The Two-Front War on Techtopia

I may have a perfect betting record, but six years ago I made a big generalization that almost instantly blew up in my face.

> In my youth, I saw Industrial Organization as the heart of our secular religion. My history textbooks loudly and repeatedly decried "monopoly"; teachers, peers, and parents echoed their complaints. Since the late-90s, however, such complaints have faded from public discourse. The reason isn't that plausible examples of monopolies have vanished. If anything, firms that look like monopolies – Amazon, CostCo, WalMart, Starbucks, Uber, Facebook, Twitter – are higher-profile than ever. But the insight I preached in my youth – the main way firms obtain and hold monopoly on the free market is reliably giving consumers great deals – is almost conventional wisdom. What modern consumer fears Amazon or Starbucks?

As consumers, of course, people continued to eagerly patronize these "monopolies." As voters, however, people hastily turned on most of these amazing firms.

Left-wingers turned on tech for the standard reason: Resentment of business and the rich. Tech businesses are for-profits, and their leaders make lots of money. That may seem unfair, but look: The proximate causes – "violations of privacy" and data breaches – were so trivial that any sober observer would have just rolled his eyes and scoffed, "Big deal. Why are we even talking about this?" In hindsight, the amazing thing is that the left waited so long to demonize the tech sector.

Right-wingers turned on tech for *their* standard reason: Resentment of the left. Tech leaders lean left personally, and their firms lean left institutionally. Once they see you as left-wing, the right will happily unleash antitrust, privacy, campaign finance, child protection, or animal cruelty law against you. What difference do the legalities make, as long as justice be done? Honestly, I doubt many on the right will even offer an alternative story of their souring on tech; if tech was apolitical, they simply wouldn't be mad at them.

Verily, as I've said many a time before, the left is anti-market and the right is anti-left.

What, though, are the likely consequences of politically punishing success as "monopoly"?

The obvious answer is: Less success. The less obvious answer, though, is: Creating monopolies where none existed. Mark Jamison provides a fine overview:

> Consider the misnamed *Ending Platform Monopolies Act* introduced by Rep. Pramila Jayapal (D-WA). According to the press release, this bill would make "it unlawful for a dominant online platform — such as Google, Apple, Amazon, and Facebook — to simultaneously own another line of business when that dual ownership creates a conflict of interest." "Conflict of interest" means a store like Trader Joe's selling its own products alongside rivals' products. The bill would require companies such as Alphabet, Amazon, Apple, and Meta to either quit selling their own products or quit selling others' products.

So what?

> What does this mean for the impacts of Rep. Jayapal's bill? If Amazon stopped selling its own products, it would look like eBay. But differentiation is critical for survival in digital markets, so only one of the two platforms would survive, leaving the small businesses with one choice where two had existed before.

> Something similar would happen if Amazon complied with the law by ceasing to let small businesses use its platform. eBay would dominate for small businesses given that three times as many small businesses use eBay over its next largest rival, Shopify. Rep. Jayapal's bill would be a gift to eBay, which would become even more of a monopoly than is Amazon.

Also:

> Consider also the poorly named *Open App Markets Act*, introduced by Sens. Richard Blumenthal (D-CT), Marsha Blackburn (R-TN), and Amy Klobuchar (D-MN). It largely targets Apple, prohibiting the inventor of

the modern smart phone from continuing to provide the simple, seamless, secure customer experience it is known for. More specifically, the bill would ban Apple from requiring that app providers use Apple's payment system and not cannibalize iPhone value by offering lower prices on other payment systems. Bad apps could also bypass App Store safety measures and load directly onto the iPhone. The bill would also require that Apple permit other app stores on the iPhone, also making the device less secure.

One irony of the Open App Markets Act is that it would make the app ecosystem less open by effectively making Apple's iPhone more like Alphabet's Android system, which already offers features similar to those required by the bill. This forced change in the iPhone would harm *the 113 million US iPhone users that prefer today's iPhone features... And it would diminish the vibrant* competition *between Apple and Alphabet for app developers by removing developer options. Finally, by making the two operating systems more similar, it puts at risk their rivalry: As in the case of forcing Amazon to be more like eBay, it is hard to maintain competition between two very similar products in a digital market.*

A cynic might say that the tech industry deliberately pandered to the left, hoping to deflect the left's default antagonism to any successful business. An even bigger cynic would point out that deflecting the left's default antagonism to any successful business is a fool's errand. The default is just too strong.

My own view, though, is that the tech industry's leftism is largely sincere. They aren't pretending to have left-wing sympathies; they really do. Unfortunately for them, leftist thinking brands even the most sincerely left-wing billionaire as an arrogant sinner in need of humbling. And at the same time, rightist thinking brands even the most productive left-wing billionaire as a leftist in need of immiseration.

Either way, the fundamental economics of innovation are at once economically glorious and politically irrelevant. The tech sector hasn't just handed humanity an ever-growing wedge of utopian abundance; it's often done so free of charge. Yet politicians are still advancing their careers with hare-brained schemes to fix the greatest machine we've ever

seen.