

R2R

We affirm, resolved: the United States federal government should enforce antitrust regulations on technology giants.

Our sole point of contention is disruptive innovation.

Today, just about four technology companies control almost all of the market. As the Guardian reports in 2018: 90% of internet searches are via Google, and 94% of young people who use social media have a Facebook profile. Just 1% of smartphones use an operating system that isn't iOS or Android – made by Apple and Google.

The tech giants retain this domination by crushing their competitors, a violation of antitrust laws. This is because startups who would like to compete with the tech giants rely on venture capital funding. However, the tech giants have scared venture capitalists away, depriving startups of critical funding. The Economist reports that it has become harder for startups to secure initial financing. In 2017, it decreased by around 22% from 2012.

This is for two reasons.

First, big tech rips start-ups off.

Journalist Asher Schechter writes in a 2018 article for the Stigler Center: The Big Five tech companies have made over 436 acquisitions in the last decade, with no challenge from antitrust authorities.

Venture capitalists lose lots of money when the startups they back get bought out by tech giants, who then bully those startups into bad deals. Tech analyst Cory Doctorow reports in 2018: investors say that their companies have been summoned to acquisition meetings with tech giants who ordered them to take a lowball offer or be exterminated by the giant.

Second, big tech crushes start ups.

Schechter writes: when startups refuse to sell, they find themselves facing an unlevel playing field. Snapchat, which turned down a \$3 billion acquisition offer from Facebook in 2013, is a case in point. After it failed to acquire Snapchat, Facebook simply cloned many of Snapchat's key features, using its vast reach to *completely* undercut its growth. Investors and entrepreneurs are now wary of entering into direct competition with giants like Google and Facebook, who can destroy their profits.

Startups cannot hope to compete with the tech giants without venture capital funding. As a result, Schechter finds: The rise of digital platforms has been correlated with a historic decline in startups: new

business formation in the US has declined by more than 40 percent since the late 1970s and is near a 40-year low.

This leaves the tech giants as the only major tech companies in town, which hurts disruptive innovation. Innovators magazine explains in 2019: when companies are dominant, they have a need to protect their market. Their focus moves from disruptive innovation to incremental innovation. Corporations are great at killing “bad” ideas. The problem is that disruptive ideas at first seem bad. Renting out an airbed does not sound like a great idea, but today AirBnB overshadows some of the world’s largest hotel groups. There’s no culture of supporting bad ideas, but there’s a culture of killing them. This creates a situation in which employees don’t want to share ideas anymore.

You can see how big companies kill innovation by looking at Google and the field of robotics. Jonathan Tepper writes in Bloomberg Magazine: In 2013 Google acquired eight, cutting-edge, robotics companies to create a new robotics division. It turned into a disaster. Over time, Google shut many of the companies down and the top researchers left. Google wasn’t a robotics company, it was in the business of selling internet ads.

We need to rein in the tech giants so they don’t stamp out startups that produce the groundbreaking innovations. Just look to history. Charles Duhigg writes in the New York Times in 2018: Condemning Microsoft as a monopoly is why Google exists today. As Microsoft lived under government scrutiny, employees abandoned what had been internal discussions about crushing a young, emerging competitor — Google. There had been conjectures about reprogramming Microsoft’s web browser so that anytime people typed in “Google,” they would be redirected. Microsoft was so powerful, and Google so new, that the young search engine could have been killed off, and we are all thankful that today we can use Google instead of Bing.

Disruptive technologies will be the cornerstone of economic growth. A 2013 Mckinsey company report analyzed the potential impact of 12 disruptive technologies, including advanced robotics and energy-saving technology: could have a potential economic impact between \$14 trillion and \$33 trillion a year.

Because startups are the way to unlocking these gains, and not the tech giants, we affirm.

1. Bureaucracy

Wu 18 Tim Wu [policy advocate, professor at Columbia Law School, and a contributing opinion writer for *The New York Times*. He worked on competition policy in the Obama White House and the Federal Trade Commission, served as senior enforcement counsel at the New York Office of the Attorney General, and worked at the Supreme Court for Justice Stephen Breyer], 2018, “The Curse of Bigness: Antitrust in the New Gilded Age,” *Columbia Global Reports*, Pages 69-70 //DF

Let us examine this question carefully. It is true that a large factory, operating at volume, will usually produce goods at lower cost than a mom-and-pop operation. That’s why cars are produced on large assembly lines, not at the neighborhood craft automobile manufacturer. It is something also witnessed in the tech world. In the age of Amazon and Google it often seems that the company which has the most servers or collects the most data necessarily has the better product. But the economics of the last century have made it clear that the basic proposition – that bigger is better – is subject to both limitations and caveats that make the full picture complex. **First, at some point, economies of scale “run out” – that is, increasing in size no longer creates further efficiencies. A car plant needs to be a certain size to be efficient.** That point varies by product and industry. Making pizza efficiently requires little more than an industrial oven, giving a massive operation no efficiency advantage over a neighborhood store. The advantages, if any, are those related to size, power, reputation, and so on—compare the Domino’s chain to the local pizzeria—but are not actually related to the ability to make a better product. The size problem is made more complex by two more factors. One is that as the size of the operation increases, “dis-economies” of scale begin to creep in, as economists since Alfred Marshall in the 1920s have suggested. For example, as a firm adds more and more employees, it needs to add more managers, and ever-more complex systems of internal control, which tend, at some point, to begin making the firm less efficient. Managers in larger firms may start to yield to the temptations of seeking their own personal enrichment and power as opposed to the interests of the firm. Sometimes great size yields a short-term advantage, but creates “dynamic” disadvantages: A larger firm may also become cumbersome, unable to adapt to changing market conditions. Consider that General Motors was thought a paragon of efficiency in the 1950s, but by the 1980s had become an unwieldy monster that eventually went bankrupt. Hence the premise that productive efficiency usually has a U-shaped relationship with scale, as pictured here. This is the curse of bigness illustrated. The point is intuitive to anyone who has actually worked in an enormous organization of some age and wondered where the phrase “efficiencies of scale” could have come from. As business tycoon T. Boone Pickens once put it, “It’s unusual to find a large corporation that’s efficient. I know about economies of scale and all the other advantages that are supposed to come with size. But when you get an inside look, it’s easy to see how inefficient big business really is.”

2. Incremental

Fundamental to their strategy because they don’t want to be unseated

Innovation is key to economic growth

The entrenched market positions of big tech companies reduce the pressure on them to innovate. Jonathan Tepper writes in his 2018 book, *Monopolies and the Death of Capitalism: When monopolists stamp out startups, they kill productivity in the economy*. In fact, if you look at the decline in high-growth entrepreneurship in high tech, it coincides with the decline in aggregate productivity growth in the sector. In 2013, Google acquired eight of the most innovative robotics companies to create a robotics division. It turned into a disaster. Over time, Google shut many of the companies down and the top researchers left, since Google was really in the business of selling internet ads. Indeed, Frederic Scherer of Harvard University has examined the patents of monopolists and shown that as firms become dominant, the number of important patents declines.

Duhigg writes: there is no better method for keeping the marketplace constructive and creative than a legal system that intervenes whenever a company, no matter how beloved, grows so large as to blot out the sun. If you love Google, you should hope the government sues it for antitrust offenses — and you should hope it happens soon, because who knows what wondrous new creations are waiting patiently in the wings.

Thus, we affirm.

Cut Card

We affirm, resolved: the United States federal government should enforce antitrust regulations on technology giants.

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Cable 18 Vince Cable [Vince Cable is leader of the Liberal Democrats and former secretary of state for business], 4-1-2018, "The tech titans must have their monopoly broken – and this is how we do it," Guardian,

[https://www.theguardian.com/commentisfree/2018/apr/20/tech-monopoly-apple-facebook-data-extreme-content?utm_source=esp&utm_medium=Email&utm_campaign=GU+Today+USA+-+Collections+2017&utm_term=272129&subid=4050296&CMP=GT_US_collection.\[6.05.2018\]](https://www.theguardian.com/commentisfree/2018/apr/20/tech-monopoly-apple-facebook-data-extreme-content?utm_source=esp&utm_medium=Email&utm_campaign=GU+Today+USA+-+Collections+2017&utm_term=272129&subid=4050296&CMP=GT_US_collection.[6.05.2018])

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Data is the new oil. Just as John D Rockefeller's Standard Oil swept up the spoils of the – initially competitive – oil rush, the future of the internet will be shaped by a handful of tech titans, including Google, Apple, Facebook, Amazon and their Chinese equivalents Tencent, Alibaba and Baidu. **Today, around 90% of internet searches are via Google, and 94% of young people who use social media have a Facebook profile. Just 1% of smartphones use an operating system that isn't iOS or Android – made by Apple and Google.** But the challenge we now face has one key difference to that posed by the oil barons. Rather than price-fixing, many of the tech titans provide a largely "free" service to the public. Facebook and Google don't make most of their money through selling services to users, but through advertising. Amazon and Apple, meanwhile, do make money the traditional way, but corner their markets through other means, by squeezing suppliers in the former case or locking in users through software and hardware exclusivity in the latter. So why do these new monopolies pose a problem?

