

Competition Is Killing Us

Ross Welcome to Renegade Inc. One of capitalism's central planks is that competition is king and creates a level playing field that champions only the best products, the most efficient services and the most effective people. Yet a cursory glance around the business world shows us that corporations don't like competition. They aggressively protect their monopolies, which stifles products, shrinks services and prevents personal accountability. So what if this so-called competition is actually killing us?

David Graeber (video clip) Think of it as the Karl Rove school of anti-capitalism. Karl Rove said 'you don't go after your opponent's weaknesses, everybody already knows about those. You go after what are seen as their strengths.' So Kerry was a war hero, so say he isn't a real war hero, that kind of thing. And with capitalism, everybody says the same thing, pretty much. They say, yes, it creates terrible inequalities. It makes people miserable in a million different ways. But it's really efficient, you know. No system has ever been developed that's so efficient, distributing labour and resources to produce maximum outcomes, budget and time. It's a lightning engine of efficiency, it's lean and mean, so forth and so on. And we have to put up with the other stuff because any other system would just be horribly inefficient. But if you discover that like thirty seven to forty percent of people feel that they are doing absolutely nothing all day, that doesn't sound that efficient.

Ross Joining me to discuss how competition is killing us is the competition lawyer and author Michelle Meagher. Michelle, welcome.

Michelle Meagher Thank you so much for having me.

Ross David Graeber would always say, if you're going to take an argument on don't ever attack the weakest case within a system. You take on the capitalist system and you take on the strongest case, i.e., competition. Now, a capitalist system for us is competition is great, more competition better. dog eat dog out there, we all get more efficient. You're saying that this competition is actually killing us. Why?

Michelle Meagher Well, partly what I'm saying is that is the idea of competition. We've become so obsessed with competition that it's everywhere you look. And one of the problems is that the markets, the free markets, that we've been sold on aren't as competitive as we've been told.

Ross Or as free?

Michelle Meagher Or as free. So we've got the kind of twin mythologies there, that the idea that the markets are free when actually they're highly monopolized and the same problem that they're, not competitive. Actually, there's all sorts of harms and there's all sorts of power that's accumulating within them.

Ross So what then to do? Because we know intuitively that there's a monopoly out there. We know that the capitalist class buy our products, take them out of the market, buy out services

to protect, to put a moat around their advantage. What do you begin to do? Is the first thing to actually call it out?

Michelle Meagher Exactly. I think that although we all know that these companies are out there, we haven't kind of analysed them in a way to really understand what they're doing. I think one of the huge things and one of the real myths and challenges for us is to understand that this is not inevitable. This is not how the world has to be. And I think a lot of these companies, the tech companies, as a really good example, have created this narrative of inevitability, that this is the only way you can only organise the information with one company, Google being in charge of it all. You can only have a social network if you've got one company and the place where you all then go it to meet online. But that's not how the Internet was originally conceived of. It was thought of as this open source, kind of diverse network spreading power. But when you've got all these structures that are around it, within the capitalist system, which allow companies to really forge ahead - IP law, you've got copyright, you've got all sorts of things that are kind of really create that moat, as you say. It's really upon us to call that out and to say, right, so this company does exist and it has created some value and some good products and some services that we like. But it's gotten there through all sorts of conduct that we would say is illegal or anti-competitive. And it's also done it by kind of competing in ways that we wouldn't want. So that idea of competition, that it's somehow always good for us. That's what I'm challenging.

Ross One of the things that strikes me, certainly if we take the tech industry as an example, is the army of lobbyists that they have, armies, plural, of lobbyists that they have. How do you begin to take those people on?

Michelle Meagher I think the core thing is the really kind of benefits the lobbyists is that they're currently able to fight on so many different fronts. They can go in to kind of every single meeting and negotiate on tax law, on securities law, on antitrust and competition law. And meanwhile, the different regulatory departments are looking at it just from that little silo, that thinking, hey, my job is to protect this particular part of the system. If we start to see that all of these types of laws and all of these types of regulatory mechanisms could be a form of antimonopoly, that they are all different ways to challenge corporate power, and that civil society fighting against fracking, fighting against deforestation, fighting against inequality. These are all different symptoms of the same problem. And I think one of the things that we really need to do is unite all of those narratives so that we can say we are here to present all of these problems, they're all the same problem. And they all have some similar solutions with two things. One is this idea of interest convergence.

Ross What is that, interest convergence? Is it when I suddenly realized that you and I are aligned and we need to be taking action on a point?

Michelle Meagher Yeah. And we might not be aligned on ideology. We might not be aligned on the reasons, but we can be aligned on the solution. And so therefore we can put aside some differences that we'll never agree on and then say we still want the same thing. And the other idea is super percolation, which is this idea that essentially at some point, ideas just will spread across the whole system and you get an idea like antimonopoly and antitrust, something that people have not thought about for 100 years. Suddenly people are saying, right, there are. Don't we have some laws that are meant to be taking care of that? And they're

looking around and looking at opening up these like dusty statue books and realising, oh, yeah, and there's been a regulator that's meant to be doing that for the last 50 years and they haven't.

