amongst economists, a celebrated academic, hugely respected in the profession because of the depth and the breadth of his work. He does serious theory, but he's also an economic historian. Hugely productive, he's written multiple bestsellers, including "Power and Progress" that we discussed here at CEPR last July. Now, there isn't a more exciting time to be involved in antitrust and regulation. And it keeps coming: in the last five days, we had the DOJ complaint against Apple in the US, just this morning the Commission announced a number of non-compliance investigations against a number of Big Tech companies. But it's not just Big Tech, the whole idea of antimonopoly is catching here now, civil society activists are pivoting to that narrative.

Both Daron and Lina have been thinking very deeply about issues such as power, fairness, innovation, ultimately democracy. So this is a unique opportunity to see how their thinking converges in this area. Enough from me, let me start with Lina. Welcome, Lina, it's delightful to have you. You and the generation of thinkers and enforcers which came into office with this Administration, which includes Jonathan Kanter & Tim Wu, have brought about a major change in posture and values to antitrust. You've been very clear you have been doing this in the context of the existing laws. But the change has been very visible in the vigor with which you pursue this, and

the values that you've been re-upping as the original purpose of antitrust. Again, fairness, freedom, liberty, equality. Of course there's been pushback by the predictable vested interest. But leaving that to one side, you have been at the core of the shift of antitrust into a key tool to protect and defend citizens, not just consumers. This is the title we used for this conversation. We used to talk about consumers, we're now talking about citizens, workers, small business, farmers, protecting them against the impact of corporate power. I want to give you the opportunity to discuss your vision for why corporate power is the right lens for antitrust, how does it translate into policymaking decisions and enforcement? And why wasn't our old economic idea of consumer welfare good enough? Over to you.

Lina Khan

Thanks so much for inviting me it's such a pleasure to be here in conversation with you and Daron. I'm really grateful to you for all of the conversations that you've been convening on these critical topics, which helped drive forward a lot of the momentum that we see in this area. So just to step back, in my current job I'm really guided by three goals. One is fidelity to the law and what the antitrust and antimonopoly laws are really about. Second is fidelity to the realities of how markets and our economy actually function. And third, is really fidelity to the public that we serve. I'll go through these one by one and share a little bit more.

So first, fidelity to the law. In the United States, the **antitrust and antimonopoly tradition have been founded on the idea that concentration of economic power threatens liberty and democracy**, much akin to how we recognise the concentrations of political power threatened these values. We have the Constitution as a document that sets out checks and balances in our sphere of political governance, to guard against that political concentration of power. The antitrust and antimonopoly laws were viewed as a complement to set out analogous principles in our commercial sphere. And at its root, there's a real deep insight here, which is that **freedom, real freedom requires freedom from state and private coercion**. So if somebody's living in a democracy in name, but in their day-to-day lives and their day-to-day economic relations and transactions they're being pushed around, they're being bullied, they're being coerced, they're being dictated to, that's not real liberty, right? And so if we're really going to be serious about achieving these values for our citizens, we need to guard against yes, concentration of political power, but also against concentration of economic power. That's the backdrop against which the antitrust laws were created and are enforced. At the FTC, we've gotten back to the text of the laws to say what do these laws really lay out for us? The FTC, for example, also enforces a prohibition against "unfair methods of competition". There were various times at which that word "unfair" was deleted or ignored. We take seriously the words that Congress wrote, and so we're reviving what that means. We've also gone back and looked at all of the legal precedents on the books, and found that in some cases, enforcers had been handicapping themselves in ways that were at odds with what the law really laid out. So across the board, we're really being faithful to the rule of law, making sure we're enforcing these laws aligned with what the text says what the legal precedent says.