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2018, "American tech giants are making life tough for startups," Economist,

<https://www.economist.com/business/2018/06/02/american-tech-giants-are-making-life-tough-for-startups> (NK)

The behemoths' annual conferences, held to announce new tools, features, and acquisitions, always "send shock waves of fear through entrepreneurs", says Mike Driscoll, a partner at Data Collective, an investment firm. "Venture capitalists attend to see which of their companies are going to get killed next." But anxiety about the tech giants on the part of startups and their investors goes much deeper than such events. Venture capitalists, such as Albert Wenger of Union Square Ventures, who was an early investor in Twitter, now talk of a "kill-zone" around the giants. Once a young firm enters, it can be extremely difficult to survive. Tech giants try to squash startups by copying them, or they pay to scoop them up early to eliminate a threat. The idea of a kill-zone may bring to mind Microsoft's long reign in the 1990s, as it embraced a strategy of "embrace, extend and extinguish" and tried to intimidate startups from entering its domain. But entrepreneurs' and venture capitalists' concerns are striking because for a long while afterwards, startups had free rein. In 2014 *The Economist* likened the proliferation of startups to the Cambrian explosion: software made running a startup cheaper than ever and opportunities seemed abundant. Today, less so. Anything having to do with the consumer internet is perceived as dangerous, because of the dominance of Amazon, Facebook and Google (owned by Alphabet). Venture capitalists are wary of backing startups in online search, social media, mobile and e-commerce. It has become harder for startups to secure a first financing round. According to Pitchbook, a research company, **in 2017 the number of these rounds were down by around 22% from 2012 (see chart). The wariness comes from seeing what happens to startups when they enter the kill-zone, either deliberately or accidentally.** Snap is the most prominent example; after Snap rebuffed Facebook's attempts to buy the firm in 2013, for \$3bn, Facebook cloned many of its successful features and has put a damper on its growth. A less known example is Life on Air, which launched Meerkat, a live video-streaming app, in 2015. It was obliterated when Twitter acquired and promoted a competing app, Periscope. Life on Air shut Meerkat down and launched a different app, called Houseparty, which offered group video chats. This briefly gained prominence, but was then copied by Facebook, seizing users and attention away from the startup. The kill-zone operates in business software ("enterprise" in the lingo) as well, with the shadows of Microsoft, Amazon and Alphabet looming large. Amazon's cloud service, Amazon Web Services (AWS), has labelled many startups as "partners", only to copy their functionality and offer them as a cheap or free service. A giant pushing into a startup's territory, while controlling the platform that startup depends on for distribution, makes life tricky. For example, Elastic, a data-management firm, lost sales after AWS launched a competitor, Elasticsearch, in 2015. Even if giants do not copy startups outright, they can dent their prospects. Last year Amazon bought Whole Foods Market, a grocer, for \$13.7bn. Blue Apron, a meal-delivery startup that was preparing to go public, was suddenly perceived as unappetising, as expectations mounted that Amazon would push into the space. This phenomenon is not limited to young firms: recently Facebook announced it was moving into online dating, causing the share price of Match Group, which went public in 2015, to plummet by 22% that day.

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Asher Schechter [Writer and editor, ProMarket. As a journalist, he has mostly covered issues related to the intersection between politics and the economy, such as antitrust, corruption, lobbying and social movements], 5-25-2018, "Google and Facebook's "Kill Zone": "We've Taken the Focus Off of Rewarding Genius and Innovation to Rewarding Capital and Scale" -, " Pro Market: the blog of the Stigler Center at

the University of Chicago Booth School of Business,

<https://promarket.org/google-facebooks-kill-zone-weve-taken-focus-off-rewarding-genius-innovation-rewarding-capital-scale/> //DF

“If you provide great content in one of these categories that is lucrative to Google, and seen as potentially threatening, they will snuff you out,” added Stoppelman. “They will make you disappear. They will bury you.” The sentiment that **startups effectively have no chance of competing against the “Big Five” tech giants—Alphabet, Amazon, Apple, Facebook, and Microsoft**—is one that has become increasingly common among tech entrepreneurs and venture capitalists in recent years. **“People are not getting funded because Amazon might one day compete with them,”** one founder told The Guardian. **“If it was startup versus startup, it would have been a fair fight, but startup versus Amazon and it’s game over.”** As the author and media scholar Jonathan Taplin pointed out in an interview with ProMarket, **“the very notion that someone could start a new search engine that competes with Google “is just laughed at by the venture capital community.” Investors and entrepreneurs, said the venture capitalist Albert Wenger** during a panel discussion at the Stigler Center’s annual antitrust conference last month, **are now wary of entering into direct competition with giants like Google and Facebook. Both companies, along with Amazon and Apple, effectively have a “Kill Zone” around them—areas not worth operating or investing in, since defeat is guaranteed.** Tech platforms, after all, have endless resources at their disposal to either purchase or crush new upstarts they perceive as threats. Increasingly, **startups that operate in areas coveted by tech giants face a similar choice: sell—or get crushed. The Big Five have made over 436 acquisitions in the last decade, with little to no challenge from antitrust authorities. When startups refuse to sell, they find themselves facing an unlevel playing field. Snapchat, which turned down a \$3 billion acquisition offer from Facebook in 2013** (and a \$30 billion bid from Google in 2016), is a case in point: **after it failed to acquire Snapchat, Facebook simply cloned many of Snapchat’s key features, using its vast reach to completely undercut its growth.** This is not an uncommon occurrence. “The Kill Zone is a real thing,” said Wenger, a managing partner at Union Square Ventures and an early investor in Twitter. “The scale of these companies and their impact on what can be funded, and what can succeed, is massive.” He went on to quote one angel investor who told him that he only invests “in things that are not in Facebook’s, Apple’s, Amazon’s or Google’s kill zone.” The kill zone, noted Wenger, is not a new phenomenon. **Microsoft had a similar kill zone around it when it dominated the tech industry in the late 1990s.** “It was a similar playbook, where Microsoft would see, ‘What kind of things are doing well on my platform?’” he said. **“Then they would just absorb those into the platform itself. That is a playbook that’s being exercised by Amazon, by Google, by Facebook, by all the big digital platforms.”** All this has profound implications for the startup ecosystem and for the future of innovation. Is the dominance of digital platforms, routinely hailed as the most innovative companies in the world, actually hindering innovation? Much of the Stigler Center panel, moderated by Fortune magazine’s executive editor Adam Lashinsky, revolved around this very question. In addition to Wenger, it featured patent expert Elvir Causevic, managing director and co-head of Houlihan Lokey’s Tech+IP Advisory practice; Glen Weyl, a principal researcher at Microsoft Research New England and a senior research scholar at Yale’s economics department and law school; and Matt Perault, director of public policy at Facebook. While opinions as to how to address the power of digital platforms and spur innovation varied wildly, most of the panelists seemed to agree on one basic premise: the size and scope of digital platforms has become an impediment to innovation. “Small Companies No Longer Have Access to Patent Protection” Innovation used to be associated with small companies and entrepreneurs. There’s a reason why the garage has taken such an important place in the mythology of the tech industry: Silicon Valley, as we know it, is the product of entrepreneurs starting companies in their garages, from Bill Hewlett and Dave Packard in the late 1930s, through Steve Jobs and Steve Wozniak in the 1970s, to Larry Page and Sergey Brin in the 1990s. But the vaunted garage is little more than a myth in today’s Silicon Valley. **The rise of digital platforms has been correlated with a historic decline in startups: new business formation in the US has declined by more than 40 percent since the late 1970s and is near a 40-year low.** At the same time, as the New York Times’ Farhad Manjoo pointed out last year, the technology industry has gradually become “a playground for giants.” Many economists are naturally concerned about this decline in entrepreneurship: startups are an important driver of both jobs and innovation. A lack of startups is often associated with rigidity and a lack of economic dynamism. Another result, however, is that big firms have seemingly taken the mantle as the most innovative in the world.

Venture capitalists lose lots of money when the startups they back get bought out by tech giants, who then bully those startups into bad deals. Tech analyst Cory Doctorow reports in 2018: investors say that their companies have been summoned to acquisition meetings with tech giants who ordered them to take a lowball offer or be exterminated by the giant.

