

AFD Ep. 309 Links and Notes - Part 5: The Early US Oil Industry, Modern Parallels to the Rise of Gilded Age Monopolism

- The tech monopolies that can't be broken up
 - United States v. Microsoft Corp.
https://en.wikipedia.org/wiki/United_States_v._Microsoft_Corp.
Original judgement: On June 7, 2000, the court ordered a breakup of Microsoft as its remedy.^[19] According to that judgment, Microsoft would have to be broken into two separate units, one to produce the operating system, and one to produce other software components.^{[18][20]} Microsoft immediately appealed the decision.
Settlement: On November 2, 2001, the DOJ reached an agreement with Microsoft to settle the case. The proposed settlement required Microsoft to share its [application programming interfaces](#) with third-party companies and appoint a panel of three people who would have full access to Microsoft's systems, records, and source code for five years in order to ensure compliance.^[29] However, the DOJ did not require Microsoft to change any of its code nor prevent Microsoft from tying other software with Windows in the future.
Economist [Milton Friedman](#) believed that the antitrust case against Microsoft set a dangerous precedent that foreshadowed increasing government regulation of what was formerly an industry that was relatively free of government intrusion and that future technological progress in the industry will be impeded as a result. (LMAOOOOOO)
 - The US and EU cases against Google
https://en.wikipedia.org/wiki/European_Union_vs._Google
First: Google Shopping results were sorted first, regardless of relevance, thus impacting competitors and consumers negatively.
On 27 June 2017, Google was found guilty and was fined €2.4 billion (about US\$2.7 billion), the largest such antitrust fine issued by the EC.^[4] Google has denied the European Union's accusations against them and made a statement claiming "its services had helped the region's digital economy grow".^[5] The fine represented just over 2.5% of Google's 2016 revenue.^[6]
Second: While investigating the case related to Google Shopping, the EC found additional evidence related to potential antitrust issues related to [Google AdSense](#), and issued a Statement of Complaints on 14 July 2016. These complaints were centered on how Google licensed AdSense to their direct partners:^[9]
 - Google required direct partners to exclusively use Google's AdSense and could not engage with Google's competitors;
 - Google required that partners take a minimum number of Google ads and predominately place them above any other advertising, nor could place ads from other services above or alongside Google's ads;
 - Google required partners get confirmation from Google before making any changes for how they displayed Google's competitors' ads.

On 20 March 2019, the [European Commission](#) imposed a fine of 1.49 € billion on Google for abusive practices in online advertising.^[10]

Third: on 20 April 2016, the European Commission announced the issue of the second Statement of Objections, now addressing both Google and Alphabet within its charges.^[19] The new set of complaints, amending those of the first Statement of Objections, asserted Google violated EU's antitrust laws by:^[20]

- by requiring mobile manufacturers to pre-install Google Search and Google Chrome browser and requiring them to set Google Search as default search service on their devices, as a condition to license certain Google proprietary apps;
- by preventing manufacturers from selling smart mobile devices running on competing operating systems based on the Android [open source code](#);
- by giving financial incentives to manufacturers and mobile network operators on condition that they exclusively pre-install Google Search on their devices.

The potential fines for the case, if Google were to be found violating antitrust laws, has a maximum amount of 10% of the company's annual revenue, about US\$7.4 billion at the time of the issuing of the Second Statement of Objection.

On 19 July 2018, EU has fined Google €4.3 billion (about US\$5 billion). In March 2019 Google announced that it will give European users of Android phones an option of which browser and search engine they want on their phone at the time of purchase to further comply with the EU's decision.

- Amazon Web Services operates government websites
<https://www.washingtonpost.com/business/2019/10/25/pentagon-awards-controversial-billion-cloud-computing-deal-microsoft-spurning-amazon/> (Didn't win DoD contract, but they have almost 50% of cloud-computing market)
The contract calls for the military to use a technical infrastructure, known as cloud computing, where customers rent services from companies such as Amazon and Microsoft, rather than purchasing the hardware and software to operate in their own data centers. The design of the technology allows customers to tap into massive farms of servers as they need to. And because the tech giants manage the technology, it runs the latest version of software and is thought to have the highest level of security.
More recently, the campaign against the single-award approach has been led by Oracle. The company's policy organization created a colorful one-page flow chart that featured photographs of Amazon executives, as well as other defense officials in charge of the procurement, including Mattis, with the title "A Conspiracy To Create A Ten Year DoD Cloud Monopoly." The graphic, which was labeled "most wanted," later landed on Trump's desk, people familiar with the matter said at the time.
- Facebook is able to decide who wins and loses, often by buying the competition, now acquiring giphy
<https://www.theverge.com/2020/5/15/21260653/facebook-giphy-acquisition-merger-elizabeth-warren-amy-klobuchar-josh-hawley-senate-antitrust>