Second, fidelity to the realities of how markets in our economy function. Over the last 40 years, the dominant paradigm for economic policymaking were premised on a set of theories and assumptions about how markets work, and how the economy works. And over the last 15 years, we've been grappling with the shortcomings of some of these assumptions, all the way back to the financial crisis to more recently, the COVID pandemic. These were shocks to the system that brought to the surface some of the gaps between our theories and the realities of how markets are functioning. And so, we at the FTC want to make sure that as we're enforcing the law,

promoting competition, fair competition in markets, we're doing so with a reality-based understanding of how markets function. Also, before I was a law enforcer, before I was an academic, I was a business journalist. And so, this gap between how people are functioning in markets, how markets are really functioning, and what the theories, including antitrust theory, says was really quite formative for me. Across our work at the FTC we're making sure that we're trying to understand our blind spots, we're continuing to hire broadly, which means drawing from labour economists, public finance, economists, technologists. As I see it, a lot of the momentum over the last decade was in fact driven by a broader subset of disciplines and subfields, interrogating questions of market power and monopoly power. When the labour economists and the macro economists started looking at these questions, it just provided a different vantage point. We want to make sure we're also scrutinising our own blind spots, learning from these other tools, other methodologies, be an economist be a technologist, really building interdisciplinary teams, really breaking down silos to make sure we're looking at problems with the benefits of a whole set of tools, and sophisticated methodologies.

And lastly, fidelity to the public that we serve. That means really going out across the country, hearing directly from the citizens that we serve, understanding, what are the biggest pain points in their day-to-day lives? How are they experiencing various markets? This means listening sessions. This means public dockets. We've heard from 1000s of people across the country, quite literally, we got several 1000s responses. After we laid out the proposed Merger Guidelines we had 1000s responses, we got over 22,000 comments in response to our non-compete rule. I just learned we got over 60,000 comments in response to our junk fees rule. So this is a broader citizenry that has been activated, that is engaging with the FTC. And that's really a great boost to our work.

Cristina Caffarra

This message, the notion that you are accessible and you are listening, is clearly landing. Antitrust had been traditionally between regulators and corporates. This inclusiveness, thinking of citizens in this way, is inspiring a lot of people and it's at the core of your message. Now I want to move to Daron. Daron, really the broader question for you is how do we economists ultimately engage with this agenda? How do we further this agenda? You write about the dynamics of power and technological progress, and one of the key messages that comes across from your recent book is this notion that technological progress that one may think about as something that "lifts all boats" and will benefit society as a whole, in reality doesn't automatically benefit everybody in a fair way, because there are no mechanisms for it to do so unless we deliberately create tools and regulations to increase fairness and to improve distribution from technological progress. Antitrust and what Lina is doing at the FTC is one such super powerful potential tools: an antitrust regulator has the power to reallocate the ownership of assets, to decide on the allocation of assets. How do you think about the connection between technology, progress, power, and ultimately, the role of regulators like Lina?

Daron Acemoglu

Thank you, Cristina. It's a great pleasure to be here, because I think this is a very important conversation. The agenda that Lina and others present is important, and for economists to be part of this conversation is also important. Thank you, Lina for giving such a clear articulation of the agenda. Lerner wrote in 1972 that economics gained the title of the Queen of Social Sciences by

choosing to solve political problems as the Stone Age - essentially, by ignoring issues of politics and power. Actually it's worse than that, I would say still much of the theory of regulation or the theory of public finance doesn't take these issues of power into account. And the main message of the book, "Power and Progress" is that when it comes to one of the most consequential decisions that a market economy can make, about technology and the direction of technology, power is also critical. The direction of technology is something very difficult to get our heads around, because market incentives are very, very complicated when it comes to that. Is it going to be nuclear power generators or nuclear weapons? Is it going to be tools for protecting citizens and their privacy? Or is it going to be tools for surveillance? Is it going to be tools that rob people of agency or actually boost their agency? And even if you're a full throated believer in the efficiency of markets in regular domains, I think it will take a much, much bigger leap to say that this direction is going to be completely seamlessly selected in an efficient manner by the market. Technology is not just a major engine of economic growth and productivity growth, it's also critically related to distribution and fairness. Many people recognise this, but one of the most beautiful articulation of it comes from HG Wells in 1819. His Time Machine where he says people think that technology and science are about the dominion of humans over nature, but it's really about the dominion of humans over other fellow humans. We cannot lose sight of this. In fact, we can go even much further. You know, famously, the biologist Theodosius Dobzhansky, said nothing in evolutionary biology makes sense, except in light of evolution; you could say that not much in social science makes sense, except as a power struggle. I don't mean power struggles in Marxist terms, I don't mean one class vs another, it's much more one group vs another, one company vs another. Elon Musk vs Sam Altman vs Mark Zuckerberg, we're dealing with hugely powerful individuals, and those power struggles are central.