Doctorow 18 Cory Doctorow, 2018, "Big Tech has established a "kill zone" of business ideas that startups can't get funded to try," Boing Boing,

<https://boingboing.net/2018/06/04/thanks-milton-friedman.html/amp> //DF

In 2014, the Economist described a "Cambrian explosion" of tech startups trying every conceivable idea in every conceivable variation, competing to find better ways to deliver better services at lower costs; today it laments the "kill-zone" of business ideas that are unfundable, either because Big Tech is already doing them, or because Big Tech might someday do them. Where once investors might have put money into a startup that was poised to be a "strategic acquisition" by a tech giant, now they have experience that makes them leery of this: investors say that their companies have been summoned to acquisition meetings with tech giants who ordered them to take a lowball offer or be exterminated by the giant creating a directly competing, loss-leader-priced service that puts them out of business altogether. It hearkens to the bad old days of antitrust Microsoft and its notorious "embrace, extend and extinguish" (Microsoft is said to be bidding for Github at the moment), but of course, today's giants are orders of magnitude larger than Microsoft was when the world's governments began, at last, to threaten about its anticompetitive dominance.

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world's largest hotel groups. There's no culture of supporting bad ideas, but there's a culture of killing them. This creates a situation in which employees don't want to share ideas anymore.

Aalders 19 Rob Aalders, 10-4-2019, "Why Big Companies Are Losing When It Comes To Disruptive Innovation," Innov8rs, <https://innov8rs.co/news/win-using-disruptive-innovation/> //DF

The Innovator's Dilemma One reason why corporations may have a hard time setting up successful innovation strategy is because of the innovator's dilemma. The dilemma arises **when companies are dominant and have a need to protect their market. Their focus moves from disruptive innovation to sustaining innovation.**

At some point, however, a competitor will emerge that will threaten their business with a better alternative. These companies are thus faced with a dilemma: sustain the market where they are excelling (example of BlackBerry) but lose some great opportunities, or focus on these ("crazy") opportunities that might only bear fruits in the longer run (if at all)? Gary P. Pisano, Professor of Business Administration at the Harvard Business School, further says that the problem is not with failure to execute but is rooted in the lack of innovation strategy. What's important about building good innovation strategies, he adds, is that they help align diverse groups within an organization (a problem that startup rarely face), define objectives and help focus efforts on them. The thing about innovation strategy is that you can learn from other organizations, but you cannot copy. There is no one system that fits all companies equally well or works under all circumstances. It is a mistake to believe that what works for, say, Apple (today's favorite innovator) is going to work for your organization. You can't copy culture. Nokia, once the world's leading mobile producer, sold to Microsoft for €5.4 billion with only three percent of the global smartphone market share in 2013. Technology didn't kill Nokia, neither ideas nor the people. Nokia had the technology to build an iPhone but didn't. It was the lack of a burning platform and innovation culture. The company was massively underestimating competition just because they believed Nokia was the untouchable market leader – wrong. As we can see, **corporations** can make wrong assumptions, and what's more they **are great at killing "bad" ideas**. The problem is that disruptive ideas at first seem bad. **Renting out an airbed does not sound like a great idea, but today Airbnb overshadows some of the world's largest hotel groups.** There's no culture of supporting bad ideas, but there's a culture of killing them. This creates a situation in which employees don't want to share ideas anymore. Additionally, corporates often lack the right innovation strategy and structure particularly for disruptive ideas. So going back to the innovator's dilemma, it seems that companies face this question (even if they don't explicitly ask it): "should we sustain the market where the sailing (seems) clear, or should we rock our boat and explore uncharted waters?" In many cases, such as in life, staying in the clear is more comfortable, but at some point this comfort can turn into grief. The good news is that this dilemma is not a Catch-22, and there are ways for corporations to keep their comfort, and still explore new territories.

You can see how big companies kill innovation by looking at Google and the field of robotics. Jonathan Tepper writes in Bloomberg Magazine: In 2013 Google acquired eight, cutting-edge, robotics companies to create a new robotics division. It turned into a disaster. Over time, Google shut many of the companies down and the top researchers left. Google wasn't a robotics company, it was in the business of selling internet ads.

Tepper 18 Jonathan Tepper, 11-26-2018 "American Corporations Are Winning Their War on Capitalism," Bloomberg, <https://www.bloomberg.com/opinion/articles/2018-11-26/tech-monopolies-strangle-economic-growth> //DF

In an influential paper, Titan Alon and his colleagues found that the age of a company plays a key role in shaping the dynamics of labor productivity growth. If new companies can survive their startup phase, they show productivity growth of roughly 20 percent in the first five years of operation. **When monopolists stamp out startups, they kill productivity in the economy. In fact, if you look at the decline in high-growth entrepreneurship in high tech, it coincides with the decline in**

aggregate productivity growth in the sector. The battle lines are drawn in the debate over productivity as big companies face off against the small. The truth is far more interesting. In their book “Big is Beautiful,” Robert Atkinson and Michael Lind show that large companies spend the most on research and development. Historically, giants like AT&T or IBM could pay for large research centers like Bell Labs or Yorktown. Today, large companies are still the biggest spenders; DuPont and Google can dedicate a lot of money to R&D. But this is only half the story. In a study, Zoltan Acs and David Audretsch discovered that companies in highly concentrated industries spent less on R&D. They found that “the total number of innovations is inversely correlated with concentration” and that monopoly power deters innovation. They concluded, “Innovation falls as industrial concentration increases.” Not only are we getting fewer startups, big companies are also gobbling up small ones and killing them off. Today, many of the new tech startups never get the chance to compete. Google, Amazon, Apple, Facebook and Microsoft have bought more than 500 companies in the past decade. These giants are looking for the younger fast growers. You can see how big companies kill productivity by looking at Google and the field of robotics. In 2013 Google acquired Boston Dynamics, as well as eight other companies, to create a new robotics division called Replicant. The robotics industry was excited that the 800-pound gorilla in technology was throwing money around. However, it turned into a disaster. Over time, Google shut many of the companies down and the top researchers left. Jeremy Conrad, a partner at hardware incubator Lemnos Labs, said, “These were some of the most exciting robotics companies, and they’re just gone.” Google was really in the business of selling internet ads. In June 8, 2017, Google announced the sale of the company to Japan’s SoftBank Group. We’ve seen giant monopolies throw away innovation before. During the 1960s and early 1970s, Xerox had a monopoly on its copying technology. Xerox’s Palo Alto Research Center basically invented the modern computer and internet, yet failed to profit from it. Anything besides copying was simply not of interest. The list of Xerox’s inventions is extraordinary: the graphical user interface, computer-generated bitmap images, object-oriented programming, Ethernet cables and more. Yet the company did little with these innovations. It took Steve Jobs and Apple to license them and bring products to the public. Creativity can stagnate when businesses become monopolies. Frederic Scherer of Harvard University has examined the patents of monopolists and shown that as firms become dominant, the number of important patents declines. Monopolists often fail to commercialize their own inventions. Before Standard Oil was broken up, it invented “thermal cracking” to improve gasoline for cars, but did nothing with it. When the monopolist was broken up, the Indiana unit that discovered the technology commercialized it to enormous success. Escaping large companies is often crucial to growth. Companies frequently get rid of units via spinoffs. They hand shares in their subsidiaries to shareholders and allow the smaller company to go its own way. McDonald’s spun out Chipotle, eBay spun out PayPal, and Sara Lee spun out Coach. These turned into phenomenal investments. The research on spinoffs tells us that these companies vastly outperform the parent company and the market.

We need to rein in the tech giants so they don’t stamp out startups that produce the groundbreaking innovations. Just look to history. Charles Duhigg writes in the New York Times in 2018: Condemning Microsoft as a monopoly is why Google exists today. As Microsoft lived under government scrutiny, employees abandoned what had been internal discussions about crushing a young, emerging competitor — Google. There had been conjectures about reprogramming Microsoft’s web browser so that anytime people typed in “Google,” they would be redirected. Microsoft was so powerful, and Google so new, that the young search engine could have been killed off, and we are all thankful that today we can use Google instead of Bing.