In a statement Friday, a Warren spokesperson pushed for the passage of this bill in light of Facebook's Giphy purchase. "Facebook's acquisition is yet another

example of a giant company using the pandemic to further consolidate power - this time it's a company with a history of privacy violations gaining more control over online communications," the Warren spokesperson said.

<https://www.fastcompany.com/90505929/the-real-reason-facebook-bought-giphy-for-400-million>

The Giphy data might also reveal the growing popularity of a new app or service. If such an app were to suddenly start making a lot of API calls to Giphy, it might reveal that the app's user base was growing quickly. And anything that's attracting attention on the internet is something Facebook wants to know about. Virality is its business.

- Brookings: [Who Makes the Rules in the New Gilded Age?](#)
- Vox: [We won't get out of the Second Gilded Age the way we got out of the first](#)
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- In many cases, as in the 19th century, it's reasonable to ask whether we actually need more than one company in a given arena. It is also unclear whether consumers and society as a whole benefit from "competition" more than from the advantages of economies of scale and supply-chain integration that result from monopoly.
- Alternative models from trust-busting vs private cartels
 - State ownership of monopolies
 - KS: I wonder if there is any throughline to NH's state run liquor stores or state-run marijuana growers/stores or potential CA energy buyout (PG&E). There also seem to be obvious parallels with utilities.
 - PG&E:
<https://calmatters.org/politics/2020/02/what-happens-if-california-takes-over-pge/>
 - PG&E:
<https://www.latimes.com/environment/story/2020-02-14/should-california-take-over-pge>
 - WA State Liquor:
<https://www.phi.org/press/years-after-liquor-privatization-washington-state-residents-regret-vote-to-end-state-monopoly/>
 - Private-sector major corporations have huge bureaucracies already so there is little risk of over-bureaucratizing under government-ownership
 - Worker ownership of monopolies
 - Despite the early 20th century arguments of the IWW discussed last week and last year, it is not entirely clear that worker ownership of major industrial corporations is appropriate, but worker ownership of small, local businesses probably makes a great deal of sense
 - Hybrid state-worker ownership where workers control conditions and methods but the state directs the objectives
 - potentially important when an industry is good for workers but bad for the planet
 - Potential downside: the state sometimes has bad objectives where the workers know better – such as the arms industry boycotts, although generally the workers refusing to work are those loading armaments onto transports rather than those at the arms company itself
 - Mixed market model: To promote genuine innovation, startups remain private, albeit with additional worker control & protection (both for working conditions in

development and also to ban regulatory arbitrage as the “innovation”), but are automatically acquired by the government when they reach a certain scale or can be voluntarily sold to the state corporation at any time

- Previously on the show we covered FDR’s famous 1932 campaign speech in Portland Oregon on natural monopolies, utility regulation, the public good:

<http://arsenalfordemocracy.com/2017/08/02/aug-2-2017-arsenal-for-democracy-ep-190/>

- <https://www.presidency.ucsb.edu/documents/campaign-address-portland-oregon-public-utilities-and-development-hydro-electric-power>

- His 1938 speech to Congress on monopolies has some interesting data on consolidation but otherwise seems to completely miss the mark in its analysis of the problems and also their solutions:

<https://www.presidency.ucsb.edu/documents/message-congress-curbing-monopolies>

- It even seems to acknowledge the natural tendency and what must be done but rejects this: “A discerning magazine of business has editorially pointed out that big business collectivism in industry compels an ultimate collectivism in government. The power of a few to manage the economic life of the nation must be diffused among the many or be transferred to the public and its democratically responsible government. If prices are to be managed and administered, if the nation's business is to be allotted by plan and not by competition, that power should not be vested in any private group or cartel, however benevolent its professions profess to be.”