Video clip (Rana Foroohar) I've been a business and economics journalist for twenty seven years and I've witnessed any number of CEOs, well-meaning people not trying to be bad guys, doing things that I just thought like why are they doing this? This is going to jack up your share price for one quarter and then it's going to tank your whole company in five years. Why are you doing this? Coming back to this sort of the real come to Jesus moment. In 2013, I was sitting in an off the record meeting with a former Obama administration official who'd been very involved in the bailouts, the too big to fail banks. And as is always the case, the administration sort of sent out these envoys to say, we've done a great job, we're going to wipe our hands. Nothing to see here, move on, tie a bow around everything. And we were talking about the Dodd-Frank financial regulation, which at that point, amazingly, was still only about halfway written. And that's four or five years on from the crisis, which was stunning in itself. And the official was saying, well, you know, banks have not been able to manipulate this process. We've gotten stronger regulation through. And I had just done a column noticing that 93 percent of all the meetings on some of the most contentious parts of regulation had been taken with bankers themselves, with the institutions and individuals who were going to be regulated. So I raised my hand and I said, well, how can you say that you've gotten a great piece of regulation through when 93 percent of the people talking about it were the ones going to be regulated. And here's the kicker. He looked at me with really honest befuddlement and said, well, who else should we've been talking to? And I remember looking around the room, which was filled with financial beat reporters and thinking, oh my gosh, everyone's going to be scribbling. And no one was. There's so much cognitive capture. There's such a conventional wisdom here, such a narrative that nobody even understands how bizarre that is.

Video clip (Noreena Hertz) A key part of the reason society is more atomised, people feel more lonely and excluded, that's a whole sector of society that governments have not sufficiently regulated. In many ways, social media companies are the tobacco companies of the 21st century and yet they are for the ill that they potentially create are being very light touch regulated. So when you ask about kind of some of the ways that capitalism has swung too far in one direction, that would be a way. You know, we need governments to properly regulate social media companies so that they have a duty of care to their users. And when it comes to younger users, I would go so far as to, say, ban addictive social media for children with the knowledge that in so doing, social media companies will be incentivised to make their products less addictive because they are consciously designed as such, like slot machines with colours and flashing lights.

Michelle Meagher So one of the core problems is that when people are talking about corporate social responsibility and the idea that companies should be better to their workers, they should be better to the environment, they should be more responsible, we're still leaving the same people in charge to actually make those decisions and to decide what is in the public interest and to decide what is good for people and what is good for workers. And I think the core thing we have to understand is that unless by challenging their power, unless we're really making sure a) that they are actually competing fairly in the markets that we don't have... You know, if you have a company that's not competing fairly in the market, they've got all

this power after not having done anything good for the rest of us. What they've done is essentially sucked up resources and value into their own kind of tent. And then from that, wielding that power, they're able to impact your workers environment and so on. So unless we really deal with that power, everything else is really a pipe dream. We're not going to be able to deal with any of that stuff.

Ross How do you have the root and branch clear out? Because if I was a CEO who had used capital, cheap money now to go out and acquire different businesses, put a huge moat around my business and then sit there with my feet on the desk going monopoly. If I get a knock on the door saying, by the way, you've got to give up all that power, I'm not going to do it very easily am I?.

Michelle Meagher Well, I think one big thing is actually the kind of norms to change for people to just expect this to happen. So last week, we had a really fundamental report coming out of the US Congress which takes to task all of the big tech companies and really goes into just enormous detail and the list of harms and things that they've done.

Ross This is the investigation of competition in digital markets? Who branded this?

Michelle Meagher It's 500 pages of stuff that most people won't need to read. And to be honest, most people won't need to be persuaded of what's in there. But what it really shows is how systematically across the board these companies in very different markets have used the same tactics to undermine competition and to shore up their own power. And they've done it under this banner of competition and they've done it under the banner of this is good for the consumer. In fact, the products are free. So this is how we're able to basically go completely under the radar because competition law, as it has come to be interpreted, this law that's meant to be challenging corporate power, has instead become obsessed with consumer welfare, which is this idea of low prices for consumers and efficiency. So if you're Google, you can say we're really efficient consumer prices. Will prices, you know, everything's free. We know that that's not true, kind of intuitively, instinctively. We know that we're giving them loads. We know that we're giving them data and access to democracy, being able to change behaviour and be a gatekeeper for anybody who wants to go online. But what the report does is really go through and show, yeah, these are the same tactics that Amazon is using and Facebook as well. And that actually this is just something that these companies are doing across the board.