Duhigg 18 Charles Duhigg [Pulitzer-prize winning American journalist and non-fiction author. He was a reporter for The New York Times and is the author of two books on habits and productivity, titled The Power of Habit: Why We Do What We Do in Life and Business and Smarter Faster Better], 2-20-2018,

"The Case Against Google," NYT,

<https://www.nytimes.com/2018/02/20/magazine/the-case-against-google.html> //DF

Reback had told Adam and Shivaun that it was important for them to keep up their fight, no matter the setbacks, and as evidence he pointed to the Microsoft trial. Anyone who said that the 1990s prosecution of Microsoft didn't accomplish anything — that it was companies like Google, rather than government lawyers, that humbled Microsoft — didn't know what they were talking about, Reback said. In fact, he argued, the opposite was true: The antitrust attacks on Microsoft made all the difference. **Condemning Microsoft as a monopoly is why Google exists today**, he said. Surprisingly, some **people who worked at Microsoft in the 1990s and early 2000s agree** with him. In the days when federal prosecutors were attacking Microsoft day and night, the company might have publicly brushed off the salvos, insiders say. But within the workplace, the attitude was totally different. **As the government sued, Microsoft executives became so anxious and gun-shy that they essentially undermined their own monopoly out of terror they might be pilloried again. It wasn't the consent decrees or court decisions that made the difference, according to multiple current and former Microsoft employees. It was "the constant scrutiny and being in the newspaper all the time,"** said Gene Burrus, a former Microsoft lawyer. "People started second-guessing themselves. No one wanted to test the regulators anymore." In public, Bill Gates was declaring victory, but inside Microsoft, executives were demanding that lawyers and other compliance officials — the kinds of people who, previously, were routinely ignored — be invited to every meeting. **Software engineers began casually dropping by attorneys' desks and describing new software features, and then asking, in desperate whispers, if anything they'd mentioned might trigger a subpoena.** One Microsoft senior executive moved an extra chair into his office so a compliance official could sit alongside him during product reviews. **Every time a programmer detailed a new idea, the executive turned to the official, who would point his thumb up or down like a capricious Roman emperor. In the early 2000s, Microsoft's top executives told some divisions that their plans would be proactively shared with competitors — literally describing what the company intended to create before software was even built — to make sure it wouldn't offend anyone who was likely to sue.** Microsoft's engineers were outraged. But they went along with it. And most important, **as Microsoft lived under government scrutiny, employees abandoned what had been nascent internal discussions about crushing a young, emerging competitor — Google. There had been informal conjectures about reprogramming Microsoft's web browser, the popular Internet Explorer, so that anytime people typed in "Google," they would be redirected to MSN Search, according to company insiders.** Or, perhaps a warning message might pop up: "Did you know Google uses your data in ways you can't control?" **Microsoft was so powerful, and Google so new, that the young search engine could have been killed off, some insiders at both companies believe. "But there was a new culture of compliance, and we didn't want to get in trouble again, so nothing happened,"** Burrus said. **The myth that Google humbled Microsoft on its own is wrong.** The government's antitrust lawsuit is one reason that Google was eventually able to break Microsoft's monopoly. "If Microsoft hadn't been sued, all of technology would be different today," Reback told me. We've known since Standard Oil that advances in technology make it easier for monopolies to emerge. But what's less recognized is the importance of antitrust in making sure those new technologies spread to everyone else. In 1969 the Justice Department started a lawsuit against IBM for antitrust violations that lasted 13 years. The government eventually surrendered, but in an earlier attempt to mollify prosecutors, IBM eliminated its practice of bundling hardware and software, a shift that essentially created the software industry. Suddenly, new start-ups could get a foothold simply by writing programs rather than building machines. Microsoft was founded a few years later and soon outpaced IBM.

Disruptive technologies will be the cornerstone of economic growth. A 2013 McKinsey company report analyzed the potential impact of 12 disruptive technologies, including advanced robotics and energy-saving technology: could have a potential economic impact between \$14 trillion and \$33 trillion a year.

Manyika 13 James Manyika, 5-2013, "Disruptive technologies: Advances that will transform life, business, and the global economy," McKinsey & Company, <https://www.mckinsey.com/business-functions/digital-mckinsey/our-insights/disruptive-technologies//DF>

The relentless parade of new technologies is unfolding on many fronts. Almost every advance is billed as a breakthrough, and the list of “next big things” grows ever longer. Not every emerging technology will alter the business or social landscape—but some truly do have the potential to disrupt the status quo, alter the way people live and work, and rearrange value pools. It is therefore critical that business and policy leaders understand which technologies will matter to them and prepare accordingly. Disruptive technologies: Advances that will transform life, business, and the global economy, a report from the McKinsey Global Institute, cuts through the noise and identifies 12 technologies that could drive truly massive economic transformations and disruptions in the coming years. The report also looks at exactly how these technologies could change our world, as well as their benefits and challenges, and offers guidelines to help leaders from businesses and other institutions respond. We estimate that, together, applications of the 12 technologies discussed in the report could have a potential economic impact between \$14 trillion and \$33 trillion a year in 2025. This estimate is neither predictive nor comprehensive. It is based on an in-depth analysis of key potential applications and the value they could create in a number of ways, including the consumer surplus that arises from better products, lower prices, a cleaner environment, and better health. Some technologies detailed in the report have been gestating for years and thus will be familiar. Others are more surprising. Examples of the 12 disruptive technologies include: Advanced robotics—that is, increasingly capable robots or robotic tools, with enhanced “senses,” dexterity, and intelligence—can take on tasks once thought too delicate or uneconomical to automate. These technologies can also generate significant societal benefits, including robotic surgical systems that make procedures less invasive, as well as robotic prosthetics and “exoskeletons” that restore functions of amputees and the elderly. Next-generation genomics marries the science used for imaging nucleotide base pairs (the units that make up DNA) with rapidly advancing computational and analytic capabilities. As our understanding of the genomic makeup of humans increases, so does the ability to manipulate genes and improve health diagnostics and treatments. Next-generation genomics will offer similar advances in our understanding of plants and animals, potentially creating opportunities to improve the performance of agriculture and to create high-value substances—for instance, ethanol and biodiesel—from ordinary organisms, such as E. coli bacteria. Energy-storage devices or physical systems store energy for later use. These technologies, such as lithium-ion batteries and fuel cells, already power electric and hybrid vehicles, along with billions of portable consumer electronics. Over the coming decade, advancing energy-storage technology could make electric vehicles cost competitive, bring electricity to remote areas of developing countries, and improve the efficiency of the utility grid.

Overview

We win innovation

1. Startups innovate better
2. Even if there's more innovation, it's not distributed equally

Frontlines

r/t tech decreases wages

1. Increases real wages because everything is so much cheaper

R/T Buyout incentivises startups

1. Scares away venture capital because tech monopolies can force potential competitors to accept raw deals by threatening to copy all their competitor's features (like Snapchat) and then by buying them out for a less-than-desirable price.
2. Forces the remaining startups to only create products that will appease the big tech companies, not products that could change the game

1. Evidence in case says they just copy them; buyouts not necessary
2. The economist writes that even if they don't copy, they threaten to copy which leads to sellouts that vastly favor the larger company, and are better called predatory takeovers

We know that these reasons are true, as the economist writes that VC funding of early stage tech startups were down 22% in 2017 and have been declining.

2018, "American tech giants are making life tough for startups," Economist,

<https://www.economist.com/business/2018/06/02/american-tech-giants-are-making-life-tough-for-startups> (NK)

The behemoths' annual conferences, held to announce new tools, features, and acquisitions, always "send shock waves of fear through entrepreneurs", says Mike Driscoll, a partner at Data Collective, an investment firm. "Venture capitalists attend to see which of their companies are going to get killed next." But anxiety about the tech giants on the part of startups and their investors goes much deeper than such events. Venture capitalists, such as Albert Wenger of Union Square Ventures, who was an early investor in Twitter, now talk of a "kill-zone" around the giants. Once a young firm enters, it can be extremely difficult to survive. Tech giants try to squash startups by copying them, or they pay to scoop them up early to eliminate a threat. The idea of a kill-zone may bring to mind Microsoft's long reign in the 1990s, as it embraced a strategy of "embrace, extend and extinguish" and tried to intimidate startups from entering its domain. But entrepreneurs' and venture capitalists' concerns are striking because for a long while afterwards, startups had free rein. In 2014 *The Economist* likened the proliferation of startups to the Cambrian explosion: software made running a startup cheaper than ever and opportunities seemed abundant. Today, less so. Anything having to do with the consumer internet is perceived as dangerous, because of the dominance of Amazon, Facebook and Google (owned by Alphabet). Venture capitalists are wary of backing startups in online search, social media, mobile and e-commerce. It has become harder for startups to secure a first financing round. According to Pitchbook, a research company, in 2017 the number of these rounds were down by around 22% from 2012 (see chart). The wariness comes from seeing what happens to startups when they enter the kill-zone, either deliberately or accidentally. Snap is the most prominent example; after Snap rebuffed Facebook's attempts to buy the firm in 2013, for \$3bn, Facebook cloned many of its successful features and has put a damper on its growth. A less known example is Life on Air, which launched Meerkat, a live video-streaming app, in 2015. It was obliterated when Twitter acquired and promoted a competing app, Periscope. Life on Air shut Meerkat down and launched a different app, called Houseparty, which offered group video chats. This briefly gained prominence, but was then copied by Facebook, seizing users and attention away from the startup. The kill-zone operates in business software ("enterprise" in the lingo) as well, with the shadows of Microsoft, Amazon and Alphabet looming large. Amazon's cloud service, Amazon Web Services (AWS), has labelled many startups as "partners", only to copy their functionality and offer them as a cheap or free service. A giant pushing into a startup's territory, while controlling the platform that startup depends on for distribution, makes life tricky. For example, Elastic, a data-management firm, lost sales after AWS launched a competitor, Elasticsearch, in 2015. Even if giants do not copy startups outright, they can dent their prospects. Last year Amazon bought Whole Foods Market, a grocer, for \$13.7bn. Blue Apron, a meal-delivery startup that was preparing to go public, was suddenly perceived as unappetising, as expectations mounted that Amazon would push into the space. This phenomenon is not limited to young firms: recently Facebook announced it was moving into online dating, causing the share price of Match Group, which went public in 2015, to plummet by 22% that day.

