Antitrust and Innovation: What the Alarmists Get Wrong

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Big Business is Under Attack: “Brandeisianism” is Back

“America has got into the habit of giving the benefit of the doubt to big business.”

—The Economist
# Anti-Trust and Economic Doctrines

<table>
<thead>
<tr>
<th>Major Goal</th>
<th>Populist</th>
<th>Chicago</th>
<th>Post-Chicago</th>
<th>Innovation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fairness for consumers</td>
<td>Allocation efficiency</td>
<td>Allocation efficiency</td>
<td>Innovation, productivity, and global competitiveness</td>
<td></td>
</tr>
<tr>
<td>Temporal focus</td>
<td>Short-term</td>
<td>Short-term</td>
<td>Short-term</td>
<td>Longer-term</td>
</tr>
<tr>
<td>Scope of competition</td>
<td>National</td>
<td>Irrelevant</td>
<td>National</td>
<td>Global</td>
</tr>
<tr>
<td>View of Inter-firm collaboration</td>
<td>Suspect as anti-competitive Collusion</td>
<td>Okay, except for price fixing and other egregious practices</td>
<td>Suspect as anti-competitive Collusion</td>
<td>Can be a way for firms to address collective action challenges</td>
</tr>
<tr>
<td>Source of market power and rule</td>
<td>Unfair and exclusionary practices (per-se exclusions)</td>
<td>Firms' superior performance, or government interference (rule of reason)</td>
<td>Unfair and exclusionary practices, natural monopoly (both per-se and rule of reason)</td>
<td>Unfair practices, superior firm performance, and natural monopoly (mostly rule of reason)</td>
</tr>
<tr>
<td>Barriers to entry</td>
<td>High</td>
<td>Low or non-existent</td>
<td>Often moderate or high</td>
<td>Depends on the industry, but innovation can lead to dramatic entry and transformation</td>
</tr>
</tbody>
</table>
Innovation Industries Are Not Widget Industries
Two Kinds of Innovation Industries

- R&D Industries

- Network Industries
Competition and R&D Industries

- Role of Schumpeterarian Competition:

- Competition and the Inverted U: Arrow vs. Schumpeter
Competition and Network Industries

- There’s a reason for concentration in network industries.

- Relevant competition, at least for free services, is the ad market, not the service itself.
Role for Competition Authorities

- Continue to recognize that from a competition perspective that innovation industries often have distinct economic characteristics that require distinct approach to competition policy.

- To the extent action is needed, focus should be largely on conduct, rather than performance.

- In merger review, consider global competition factors.
Thank You!

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