Should big technology firms be regulated like public utilities to avoid the 'curse of bigness'?

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Introduction

The use of big technology firms, such as Amazon, TikTok and Google, has become an essential part of people's lives, changing how we shop, socialise and obtain information. These firms appeal to and benefit consumers by offering cheap goods or services and (typically) greater customer support. For example, in most places worldwide, taking an Uber is cheaper than taking a local taxi. According to data, London has the most expensive taxis in the UK; the average taxi fare per kilometre is £3.73, while the same kilometre in an Uber is a mere £0.78 (Johnson, 2019). Even in Belfast – the cheapest city in the UK in which to take a taxi – the average taxi fare per kilometre is £0.87 compared to an Uber fare of £0.68 per kilometre (Johnson, 2019). However, as big technology firms develop and encroach on our lives to an ever-greater degree, the 'curse of bigness' has become a genuine and mounting concern.

This essay addresses the debate about whether big technology firms should be regulated. In the first part, the essay defines the 'curse of bigness', before focusing on both the benefits big technology firms offer and examples of the negative consequences engendered by a lack of regulation. It then discusses whether big technology firms should be regulated like public utilities before concluding.

According to data from *Research Briefing* (Francis-Devine et al., 2023), consumer price inflation increased in many countries around the world in 2021 and 2022. Annual inflation in the UK peaked at a 41-year high of 11.1% in October 2022.

Moreover, in February 2023, the annual inflation rate was 8.5% in the Eurozone, 10.4% in the UK, and 5.3% in the US. High inflation leads to a reduction in real terms of people's incomes. According to Office for Budget Responsibility 's forecast, between 2022 and 2023, the real income of families in the UK after tax will decline by 4.3%. In this situation, it is unlikely that people will maintain their previous levels of daily consumption; thus, big technology firms, like Amazon, which can provide cheaper alternatives, are a tempting choice to help people save money, offsetting the effect of inflation. According to data from *Charged Retail* (Cameron, 2022), Amazon offers cheaper-priced goods across essential categories, with home goods, for instance, 12% cheaper than other retailers. Bearing in mind the cost of travelling to physical shops and markets, customers can save money when they buy more than £75 of home goods with Amazon. Additionally, with Amazon Prime, customers get free delivery on most products as well as free access to other services, such as music and video streaming.

The big technology firms also can ameliorate the impact of inflation through capital investment. According to Mandel and Long (2021), capital investment can increase supply. In a supply-and-demand curve, when supply rises but demand remains the same, the price of goods falls until a balance is (re)established.

Furthermore, big technology firms can boost economies by offering employment opportunities. For example, Taobao, a popular online shopping platform in China, provided more than 4.68 million jobs in 2014 (Chen, 2016).

Additionally, according to data from the vice president of worldwide economic development at Amazon (Sullivan, 2021)，from January 2020 to August 2021,

Amazon created more than 400,000 jobs in the United States through investment in delivery stations, fulfilment centres, physical retail stores and more. To further illustrate the benefits big technology firms can render, since 2010, Amazon's investments have contributed more than $499 billion to US gross domestic product (Sullivan, 2021). Big technology firms develop new markets leading to job creation, which can reduce the number of unemployed and increase the tax revenue governments receive.

Big technology firms offer customers more choice. In the example given in the introduction, of Ubers versus local taxis, the existence of Uber gives customers another option; they can then choose the cheapest way to travel. Similarly, Amazon allows customers to search for their desired products and compare prices from different online sellers, again allowing them to make the cheapest choice. The only downside of online shopping is because customers cannot see or handle the real goods, they are reliant on pictures and detailed descriptions that might not be representative. Additionally, they might be shipped the wrong product. However, most goods can be returned within a certain time period. For example, according to Amazon's return policy, customers can return their goods within 14 days of receipt for any reason.

The 'curse of bigness'

The 'curse of bigness' describes the negative consequences of economic and political rights, focusing on big companies. The term the 'curse of bigness' was first coined by Louis Brandeis in a Harper's Magazine article published in 1913 (Axios, 2018). The curse is applicable to all industries, not just the technology sector.

Negative consequences

Without regulation, big technology firms are liable to collect their clients' personal data, which can then be analysed in order to sell products that better

match clients' preferences. According to a CNN report, Pinduoduo, another famous online shopping platform in China, added malware to their app that could access users' contacts, locations, calendars, photo albums and notifications without their permission (Liu & Yong Xiong, 2023). Experts claimed that the malware could also change individuals' system settings and access recordings of users' conversations and their social media accounts (Liu & Yong Xiong, 2023). Amid these reports, Google removed the Pinduoduo app from its Play store in March 2023. According to data, as of 31st March 2022, there were 881.9 million active consumers in the Chinese retail market; almost 60% of people in China use Pinduoduo (China Internet Watch, 2022). This is an example of how big technology firms act in their own interests in the absence of robust regulation. This behaviour violates personal privacy and contravenes Chinese law.