R/T Tech Giants Innovate better

Large companies do not produce disruptive innovations because they are more worried about maintaining their market and it is much harder to get risky ideas through that could damage the company's place in that market

Aalders 19 Rob Aalders, 10-4-2019, "Why Big Companies Are Losing When It Comes To Disruptive Innovation," Innov8rs, <https://innov8rs.co/news/win-using-disruptive-innovation/> //DF

The Innovator's Dilemma One reason why corporations may have a hard time setting up successful innovation strategy is because of the innovator's dilemma. The dilemma arises **when companies are dominant and have a need to protect their market. Their focus moves from disruptive innovation to sustaining innovation.**

At some point, however, a competitor will emerge that will threaten their business with a better alternative. These companies are thus faced

with a dilemma: sustain the market where they are excelling (example of BlackBerry) but lose some great opportunities, or focus on these (“crazy”) opportunities that might only bear fruits in the longer run (if at all)? Gary P. Pisano, Professor of Business Administration at the Harvard Business School, further says that the problem is not with failure to execute but is rooted in the lack of innovation strategy. What’s important about building good innovation strategies, he adds, is that they help align diverse groups within an organization (a problem that startup rarely face), define objectives and help focus efforts on them. The thing about innovation strategy is that you can learn from other organizations, but you cannot copy. There is no one system that fits all companies equally well or works under all circumstances. It is a mistake to believe that what works for, say, Apple (today’s favorite innovator) is going to work for your organization. You can’t copy culture. Nokia, once the world’s leading mobile producer, sold to Microsoft for €5.4 billion with only three percent of the global smartphone market share in 2013. Technology didn’t kill Nokia, neither ideas nor the people. Nokia had the technology to build an iPhone but didn’t. It was the lack of a burning platform and innovation culture. The company was massively underestimating competition just because they believed Nokia was the untouchable market leader – wrong. As we can see, corporations can make wrong assumptions, and what’s more they are great at killing “bad” ideas. The problem is that disruptive ideas at first seem bad. Renting out an airbed does not sound like a great idea, but today AirBnB overshadows some of the world’s largest hotel groups. There’s no culture of supporting bad ideas, but there’s a culture of killing them. This creates a situation in which employees don’t want to share ideas anymore. Additionally, corporates often lack the right innovation strategy and structure particularly for disruptive ideas. So going back to the innovator’s dilemma, it seems that companies face this question (even if they don’t explicitly ask it): “should we sustain the market where the sailing (seems) clear, or should we rock our boat and explore uncharted waters?” In many cases, such as in life, staying in the clear is more comfortable, but at some point this comfort can turn into grief. The good news is that this dilemma is not a Catch-22, and there are ways for corporations to keep their comfort, and still explore new territories.

Economist 18 6-2-2018, "American tech giants are making life tough for startups," Economist,
<https://www.economist.com/business/2018/06/02/american-tech-giants-are-making-life-tough-for-startups> //DF

It has never been easy to make it as a startup. Now the army of fearsome technology giants is larger, and operates in a wider range of areas, including online search, social media, digital advertising, virtual reality, messaging and communications, smartphones and home speakers, cloud computing, smart software, e-commerce and more. This makes it challenging for startups to find space to break through and avoid being stamped on. Today’s giants are “much more ruthless and introspective. They will eat their own children to live another day,” according to Matt Ocko, a venture capitalist with Data Collective. And they are constantly scanning the horizon for incipient threats. Startups used to be able to have several years’ head start working on something novel without the giants noticing, says Aaron Levie of Box, a cloud and file-sharing service that has avoided the kill-zone (it has a market value of around \$3.8bn). But today startups can only get a six- to 12-month lead before incumbents quickly catch up, he says. There are some exceptions. Airbnb, Uber, Slack and other “unicorns” have faced down competition from incumbents. But they are few in number and many startups have learned to set their sights on more achievable aims. Entrepreneurs are “thinking much earlier about which consolidator is going to buy them”, says Larry Chu of Goodwin Procter, a law firm. The tech giants have been avid acquirers: Alphabet, Amazon, Apple, Facebook and Microsoft spent a combined \$31.6bn on acquisitions in 2017. This has led some startups to be less ambitious. “Ninety per cent of the startups I see are built for sale, not for scale,” says Ajay Royan of Mithril Capital, which invests in tech. This can be enriching to founders, who can go on to start another firm or provide financing to peers with smart ideas. To the extent that such exits provide more capital to spur innovation, this is no bad thing. The tech giants can help the firms they acquire grow more than they might have been able to do on their own. For example, Facebook’s acquisition of Instagram took out a would-be competitor, but it has thrived under the social-networking giant’s sway by adopting the technical infrastructure, staff and know-how that Facebook had in place. Friend or foe? But plenty of people in the Valley reckon the bad outweighs the good and that early, “shoot-out” acquisitions have sapped innovation. “The dominance of the big platforms has had a meaningful effect on the entrepreneurial culture of Silicon Valley,” says Roger McNamee of Elevation Partners, a private-equity firm, who was an early investor in Facebook. “It’s shifted the incentives from trying to create a large platform to creating a small morsel that’s tasty to be acquired by one of the giants.” And when startups are bullied into selling, as some are, it is even more worrying. Big tech firms have been known to intimidate startups into agreeing to a sale, saying that they will launch a

competing service and put the startup out of business unless they agree to a deal, says one person who was in charge of these negotiations at a big software firm (which uses such tactics).

Extras

Case Extras

This hurts economic growth in two ways.

First, job creation.

The death of startups at the hands of tech monopolies kills job growth. Paula Dwyer writes in Bloomberg in 2017: prestigious technology brands, using the internet’s global reach, are able to push out rivals and become winner-take-all “superstar” companies. They’re highly profitable, and their lucky employees generally earn higher salaries to boot. However, these companies employ far fewer people than the largest companies of decades past while taking a disproportionate share of national profits. As they grow and occupy a bigger part of the economy, median wages stagnate and labor’s share of gross domestic product declines. Labor’s shrinking share of output is widely implicated in the broader economic growth slowdown.

Dwyer 17 Paula Dwyer, 7-20-2017, “Should America’s Tech Giants be Broken Up?” Bloomberg,

<https://www.bloomberg.com/news/articles/2017-07-20/should-america-s-tech-giants-be-broken-up>

He has a point, judging by market-research figures. Alphabet Inc.’s Google gets about 77 percent of U.S. search advertising revenue. Google and Facebook Inc. together control about 56 percent of the mobile ad market. Amazon takes about 70 percent of all e-book sales and 30 percent of all U.S. e-commerce. Taplin pegs Facebook’s share of mobile social media traffic, including the company’s WhatsApp, Messenger, and Instagram units, at 75 percent. Economists have noticed these monopoly-size numbers and drawn even bigger

conclusions: They see market concentration as the culprit behind some of the U.S. economy’s most persistent ailments—the decline of workers’ share of national income, the rise of inequality, the decrease in business startups, the dearth of job creation, and the fall in research and development spending.

Can Big Tech really be behind all that? Economists are starting to provide the evidence. David Autor, the MIT economics professor who famously showed the pernicious effects of free-trade deals on Midwestern communities, is one. A recent paper he co-wrote argues that

prestigious technology brands, using the internet’s global reach, are able to push out rivals and become winner-take-all “superstar” companies. They’re highly profitable, and their lucky employees generally earn higher salaries to boot. They don’t engage in the predatory behavior of yore, such as selling goods below the cost of production to steal market share and cripple competitors. After all, the services that Facebook and Google offer are free (if you don’t consider giving up your personal data and privacy rights to be a cost). However, academics have documented how **these companies employ far fewer people than the largest companies of decades past while taking a disproportionate share of national profits. As they grow and occupy a bigger part of the economy, median wages**

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Still others have shown that, as markets become more concentrated and established companies more powerful, the ability of startups to succeed declines. Since half of all new jobs spring from successful startups, this dampens job creation. It's no wonder the superstar companies are getting supernormal returns on capital, further adding to income inequality, writes Peter Orszag in Bloomberg View. He and Jason Furman, chairman of President Barack Obama's Council of Economic Advisers, point out that higher returns on capital haven't resulted in increases in business investment—yet another manifestation of monopoly power.