So when we think about the organisation of the economy, when we're dealing with big corporations, should the agenda we focus on be whether it increases prices by 3%, or reduce prices by 3 %? What about implications for democracy? What about implications for misinformation, for how we function as citizens? I love the title that you chose for this conversation: citizens, instead of consumers. If you take this agenda of power in the social sciences, you want to think about citizens, not consumers. Exactly like Lina said. The founders of the Constitution were very much about this. Brandeis was very much about this, but the consumer welfare standards ignored it. But we really have to think about the direction of change. It's critical today, because we are at such a key juncture about the future of technology. And it's critical today, because we are dealing with corporations that are more powerful than any private corporation humanity has ever seen. So we really have to grapple with the questions of how do we design our institutions in this age? How do we think about the future of technology in this age? Power and the agenda that Lina mentioned are critical, but we need to go further, we'll talk about that in a second.

Cristina Caffarra

I love the way in which, as an economist, you put emphasis on power. As a practitioner of antitrust, this is a conversation that is not familiar, it is uncomfortable for antitrust economists, it is difficult to really get our heads around it. But it is spreading. Angus Deaton, who's a Nobel Prize, issued a paper just a couple of weeks ago, in which he says we need to focus on the role of power and says without an analysis of power, it is hard to understand much of modern capitalism.

Let me go back to Lina, I would like you to broaden the lens even further We are talking to a lot of economists at this event, not just antitrust economists but economists and regulators in multiple

fields, dealing with evidence around health policy, data, trade, growth, industrial strategy, and so on. To me what is significant about your thinking about power and antimonopoly is the idea that that these principles ought to be common to other fields of policy, of economic intervention. What is striking, when one comes to Washington these days, is that economic policy tools are not silos. Antimonopoly as a principle is not siloed and limited to antitrust, but it is also pervading other areas of policy from industrial policy to growth to trade. There is this notion of an “all of government” approach, which I find incredibly compelling relative to a European vision in which we are still very siloed. Would you care to comment on the way in which antimonopoly as a value is effectively transcending antitrust, and is part of a broader conversation?

Lina Khan

You're absolutely right that there is a real “whole of government” effort underway right now. Which means the rethinking that I mentioned has been happening in the antitrust and antimonopoly space is happening more broadly. This administration has been incredibly clear-eyed about the need to revisit outdated assumptions and theories, to update our policymaking paradigms based on the realities of how the world works today, learning from experiences over the last couple of decades. There's a general recognition that our approach to economic policy, our approach to trade policy, our retreat away from industrial policy over the last few decades, have created an economy that's much more unequal, and that's much more brittle. And so, across the board, there has been an effort to learn from that and to pivot. And to move past the assumption that allowing the government to take a hands-off approach to checking corporate power would create benefits, that would trickle down eventually, to workers and small businesses and communities. There's a recognition that that “trickle down” just hasn't happened, and across economic policymaking there is now an effort to update the paradigms. This is happening in trade. It's happening in industrial policy. And **at the heart of it is an antimonopoly vision of the role of fair competition.**