Another example of firms acting in their own interests rather than for the greater good is an app store when a big technology firm's store holds a dominant position within the market. Based on Bostoen and Mândrescu's (2020) perspective, the Apple store is a noteworthy case study. Like many other platforms, the Apple store provides a platform for program developers where they can upload their apps for iPhone users' perusal. In return, Apple take a percentage of the money developers earn from download fees and money spent in the app. Because of the closed nature of the Apple ecosystem, their app store has almost 100% of the iPhone user market. Furthermore, they are not threatened by competing app stores because the iOS system does not allow third-party software access. Apple phones have some apps pre-installed, which cannot be deleted, namely, the wallet and health apps. The Apple Pay is the only app that can use the iPhone's near-field communication (NFC) chip until now, because Apple has not authorized apps to use their NFC chip (Bostoen and Mândrescu, 2020). Their health app is the iOS system's default option, thus gaining first access to that particular market. The case of Spotify versus Apple

clearly demonstrates the consequences of the Apple store operating in uncompetitive conditions. Apple proposed charging a 30% surcharge on music streaming subscriptions other than for their own in-house service. This fee was considered discriminatory. Apple did not allow Spotify to bypass their app store and charge by other modes to avoid this charge. To avoid paying Apple's 30% surcharge, Spotify in May 2016 was obliged to disable in-app purchasing and make it harder for iPhone users to subscribe to Spotify.

Regulate big technology firms like public utilities?

As evidenced by the case of Pinduoduo, without active regulation, fears pertaining to the 'curse of bigness' may be realised. So regulating big technology firms like public utilities is necessary. However, considering that these big technology companies can provide lower-priced goods and services and boost economies, regulation must be sensitive. If a country's regulations are too stringent and big technology companies cannot turn a profit, they may reduce or even abandon investment in the territory, resulting in job losses and hampered economic development. Therefore, regulation should be carefully considered. It is necessary to guard against these companies creating monopolies and ensure that they do not violate personal privacy by collecting personal data without affecting their innovation and the various benefits they offer markets and consumers.

Policy

Strowell and Vertoge (2017) assert that the European Union's Competition Authority takes a dim view of online platforms' power to accumulate data and the rapidity with which they do so. It ignores the market power of companies that collect data in exchange for free services. Firms claim ownership of any data they come into contact with and the right to use or transfer that data without restriction (McNamee, 2020). Just like the example of Pinduoduo,

collected data are analysed by big technology companies in order to sell products and services that better match consumers' personal preferences. The problems here are twofold: first, the customer does not fully know what elements of their personal details are being used when, how and who by. Second, there is a danger that companies will sell consumers' data for profit. Therefore, it is necessary to demand that companies explain how they use and profit from the data they collect and ensure that collection and use are legal.

Governments can order a big technology company to separate some of its businesses to avoid monopolies forming, and thus perhaps avoid 'the curse of bigness'. McNamee (2020) thinks that the 'curse of bigness', reduces consumers', suppliers' and communities' autonomy. Without competition, big technology firms have no incentive to stop their negative behaviour, and customers have no option to purchase products and services elsewhere. He points out that every major technology wave can be linked to an antitrust action, beginning with the Justice Department's consent decree pertaining to AT&T in 1956, which separated the computer industry from the telecommunications industry and placed transistors in the public domain (McNamee, 2020). But it should be the last resort if other regulatory methods prove futile.

An alternative regulatory method would be to establish a platform where companies can share customers' data with each other. This would enable new entrants to compete more fairly and prevent a single big technology company from taking all the customers, thereby avoiding a monopoly.

Another option is to establish regulatory bodies to legally compel enterprises with monopolistic tendencies to stop their behaviour, as the European Union has (Strowell & Vertoge, 2017). This agency can also be used to protect consumer rights from infringement, protect personal privacy and monitor whether companies with dominant market positions, like Apple, are

monopolistic.

Conclusion

Concerns regarding whether big technology firms will become monopolies in the future are relevant.

Without regulation, e-commerce platforms would, like Apple's app store, become dominant through their products and technology, thus crowding out all competitors. In the absence of competition, these technology giants could control the entire market, from restricting other companies from using their technology (as seen with Apple's NFC chip for mobile phones) and charging different fees to other companies using their platform with for the same business (as happened in the aforementioned case of Apple versus Spotify).

But those same big technology firms can also benefit people and countries, so what type of regulatory methods are suitable is a complex question.

Big technology companies' cheaper products and services not only benefit consumers in current period of high inflation by easing economic pressures but also in the long term by offering consumers a diverse choice of goods from all over the world, more convenient service (home delivery and returns) and cheaper prices (for example, Uber in comparison to local taxis). Plus they increase competition, which can result in lower prices, because when given a choice, consumers tend to prefer less expensive options.

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