The destruction of jobs by tech giants is significant. Scott Galloway, professor at the NYU Stern School of Business, estimates that Facebook and Google added \$29 billion in revenue in 2017. That \$29 billion in revenue translates to nearly 200,000 people losing their jobs.

Galloway 18 Scott Galloway [professor at New York University's Stern School of Business, where he teaches brand strategy and digital marketing to second-year MBA students. A serial entrepreneur, he has founded nine firms, including L2, Red Envelope, and Prophet. In 2012, he was named one of the "World's 50 Best Business School Professors" by Poets & Quants. His weekly Youtube series, Winners and Losers, has generated tens of millions of views], 2-8-2018, "Why Amazon, Apple, Facebook, and Google Need to Be Disrupted," Esquire,

<https://www.esquire.com/news-politics/a15895746/bust-big-tech-silicon-valley/> //DF

Apple is hardly alone. General Electric also engages in massive tax avoidance, but we're not as angry about it, as we aren't in love with GE. The fault here lies with us, and with our democratically elected government. We need to simplify the tax code—complex rules tend to favor those who can afford to take advantage of them—and we need to elect officials who will enforce it. **The destruction of jobs by the Four**

is significant, even frightening. Facebook and Google likely **added \$29 billion in revenue in 2017**. To execute and service this additional business, they will create twenty thousand new, high-paying jobs. The other side of the coin is less shiny.

Advertising—whether digital or analog—**is a low-growth** (increasingly flat) business, **meaning that the sector is largely zero-sum**. Google doesn't earn an extra dollar by growing the market; it takes a dollar from another firm.

If we use the five largest media-services firms (WPP, Omnicom, Publicis, IPG, and Dentsu) as a proxy for their industry, we can estimate **that \$29 billion in revenue would have required about 219,000 traditional advertising professionals to service. That translates to 199,000 creative directors, copywriters, and agency executives deciding to "spend more time with their families" each year—nearly four Yankee Stadiums filled with people dressed in black holding pink slips.** The economic success stories of yesterday employed many more people than the firms that dominate the headlines today. Procter & Gamble, after a run-up in its stock price in 2017, has a market capitalization of \$233 billion and employs ninety-five thousand people, or \$2.4 million per employee. Intel, a new-economy firm that could be more efficient with its capital, enjoys a market cap of \$209 billion and employs 102,000 people, or \$2.1 million per employee. Meanwhile, Facebook, which was founded fourteen years ago, boasts a \$542 billion market cap and employs only twenty-three thousand people, or \$23.4 million per employee—ten times that of P&G and Intel.

Second, innovation.

Jonathan Tepper writes in his 2018 book, Monopolies and the Death of Capitalism: When monopolists stamp out startups, they kill productivity in the economy. In fact, if you look at the decline in high-growth entrepreneurship in high tech, it coincides with the decline in aggregate productivity growth in the sector. In 2013, Google acquired eight of the most innovative robotics companies to create a robotics division. It turned into a disaster. Over time, Google shut many of the companies down and the top researchers left, since Google was really in the business of selling internet ads. Indeed, Frederic Scherer of Harvard University has examined the patents of monopolists and shown that as firms become dominant, the number of important patents declines.

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Duhigg writes: there is no better method for keeping the marketplace constructive and creative than a legal system that intervenes whenever a company, no matter how beloved, grows so large as to blot out the sun. If you love Google, you should hope the government sues it for antitrust offenses — and you should hope it happens soon, because who knows what wondrous new creations are waiting patiently in the wings.

Duhigg 18 Charles Duhigg [Pulitzer-prize winning American journalist and non-fiction author. He was a reporter for The New York Times and is the author of two books on habits and productivity, titled *The Power of Habit: Why We Do What We Do in Life and Business* and *Smarter Faster Better*], 2-20-2018, "The Case Against Google," NYT,

<https://www.nytimes.com/2018/02/20/magazine/the-case-against-google.html> //DF

Some legal theorists think that Google might have a point. “To what extent are consumers, rather than competitors, being harmed by Google?” says Hovenkamp, the antitrust scholar. “If the answer is ‘not much,’ then I’m suspicious of an antitrust remedy.” Others say the risks are too high. “There are very real costs associated with suing a company like Google,” says Geoffrey Manne, executive director of the International Center for Law & Economics, a nonpartisan research center. “You’re potentially impairing a firm that provides vital services to millions of people, and potentially benefiting competitors who don’t deserve that support.” Those are fair arguments. But they are also, in some ways, beside the point. Antitrust has never been just about costs and benefits or fairness. It’s never been about whether we love the monopolist. People loved Standard Oil a century ago, and Microsoft in the 1990s, just as they love Google today. Rather, antitrust has always been about progress. Antitrust prosecutions are part of how technology grows. Antitrust laws ultimately aren’t about justice, as if success were something to be condemned; instead, they are a tool that society uses to help start-ups build on a monopolist’s breakthroughs without, in the process, being crushed by the monopolist. And then, if those start-ups prosper and make discoveries of their own, they eventually become monopolies themselves, and the cycle starts anew. If Microsoft had crushed Google two decades ago, no one would have noticed. Today we would happily be using Bing, unaware that a better alternative once existed. Instead, we’re lucky a quixotic antitrust lawsuit helped to stop that from happening. We’re lucky that antitrust lawyers unintentionally guaranteed that Google would thrive. Put differently, if you love technology — if you always buy the latest gadgets and think scientific advances are powerful forces for good — then perhaps you ought to cheer on the antitrust prosecutors. **Because there is no better method for keeping the marketplace constructive and creative than a legal system that intervenes whenever a company, no matter how beloved, grows so large as to blot out the sun. If you love Google, you should hope the government sues it for antitrust offenses — and you should hope it happens soon, because who knows what wondrous new creations are waiting patiently in the wings.** For the Ruffs, however, it’s probably too late. By the time Vestager announced her verdict and record-setting fine last year, it had been 12 years since Adam and Shivaun started Foundem.com. During that time, their lives slowly but inexorably became devoted to battling Google. They had spent thousands of hours corresponding with regulatory agencies across the globe. They had filed a civil suit against Google in British court, a case that is ongoing. They basically shut down Foundem, creating more time for them to give advice to other companies and regulators fighting Google. This consulting work, some of which was funded by Google’s competitors, has helped to keep the Ruffs afloat. And if the Ruffs win their lawsuit against Google, it could be worth millions. “But it’s a different business model than we expected,” Adam told me.

"It's also deeply frustrating, because we became technologists in order to build new technologies. We never intended to be professional plaintiffs or antitrust crusaders."

Innovation → Economic Growth

Andrea O'Sullivan, 3-4-2019, "Technological Innovation and Economic Growth," Mercatus Center,

<https://www.mercatus.org/publications/entrepreneurship/technological-innovation-and-economic-growth> (NK)

Most economists agree that **technological innovation is a key driver of economic growth and human well-being**. Negative cultural attitudes about technology and its disruptive effects could threaten reaping these benefits. **Policy responses that reflect such attitudes (and discourage innovation) risk triggering economic stagnation, decreased economic dynamism, and lower living standards**. James Broughel and Adam Thierer make this case in "Technological Innovation and Economic Growth: A Brief Report on the Evidence." The Effects of Innovation **Technological innovation brings benefits. It increases productivity and brings citizens new and better goods and services that improve their overall standard of living**. The benefits of innovation are sometimes slow to materialize. They often fall broadly across the entire population. Those who stand to benefit most—the poor and future generations—have little or no political influence. Innovation causes short-term disruptions. These disruptions may be unsettling, as some old business models fail and some individuals lose their jobs.

Charles Duhigg, Pulitzer-prize winning journalist at the New York Times, writes in 2018: antitrust has always been about progress. Antitrust prosecutions are part of how technology grows. They are a tool that society uses to help start-ups build on a monopolist's breakthroughs without, in the process, being crushed by the monopolist. If those start-ups prosper and make discoveries of their own, they eventually become monopolies themselves, and the cycle starts anew.