A couple of years ago, the President signed an Executive Order on competition, where he charged agencies across the Federal government to be actively thinking about ways that they could be further promoting fair competition. That means not just the Federal Trade Commission and the Justice Department, but it means the Defence department, it means the Agriculture Department, it means the Department of Transportation. And so there has been over the last few years a real effort to deepen our relationships, to deepen our partnerships to be sharing expertise. For the FTC in a very concrete way this means that when we we're reviewing a merger in the defence industrial base, we work very closely with our partners at the Department of Defence, where leaders over the last few years have become much more vocal about how consolidation in defence threatens not just competition values, but national security and resiliency in a more core way. We've also been in close touch with the Agriculture Department as they've been recognising how concentrated power at the level of meat packers and chicken processors creates huge asymmetries of power with farmers and ranchers that can then be abused. And so they've been looking to introduce rules of fair dealing, and we've been sharing our experience with them. There's just a lot of back and forth. These are muscles that are now being flexed much more regularly, to break down silos. That doesn't mean that there are not going to be areas of policy disagreement. But we want to make sure that we are resolving those questions in a clear-eyed way, so that if at any point competition needs to be subordinated to something else, then we do that consciously, in a clear-eyed way, rather than unwittingly with different parts of the Federal

that consciously, in a clear-eyed way, rather than unwittingly with different parts of the Federal government working at cross purposes.

We've been very focused over the last few months in particular around AI, and how we need to make sure that government agencies are rowing in the same direction. At the FTC in particular, we've been quite vocal about the need to call out the risks of the national champion model, where we've seen firms come out and say the best way for the US to stay ahead is for us to protect our domestic monopolies. Given the experience we've seen as a competition enforcer about the risks and hazards of that national champion approach, we've been wanting to make sure that we are clearly communicating that to other parts of the Federal government, especially when we hear various alarmist claims about the ways that open source and more open systems could come at the expense of safety or security or privacy. We want to make sure that those debates and discussions are happening in a rigorous way, in a fact-based way, and that we can bring our competition experience, our privacy experience, our data security experience to bear on that. I think the muscles that we've been building across agencies these last few years are now going to have a real opportunity to continue engaging as this debate on AI and the future of policymaking in this area continues.

Cristina Caffarra

We'll go back to AI towards the end. But I've also heard you recently speak along these lines in your recent appearance at the Carnegie Centre about the perils of national champions, you used Boeing as the example there. I also heard you and Tim Wu at a recent event on remedies in digital cases, talk about the way in which antitrust is industrial policy, for example when you think about intervention to restructure certain firms. The examples that are often given are AT&T, IBM, can you say a couple more words more about it.

Lina Khan

I think we see right now in a very clear way how competition policy is going to have to be a key complement to actually achieve certain industrial policy goals. So just to take a couple of examples. Right now there's a lot of government investment and support for small and medium size farming operations, a recognition that we need more competition in the agricultural space, that this is good for consumers, but it's also good ultimately for our supply chains and resiliency. As that investment is being done in small and medium sized business operations, in order for that vision to succeed, were these operations to actually become viable competitive players, we need to make sure that the existing monopolists are not able to use their muscle to squeeze out these firms. And so you need robust antitrust and competition policy to actually allow this vision of the market to take route and survive. I think, similarly, you're seeing investment right now in electric vehicle transportation, and there are going to be a lot of key questions around are these going to be markets that are open, that are interoperable? As we're handing out a lot of subsidies, are there going to be strings attached, that put these trajectories on a more open and competitive path, rather than a more closed and monopolistic path? **So if the industrial policy vision is one of government as a more active participant in market making, and market shaping, we need to make sure that our values and our vision around competition policy are wholly a part of that decision making, rather than us unwittingly creating and propping up monopolies,** as we're putting out a lot of subsidies and grants and investments. So that's one key part of the of the connection there.

The other key part is that as you noted, these major antitrust lawsuits that then result in major remedies can be critical. Inflection points for an entire industry: the Bell Labs example, when Bell Labs had to open up, that spurred decades of innovation. So as we see some of the existing antitrust lawsuits pan out and result in remedies, that will potentially be one opportunity as well.