Duhigg 18 Charles Duhigg [Pulitzer-prize winning American journalist and non-fiction author. He was a reporter for The New York Times and is the author of two books on habits and productivity, titled The Power of Habit: Why We Do What We Do in Life and Business and Smarter Faster Better], 2-20-2018, "The Case Against Google," NYT,

<https://www.nytimes.com/2018/02/20/magazine/the-case-against-google.html> //DF

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using Bing, unaware that a better alternative once existed. Instead, we're lucky a quixotic antitrust lawsuit helped to stop that from happening. We're lucky that antitrust lawyers unintentionally guaranteed that Google would thrive. Put differently, if you love technology — if you always buy the latest gadgets and think scientific advances are powerful forces for good — then perhaps you ought to cheer on the antitrust prosecutors. Because there is no better method for keeping the marketplace constructive and creative than a legal system that intervenes whenever a company, no matter how beloved, grows so large as to blot out the sun. If you love Google, you should hope the government sues it for antitrust offenses — and you should hope it happens soon, because who knows what wondrous new creations are waiting patiently in the wings. For the Ruffs, however, it's probably too late. By the time Vestager announced her verdict and record-setting fine last year, it had been 12 years since Adam and Shivaun started Foundem.com. During that time, their lives slowly but inexorably became devoted to battling Google. They had spent thousands of hours corresponding with regulatory agencies across the globe. They had filed a civil suit against Google in British court, a case that is ongoing. They basically shut down Foundem, creating more time for them to give advice to other companies and regulators fighting Google. This consulting work, some of which was funded by Google's competitors, has helped to keep the Ruffs afloat. And if the Ruffs win their lawsuit against Google, it could be worth millions. "But it's a different business model than we expected," Adam told me. "It's also deeply frustrating, because we became technologists in order to build new technologies. We never intended to be professional plaintiffs or antitrust crusaders."

Antitrust law has furthered progress in American industries for decades. Tim Wu, an antitrust expert at Columbia Law School, writes in 2018: oversized, inefficient firms can persist for decades, effectively immunized from the need to improve products. That monopoly can be an inefficient form was a lesson from the Standard Oil case, for in the end, the breakup of the oil industry was boon to its further expansion. The break-up of the original film-trust sparked the rise of the American film industry; and in more recent times the campaigns against AT&T and IBM sparked a momentous boom in the telecommunications and computing industries.

Wu 18 Tim Wu [policy advocate, professor at Columbia Law School, and a contributing opinion writer for *The New York Times*. He worked on competition policy in the Obama White House and the Federal Trade Commission, served as senior enforcement counsel at the New York Office of the Attorney General, and worked at the Supreme Court for Justice Stephen Breyer], 2018, "The Curse of Bigness: Antitrust in the New Gilded Age," Columbia Global Reports, Pages 73-74 //DF

To be sure, there are some private checks on bigness, or of the building of empire for empire's sake. The firm's owners or board of directors may order management to stop expanding for no good reason but their own welfare. Smaller, more efficient competitors do sometimes manage to kill a bloated dinosaur, or the firm may be taken over by a corporate raider who sees value in breaking the firm into small pieces. But unfortunately, these market-based checks on bigness can and do fail, and their mythology can outmatch their real effectiveness. For they are, at all times, counterbalanced by the advantages and attractions of power, and the allure of monopoly profit. For that reason, oversized, inefficient firms can persist for decades, effectively immunized from the need to improve products or lower prices. Instead, like American domestic airlines, the industry can happily offer a product that continues to get worse and cost more. That monopoly can be an inefficient form was a lesson from the Standard Oil case, for in the end, the breakup of the oil industry was boon to its further expansion.

That isn't unusual: the break-up of the original film-trust sparked the rise of the American film industry; and in more recent times the campaigns against AT&T and IBM sparked a momentous boom in the telecommunications and computing industries. The cries of doom, gloom and economic catastrophe are often overblown, for some industries can benefit from a breakup. Indeed, as the example of the Standard suggests, while the patient may protest, the government is sometimes doing it a favor. Antitrusts Constitutional Moment Roosevelt's cases

against Standard Oil and J.P. Morgan were his most dramatic; but in total, he filed forty-five cases and achieved numerous breakups. The trust busting campaign continued under his successor, President William Howard Taft, who pursued a total of seventy-five cases, including cases targeting U.S. Steel, AT&T, two of J.P. Morgan's other creations. By the end of the 1910s, just about every one of the major trusts had been broken into pieces or had some encounter with the antitrust law, making it, for a while at least, a primary level of federal economic policy making. In this sense President Roosevelt achieved his goal—demonstrating the primacy of the elected government over the structure of the economy.

However, that cycle has been broken. According to the New York Times in 2018: enforcement of the antimonopoly laws has fallen: Between 1970 and 1999, the United States brought about 15 monopoly cases each year; between 2000 and 2014 that number went down to just three.

Blumenthal and Wu 18 Richard Blumenthal [Democratic senator from Connecticut] and Tim Wu [law professor at Columbia, the author of “The Curse of Bigness: Antitrust in the New Gilded Age” and a contributing opinion writer], 5-18-2018, "What the Microsoft Antitrust Case Taught Us," NYT, https://www.nytimes.com/2018/05/18/opinion/microsoft-antitrust-case.html?rref=collection%2Fbyline%2Ftim-wu&action=click&contentCollection=undefined&ion=stream&module=stream_unit&version=latest&contentPlacement=6&pgtype=collection //DF

Some limitations were placed on Microsoft's behavior, such as a requirement that it share certain programming information with third-party companies. The appropriateness of that remedy is still debated. But what we do know is that the remedy pushed Microsoft to act with more caution, creating an essential opening for a new generation of firms. It might seem like a cruel irony that the immediate beneficiaries of the Microsoft antitrust case — namely, Google, Facebook and Amazon — have now become behemoths themselves. But this is how the innovation cycle works: It creates room for saplings to grow into giants, but then prevents the new giants from squashing the next generation of saplings. (Microsoft was itself, in the early 1980s, the beneficiary of another antitrust case, against IBM, the computing colossus of its time.) Which takes us to the present day. Unfortunately, ever since the Microsoft case there has been remarkably little oversight of the technology sector, despite the obvious signs of corporate consolidation and outsize market power. Enforcement of the antimonopoly laws has fallen: Between 1970 and 1999, the United States brought about 15 monopoly cases each year; between 2000 and 2014 that number went down to just three. Antitrust efforts have become too fixated on the idea that the only real harm consists of raising of prices for consumers. Yet in the Microsoft case, Internet Explorer was “free,” even though Microsoft was bent on destroying competition with it. Today, both Google and Facebook offer products that are free. Society has grown to rely on them, but because they have no dollar price, antitrust regulators have been hesitant to take action.

Disruptive Innovation Applications

AI

Riggs 18 David Riggs, 3-15-2018, "Silicon Valley companies are undermining the impact of artificial intelligence – TechCrunch," TechCrunch, <https://techcrunch.com/2018/03/15/silicon-valley-companies-are-undermining-the-impact-of-artificial-intelligence/> //DF

Leveraging machine learning and artificial intelligence to glean information from large data sets is the greatest technology opportunity of a generation. After a decade of acquiring talent from startups and research universities, tech companies like Facebook, Google and Uber have amassed some of the best AI teams in the world. However, we are not seeing the impact we deserve beyond the tech sector. Unfortunately, progress in other industries has become collateral damage to the tech sector's race for AI talent, and this issue has received little attention. **Over the last five years, 90 percent of AI startups in Silicon Valley have been acquired by leading tech companies.** These acquisitions have been largely unrelated to a successful product: Often, companies are in nascent stages and their products are either shelved by the acquiring company altogether, or the technology is embedded as a feature in another core offering. Outside of a few highly targeted cases, it's a strategy aimed first at getting the talent in-house, then figuring out what to do with them. Source: CB Insights On a micro-level, this is a highly rational strategy across the tech innovation ecosystem. Leading technology companies have the capabilities, cash and scale to leverage this talent and technical expertise into profitable products down the road. For their part, venture capitalists feel safer investing at higher prices in early-stage AI companies because a lucrative technology or team acquisition provides downside protection if they are unable to build a big business. Lastly, management teams may be tempted by early acquisition offers that are priced much higher than non AI-centric companies with equivalent product maturity or market traction. In the AI arms race, though, the name of the game is not just getting ahead, but depriving competitors of the AI talent that could make them competitive. **While tech companies compete for the promise of future AI-based offerings, they are not just depriving their competition of talent, but the rest of the economy, as well. On a macro-level, this hoarding strategy is undercutting 95 percent of the impact AI could have on the global economy and society at large.** Aggregate revenue of the five leading U.S. tech companies (Apple, Alphabet, Microsoft, Amazon, Facebook) represent less than 5 percent of total U.S. GDP. Yet **tech giants are buying up companies and directing them to focus on R&D, rather than building AI applications for specific, non-tech industry problems that can have an impact today.** Some argue that tech incumbents are best suited to bring industry-specific solutions to bear. Just look at cloud computing and how many industries have used it to increase their productivity — maybe the same will be done for AI and data services. I don't believe this is likely to happen quickly, for two reasons: (1) tech companies have plenty of their own purposes in mind, and (2) **the best AI solutions are designed around a specific problem and workflow.** You can see this already playing out in a few ways: Today, your Facebook photos are automatically tagged. This is a core feature enhancement designed to increase customer engagement. Recommendations on everything from Google to Netflix to Amazon are increasingly likely to result in increased customer purchases as a result of leveraging machine learning to scan a broader array of profile information. Both of these represent core needs for major tech companies and are not likely to translate into relevant offerings for other industries. Personally, I think it's a shame that **so many great AI minds are working on comparatively incremental feature enhancements.**

Competition

First, they buy their competitors out.

For example, Will Oremus writes in Slate in 2013: Amazon tracks its competitors extremely closely. So when an upstart called Diapers.com began catching on with parents by allowing them to easily schedule recurring orders of diapers and other essentials, Jeff Bezos took notice. Amazon sent a senior vice president to have lunch with the founders of Quidsi. He warned them that Amazon was thinking about getting into the diaper business and suggested they think about selling. This was not a friendly suggestion. It was more like the kind of offer you can't refuse. Soon after, Quidsi noticed Amazon dropping prices up to 30 percent on diapers and other baby products. The Quidsi executives stuck with Amazon, largely out of fear.

Oremus 13 Will Oremus, 10-10-2013, "How Amazon Went Thermonuclear on Diapers.com," Slate Magazine,

<https://slate.com/technology/2013/10/amazon-book-how-jeff-bezos-went-thermonuclear-on-diapers-com.html> //DF

Amazon tracks its competitors extremely closely, so when an upstart called Diapers.com began catching on with parents by allowing them to easily schedule recurring orders of diapers and other essentials, Jeff Bezos took notice, reports Businessweek's Brad Stone in an excerpt of his forthcoming book about Amazon. A website called Diapers.com may not sound like a major threat to a global online-retail giant, but Bezos did not take it lightly. Bezos, by Stone's account, does not take anything lightly. First, in 2009, **Amazon sent a senior vice president to have lunch with the founders of** the startup behind Diapers.com, called **Quidsi. He warned them that Amazon was thinking about getting into the diaper business and suggested they think about selling.** As Stone tells it, **this was not a friendly suggestion. It was more like the kind of offer you can't refuse.** From Businessweek: **Soon after, Quidsi noticed Amazon dropping prices up to 30 percent on diapers and other baby products. As an experiment, Quidsi executives manipulated their prices and then watched as Amazon's website changed its prices accordingly.** Amazon's pricing bots—software that carefully monitors other companies' prices and adjusts Amazon's to match—were tracking Diapers.com. Over time, Amazon's price drops began eating into Diapers.com's growth. Investors grew wary of pouring more money into the startup, given the competition. **Quidsi's founders were forced to consider selling, and they began talks with Wal-Mart.** Then, in September 2010, they traveled to Seattle to meet again with Amazon. **On the very morning of the meeting,** Stone writes, **Amazon rolled out a new service called Amazon Mom, offering huge discounts and free shipping on diapers and other baby supplies.** Back in New Jersey, Quidsi employees desperately tried to call their founders to discuss a public response to Amazon Mom. The pair couldn't be reached: They were still in the meeting at Amazon's headquarters. Quidsi could now taste its own blood. At one point, Quidsi executives took what they knew about shipping rates, factored in Procter & Gamble's (PG) wholesale prices, and calculated that Amazon was on track to lose \$100 million over three months in the diaper category alone. Amazon made an offer, and Wal-Mart responded with a counter-offer. But Bezos was playing hardball. When Bezos's lieutenants learned of Wal-Mart's counterbid, they ratcheted up the pressure, telling the Quidsi founders that [Bezos] was such a furious competitor that he would drive diaper prices to zero if they sold to Bentonville. The Quidsi board convened to discuss the possibility of letting the Amazon deal expire and then resuming negotiations with Wal-Mart. But by then, **Bezos's Khrushchev-like willingness to use the thermonuclear**

option had had its intended effect. **The Quidsi executives stuck with Amazon, largely out of fear.** The deal was announced Nov. 8, 2010. For more on how Bezos ruthlessly built Amazon into the titan it is today, along with some fascinating details of his personal life, read the full Businessweek story or check out Stone's book, *The Everything Store: Jeff Bezos and the Age of Amazon*.

This is no exception. According to Bloomberg in 2017: Google, Amazon, Apple, Facebook, and Microsoft made 436 acquisitions over the last decade, while antitrust cops made nary a peep.

Dwyer 17 Paula Dwyer, 7-20-2017, "Should America's Tech Giants Be Broken Up?," Bloomberg, <https://www.bloomberg.com/news/articles/2017-07-20/should-america-s-tech-giants-be-broken-up>
//DF

The tech superstars insist they compete fiercely with each other and have lowered prices in many cases. They argue that their dominance is transitory because barriers to entry for would-be rivals are low. Google often says competition is "one click away." And since consumers prefer their platforms over others', why punish success? But when a cool innovation pops up, the superstars either acquire it or clone it. According to data compiled by Bloomberg, **Alphabet, Amazon, Apple, Facebook, and Microsoft made 436 acquisitions** worth \$131 billion **over the last decade. Antitrust cops made nary a peep.** Snap Inc.'s experience with Facebook is instructive. Since Snap rebuffed Facebook's \$3 billion offer in 2013, Facebook has knocked off one Snapchat innovation after another. That includes Snapchat Stories, which lets users upload images and video for viewing by friends for 24 hours before self-destructing. Facebook added the feature—even calling it Stories—to its Instagram, WhatsApp, and Messenger services, and most recently to the regular Facebook product. Snap's shares now trade at around \$15, below the \$17 initial offering price in March. By offering advertisers the same features but with 100 times the audience, "Facebook basically killed Snapchat," Taplin says.

Polarization

C1: polarization & Democracy

UQ:

US Democracy is polarized and damaged

Tech has played a key role in this, especially w/ Facebook and fake news

People want to switch off Facebook and would do so if they had alternatives

Link 1:

Creating competition will make it harder for any fake news to operate.

<https://www.competitionpolicyinternational.com/wp-content/uploads/2017/12/CPI-Hubbard.pdf>

<https://www.forbes.com/sites/washingtonbytes/2017/01/16/is-fake-news-an-antitrust-problem/#8bf14c991c32>

<https://www.vox.com/platform/amp/technology/2017/9/22/16330008/eu-fines-google-amazon-monopoly-antitrust-regulation>

Link 2:

Breaking up the tech monopolies forces them and their competitors to adopt better practices

<https://www.calcalistech.com/ctech/articles/0,7340,L-3735537,00.html>

Link 3:

Breaking up the tech monopolies diminishes their political power, enabling politicians to pass policies in the future that regulate fake news.

<https://www.bloomberg.com/news/articles/2019-01-22/google-set-2018-lobbying-record-as-washington-techlash-expands>

<https://psmag.com/economics/tech-companies-arent-just-donating-to-democrats-a-look-at-silicon-valleys-contributions-to-republican-campaigns>

<https://www.theguardian.com/technology/2017/sep/03/silicon-valley-politics-lobbying-washington>

<https://readwrite.com/2018/08/07/the-impact-of-technology-on-politics-goes-far-beyond-social-media/>

<https://newrepublic.com/article/146924/silicon-valleys-origin-story>

<https://www.theinformation.com/articles/the-political-realities-of-warrens-tech-breakup-plan>

<https://www.nytimes.com/2019/03/17/technology/google-facebook-amazon-antitrust.html>

<https://slate.com/technology/2019/03/warren-tech-antitrust-facebook-google-amazon-president-silicon-valley.html>

<https://www.opensecrets.org/news/2019/03/big-tech-elizabeth-warren-break-up-plan/>

<https://www.theguardian.com/commentisfree/2019/apr/28/regulating-facebook-will-be-one-of-the-greatest-challenges-in-human-history>

IL:

Less fake news and such

<https://www.vox.com/2019/5/30/18645526/trump-russia-elected-help-twitter>

<https://www.vox.com/policy-and-politics/2019/1/22/18177076/social-media-facebook-far-right-authoritarian-populism>

<https://www.theatlantic.com/technology/archive/2017/10/what-facebook-did/542502/>

https://www.google.com/search?ei=s4TwXMSwCqmJgge7v5eoBQ&q=regulate+facebook+and+democracy&oq=regulate+facebook+and+democracy&gs_l=psy-ab.3...119087.120030..120343...0.0..0.114.732.8j1.....0....1..gws-wiz.....0i71j0i13j0i13i30.Gp3Z2ZglE1Q

https://www.washingtonpost.com/news/democracy-post/wp/2018/11/15/its-time-to-start-regulating-facebook/?noredirect=on&utm_term=.03fe983d456c

Impact:

American democracy!

Weighing:

Wu talks about how antitrust is a better alternative than nationalization, or other harsh policies that result when companies get to big. This would link in to basically all con impacts. Also, read where Wu talks about the impacts on democracy

C2: innovation & competition

UQ:

Low tech innovation right now (ex. Fewest startups)

Link:

Breaking up the tech companies and preventing mergers would encourage more companies to join the market

IL:

More innovation

Impact:

Myriad economic benefits