Cristina Caffarra

This is a perfect point for Daron to jump in. on Shaping markets. As I mentioned one of the key messages of your book is that if you leave technology just to do its thing, it will do things that we don't necessarily like in terms of outcomes. Specifically you have concerns about concentrated power structures of markets in digital, you've said we really need to create incentives for technologies to be empowering workers, increasing worker productivity, empowering citizens, and we need regulation. What are your prescriptions in this space?

Daron Acemoglu

Well, let me actually first try to articulate why this is very difficult, and then I'll come back to prescriptions. And I can come back to how I see antitrust fitting into here. **There's a lot of overlap between what Lina said, and my view, which is that antitrust has to be part of a multipronged policy agenda.** Antitrust itself is not enough, but it's a critical part of it. Let's start with the case of social media. The current business model of social media tries to trigger emotional highs and outrage as a way of attaching people to platforms, and then monetizing their data. It's really bad for people's and especially teenagers' mental health, for the type of political conversations we have, it spreads misinformation and destroys shared agreements among people. It's bad for democratic citizenship. How do we deal with that? Meta/Facebook is one of the companies that really perfected this model and achieved very high digital ad revenue based on this model. Meta has also been abusing lax antitrust enforcement in the past, it was able to gobble up WhatsApp and Instagram. Now if you try say okay, let's break up Meta, that's not going to do anything to the business model. If you break up Meta into WhatsApp, Facebook, and Instagram, and they all continue to use the same business model that's not going to do anything fundamental to the mental health and the political crisis. In fact, it might make it worse, because some of these companies may become even more aggressive in their use of personal data once they are smaller, and they're trying to get more market share in the same way that Facebook was aggressive when it was trying to get market share. So we need to put this into a bigger policy framework about **how to redirect technological change.** It becomes a technological change and a business model question because you cannot solve the problem without changing the business model. The direction of technology is very important because we want tools that are not targeted at collecting data or algorithms that are maximising outrage or emotional cues. We want platforms that create better rules for people's personal development or the right type of reliable information sharing.

Now, the issues are even more severe when it comes to the things that I have spent even more of my time thinking about, which is the production process. My argument there has been that the way the tech industry is focused on automation has been a breeder of inequality. And this has been so while there are alternative directions, where you can invest in making people more productive, that would actually be pretty good for productivity growth, while leading to fairer, more equal outcomes. But again, the market process only sends very weak signals on this. And so you cannot correct this by saying, just let the competitive process be unleashed and this is going to solve the problems. We need to think more fundamentally: what is it that we want from the

market process? what is it that the market process can achieve? how can we channel that market process much better? We actually have a bit of a template for this, that we've sort of stumbled in, in some sense. Take the energy transition, there are debates but there's a broad agreement among most policymakers and informed citizenry that we need to have an energy transition. Very clearly, this is a technology problem. You also need antitrust because you have Big Oil that's going to be a barrier to this, you also need carbon taxes, but they also are not going to be enough by themselves. You need much more than that: you need regulations, that have been really a key part of redirecting technological change, for example in the electric vehicle sector; and you need direct subsidies so that you change the direction of technology because there is no hope of an energy transition unless you generate much more innovation in renewables and other non fossil fuel sources of energy. So just relying on antitrust isn't enough, just relying on carbon taxes isn't enough, just relying on regulations and just relying on subsidies will be very inefficient as well (innovation subsidies). You need a multipronged approach. And that requires **intellectual innovation**. It will require new institutions. But it requires a completely new set of conversations as well.

Cristina Caffarra

So, this is about really thinking in a joined up way, about tools that are complementary. I've heard you talk about the direction of innovation before, and this is a follow up question to you before I go back to Lina. You've been talking of your major concern about concentrated structures in tech is that the direction of innovation is set by these giants, that everything has to look like an app, which is monetized in one of three ways, unless we do something about it. And you talk about the need for policy innovation, the need for intellectual innovation. We're talking to economists, what could this policy engineering, this intellectual innovation look like? And what could be the role of an enforcer and a policymaker like Lina in coalescing these need for policy innovation?

Daron Acemoglu

Well, there are so many issues you're touching on Cristina, I would love to have another hour to talk about that. We cannot understand the direction of technology without factoring in the agendas of powerful people, and again that says something about power. **That is missing from economic analysis, from every part of economics.** You cannot understand why there is so much emphasis on automation unless you recognise that much of the tech sector, which has become very, very concentrated, is looking at the world from a particular lens: get humans out of the way and automate, it's okay to collect people's data because we're going to use that data for their good. It's a very top-down vision. Without understanding where that vision comes from, you cannot understand where technology is going. And you cannot understand what our missed opportunities are. So you have to put ideology into the mix too. That's another dimension of power, and economic policy has to grapple with that. How do we do that? Of course the market process is key for innovation. Government bureaucrats, however talented, are not going to be the innovators, you need the market for innovation. But the market's direction of innovation is not going to be by itself efficient or fair. You need that innovation process to be embedded in a regulatory framework that's holistic, that takes into account effects coming from power, from ideology, from market incentives, from the power of excessively large players. So we need to have a democratic debate for light-touch regulation, and democratic priorities on the direction of innovation to be transmitted to the market.

In the case of AI, we have to start from the realisation that it is both technically feasible, and socially desirable to have a much more pro human direction of AI, meaning **a direction of AI that actually empowers workers, empowers citizens and increases human agency**. That's a technical discussion, which often doesn't take place, because the technical discussion of AI is monopolised by a few people who say you don't understand AI if you're not in Silicon Valley. But we need a general democratic discussion on what is socially desirable, what is better than automate, automate, automate, what is better than just endlessly collecting data and manipulating people. It's better than sidelining humans. And once we do that, that's the big intellectual innovation we need to make. We want to push the market into a pro human direction, and the question is how we achieve that. It's got a political dimension, it's got an antitrust dimension, it has many other dimensions that we need to talk about.

Cristina Caffarra

Lina: Daron talks about the need for policy innovation and the need for thinking in a creative way beyond the bag of tools that we've inherited from the past. How do you see the role that you and the agency can play in convening this intellectual innovation? The discussion is really salient now.

Lina Khan

A couple of things really jumped out at me in what Daron just said from the perspective of the FTC. It's absolutely true that there is no inevitable trajectory of innovation, or no inevitable trajectory of how these tools and technologies are going to evolve. And I think across DC, there is a realisation that the posture the government generally had with the onset of web 2.0 was wrong: the idea that the best thing government could do is to sit back and get out of the way, because these markets were going to be so fast moving, so dynamic, that if there ever were to be any market power, or monopoly power, it would be instantly disciplined by entry in these super speed moving markets. There is a real recognition 20 years later that a lot of these assumptions were unfounded. We now have across the board, major lawsuits that are trying to now after the fact fix for some of those missed opportunities. Across the board, there is a realisation that we can't allow that same trajectory to evolve this time around, the government needs to be much more vigilant. That includes on the competition side, but it also the business model side. There was a decision through the 2000s, to sit back and allow firms to adopt behavioral ad-based business models. That meant that firms had endless incentive to Hoover up people's personal data, and monetize that in ways that has led to all sorts of downstream harms, including to the journalism industry. And so policymakers are in a much more assertive posture right now across government. We saw the President's Executive Order on artificial intelligence, really lay out that in key detail.

More generally, though, this point about innovation is true about competition more generally, right? There are a set of backdrop rules that determine what are the dimensions on which firms can or cannot compete. And this is where the FTC's work on the consumer protection side also ends up being relevant. So for example we enforce rules against deceptive advertising, which effectively means that firms cannot do deceptive advertising. But it also means that firms can't compete on who can best deceive their consumers, it is implicitly creating the dimension on which firms should compete versus should not compete. Similarly, we see with data privacy and data security, that some of these rules and this law enforcement should also help create the trajectory of where firms are competing and how they're devoting their talents and resources, to make sure that's happening in more productive ways, rather than predatory or exploitative. The FTC has

some limited tools on the antitrust side and on the consumer protection side, so this is where lawmakers and other agencies are going have to play a critical role. But we need to keep in mind that there is no inevitable outcome here, right, policymakers have an absolutely essential role to play to ensure we're learning from the past few decades and putting these technologies on a trajectory to create benefits for people while mitigating the predatory and exploitative aspects.

Cristina Caffarra

I want to ask you how you've been thinking about how digital firms compete - the question of ecosystems. We are now understanding that how firms compete is not market by market, in a targeted and narrow way. They just don't, and this is important in shaping how we address competition issues. The FTC has been pursuing cases in which at the core there is a concern around ecosystems and the way in which they protect themselves. Do you want to expand on that and how you think of it?

Lina Khan

The core insight here is that we can't just approach these tech platforms in a siloed way, we really need to step back and understand, what is the business model? What are the business strategies? How are these business models driving incentives? And how do we view any particular acquisition or any particular business practice in the context of that broader playbook? We've been doing that at the FTC across our work. We've been thinking around the prism of ecosystems. In the industrial era we saw that there were diseconomies of scale that hit at a certain stage when we had sprawling conglomerates. And that's when you saw that the divestitures, the spin offs, the breakups sometimes instituted by the companies themselves. I think there is an open question around at what stage, if at all, do those diseconomies of scale hit in digital markets, in terms of the self reinforcing advantages of data, the self reinforcing advantages of network effects. So there's a broader prism that we need to keep in mind as these firms are expanding into all of these adjacent markets, and sometimes using those adjacent markets to reinforce their primary positions. Thinking about it through that prism is incredibly important. The business model here, especially for firms that are premised on monetizing data, means a lot of these markets they're entering are being pursued with an eye to continuing to Hoover up data. The enormous profits that these firms are sometimes earning from their primary business means that they're able to endlessly finance entry into other markets in ways that sometimes distorts competition. If you have businesses or startups having to compete in a market where one of the existing incumbents is able to bring its monopoly profits from another market to bear, that can create interesting questions for us to be exploring as well. So across the board, we're taking a more holistic look, wanting to make sure we firmly understand how are these business strategies at the end of the day, affecting the markets of interest? And how can we be conscious and make sure that these modes are not being extended and doubled down upon, especially in these moments of technological transition and inflection that should otherwise be injecting more competition and injecting more disruption.

Cristina Caffarra

I want to spend the last few minutes going back to AI, because it's an area where both of you are very active. Daron you made a number of comments about AI at my conference: "tech systems led by tech entrepreneurs that are pushing in a very different direction, disempowering humans and

reducing human agency and this is a very pernicious development". What is your view for how we can somehow prevent this, or is it too late?

Daron Acemoglu

I don't think it's too late and this is a fantastic conversation precisely because organisations like the FTC are so important. Lina put it extremely well. And I think Lina, along with people like Jonathan Kanter and Tim Wu really could be the tip of the spear here for a new policy agenda to emerge. I think it's really helpful to have this discussion, because I think more and more young economists also need to be part of this agenda. You mentioned ecosystem, I think that's very, very important. And it's not something we are thinking about systematically in economics. I mean, I've been talking about business models, and how that shapes, technology trajectories. And that's what Lina also brilliantly articulated. But we don't have those as central parts of how we approach industrial organisation. So actually I would go one step further, I would say that, to me, antitrust is important, not because we need to reduce prices by another 5%. If that's all that antitrust was about I would not care about it. **Antitrust is important because it has the power to disrupt ecosystems that are pushing us in the wrong direction, it has the power to change business models, from pernicious ones to more beneficial ones.** And in the case of AI, we need innovations in the direction of the technology. That's where antitrust is very important, because as long as a few companies that have already their business models set and dominate their ecosystem, rule supreme, that's not going to happen. But that also immediately highlights that you need complementary policies, for example, Lina also extremely clearly articulated what's wrong with digital ad business models, we can have an obvious tools to deal with it: digital ad taxes. We can actually tax revenues made from digital ads, like an excise tax, and that would create room for alternative business models based on subscriptions, based on voluntary contributions, such as Wikipedia, or other models that that could emerge. We have tax policy distortions that have taken shape over the last 40 years where we are massively subsidising automation and computerization, and we're taxing human labour. We are heading towards an AI economy where data is going to be the lifeblood. But do we have a way to fairly and efficiently compensate people to create high quality data? No, we have created an ecosystem again, where data is up for grabs, taken for free, which then means that nobody has incentives to create high quality data. So, we need an infrastructure for creating data markets. And that's a very different problem, because it's obviously not going to be one where data is like cups of coffee, I have my own cup of coffee, data is shared, data is social. My data is about your information. We need some sort of new architecture where you **have collective ownership of data.** And in all of this the institutional dimension is key. For example, when it comes to production technologies, how can you have the right direction for production technologies without labour having a voice. People are affected by these technologies, you cannot sideline them. And just like in my discussion of energy, we need **direct subsidies to more socially beneficial directions once we identify them. And we agree on what they are.** So again **more democratic discussion of the direction of technology.** But I'm really, really excited by this incredible conversation, because I think one of the most important agencies in the United States is really thinking about these problems, and I think can really be a trigger for the rest of the government to take these issues much more seriously.

Cristina Caffarra

This is great. Lina you have the last few minutes. I know that on AI you are you being a part of pioneering a “careful look” at what's going on in this industry. You're concerned about grandfathering of market power by the usual suspects.

Lina Khan

This has just been such a rich discussion. I know there are a lot of economists on the call. I think the economics research that we've seen over the last decade has truly helped propel a lot of these discussions forward, but I think we need continued engagement with a lot of the questions that have been teed up here, really grappling with the core of what is the reality of how market power and monopoly power is being exercised. What are the different ways that nodes of dependencies can be exploited when you have some of these firms? They are sprawling across so many different markets. On the AI front, at the FTC, we're really focused on layer-by-layer. What are the key bottlenecks and choke points that are emerging? What is the reason that we're seeing those bottlenecks? Is it supply constraints? Is it network externalities that are going to risk grandfathering in some of the existing monopoly power? We're also thinking hard about what is the right liability regime here? And so is this going to be a regime where we're going to be stuck playing whack-a-mole of all the fly-by-night fraudsters and scammers? Or is there a way to align capability and resources and knowledge with liability, so it's actually the actors that have the information and power and resources to stop the mess on the front end, to prevent it as opposed to letting all these tools out in the wild, and then it being up to an underresourced civil society, underresourced agencies, underresourced academics to do the cleanup? This is a really key question: aligning liability with ability and responsibility and resources. And then lastly, we're continuing to think about business models and remedies. If large language models are going to be another engine, that's going to incentivize the endless hoovering up of personal data, what does that mean for people's privacy? What does that mean for people's data security? And how can we be thinking about these issues on the front end, as some of these tools and technologies are more nascent, rather than a decade from now being left doing the cleanup. So just really grateful for this conversation, really grateful for the fantastic thinking and research and scholarship. I think finding ways for enforcers and policymakers to be in more real time conversation with the research community to be helping issue spot or where there are still gaps, where we need more help, is going to be really great.

Cristina Caffarra

Fantastic, I'll pass onto Tommaso for the final goodbye. I cannot tell you how grateful I am to both of you. I think this conversation was amazing. A lot of common terrain, you Daron mentioned young economists who are interested in making a contribution. This kind of conversation is intended really to inspire people to say there is stuff to do, let's do it. So, I'm enormously thankful to both of you, Thank you again.

Tommaso Valletti

Thank you Cristina, thank you Lina and Daron, it's been a very exciting conversation. We are asking fundamental questions about how do we want to live, how do we put our fundamental values back at the centre, and only at that point we can ask what is competition policy doing. Final observation as I was listening to you I was thinking about how reasonable Lina sounds, and how radical Daron sounds, which is the opposite of the perception in some antitrust circles... Thanks again everybody!