Video clip (Guy Standing) Rentier capitalism means that mainly the income goes to the owners or controllers of property, financial property, physical property and most of all in this technological revolution that we're experiencing, intellectual property. So rentier capitalism was constructed by allowing for monopolies. Under the Hayek system, they presume that monopolies are temporary because competition - in economic terms, it's called Schumpeterian competition - competition will whittle away those monopolies so that other companies will come up. The reality, of course, is that monopolies have a way of protecting themselves. In 1994, the leading financiers and the US government and the British government of the time and some of the multinational corporate executives basically forged through the World Trade Organisation and the World Intellectual Property Organisation, a very little noticed act called TRIPS. And TRIPS means trade related aspects of intellectual property. And what this did very, very cleverly in terms of what their agenda was all about,

was it basically globalised, the American system of intellectual property rights. So, for example, if you take out a patent on whatever it now guarantees you, a monopoly profit income flow for 20 years. Now, there's a very good story, which I mentioned in my book. In 1955, the polio vaccine was invented and there was an interview on black and white television in the United States with Ed Murrow, the famous journalist, and he said, well, why aren't you patenting this? And the man who'd invented it, he said, well, I'm sorry, patent this, but you might as well patent the sun. This is an idea for humanity. Now, contrast, that attitude with what's happened since 1994 is remarkable. You can now patent a drug and you can roll it over for a further 20 years. So you can patent a drug for 40 years. You can't produce it. Nobody else out there can produce it. And often what is patented is not something the company wants to use, it's to stop others doing so.

Ross Michelle, your book, *Competition Is Killing Us*, just debunk this idea that competition is good, more competition is better, because in a sense, what you're doing is turning the capitalist idea on its head.

Michelle Meagher So I think that when we think about competition, we're often thinking about it in some kind of platonic ideal and this perfect competition that's in textbooks. And of course, it's fantastic when companies do go out there and compete with one another to provide the best possible service and the best goods at the lowest possible price. That's the perfect version of that. And if that were to be the case, then we would have the most output for our limited resources and that would be brilliant for everybody. Only the people who most wanted something would get it, all the stuff from the textbooks. There are, however, like a couple of other ways that companies can compete. One of the ways is to seek monopoly. You corner a market, you push out all of your rivals, and then you don't have to have the best product anymore and you don't have to charge the lowest price because there's nobody else left to compete with you. The other way is that you shift as many of the costs that should be costs of your business onto society. So you make sure that you're not really fully paying your labour costs because actually you're kind of making them, for example, categorises gig economy, self-employed or whatever. You're not playing your environmental costs. You're just cutting corners and you're making sure that basically the communities that living near the factory that you're producing you're Teflon and have that water be poisoned. And in West Virginia, as happened with Dupont. So you're able to shift those costs off your balance sheet and onto society. And that means that you're able to offer a lower price because you haven't actually paid for the full cost of your production.

Ross *Competition Is Killing us*. You've written it over the last six months. It's our book of the week. Pitch it to us, Michelle. Why should we be reading this book or why should we be concerned?

Michelle Meagher Well, the main thing that I'm trying to do in this book is to really challenge some of the myths that are embedded within this idea of free market capitalism. So the idea that markets are competitive, the idea that free markets work in our favour, that corporate power is benign, that corporate power is handled by the authorities, and that they are on the ball on that, this idea that we are all shareholders. So it would be through our pensions, we should be trying to support this kind of competition. So I go through systematically and look at that, and I'm doing it from the perspective of a competition lawyer. So I'm somebody who is kind of working in the system, seeing how companies compete and

seeing how they're effectively able to, you know, sing to the tune that the regulators need to hear. And what I'm trying to do here is really expose that and show people that the system isn't working, the regulatory system isn't working, and we should be asking for more from our regulators.

Ross What was the one thing that really shocked you when you were writing this because books change authors don't they? You start with an idea and by the time you've got to how many thousand words at the end, you've either changed your mind or it's fundamentally changed you. What shocked you? What changed you when you wrote this?

Michelle Meagher I think the the piece of the puzzle that I didn't appreciate to its full extent was the influence of the Chicago School of Economics over this whole narrative.

Ross What were they trying to do with that thinking?

Michelle Meagher At the beginning of the 20th century you had an enormous movement, a democratic movement, that was in the US that was moving against corporate power. So this is the context. And then you have the Great Depression, which really showed that capitalism doesn't work. And we had this huge kind of tide of socialism that was going around the world. And what they really wanted to show was that corporate power was something that we shouldn't take any sight of, that actually, once you have completely free market competition, everything else sorts itself out. And with monopoly, what they did was they put forward this argument and they did it through economic journals. They did it through legal journals. They did it through cases by putting their own people into government. And they really spread this idea that a monopoly is temporary, that if a company, by sheer luck and innovation, manages to become the most prominent company in the market, the next day they're going to be competing. So this idea that, you know, yes, there was MySpace, but then there's going to be a Facebook and they obviously have their own kind of versions of that. And they basically tried to say that the market is self-correcting and everything will sort itself out. And it wasn't it just a brilliant narrative because it's so enticing, this idea that actually free markets will solve everything. And so that was, I think, one of the core messages. They did it in antitrust. They did it in corporate governance. And Milton Friedman's seminal shareholder value essay, which essentially says in The New York Times in 1970 that the social responsibility of business is to maximise profit, which is remarkable. The social responsibility is to maximise profit. You do what you do best, make money and the rest of the know we can redistribute the wealth afterwards.

Ross All I heard was trickle down economics.

Michelle Meagher Exactly. I think a really good kind of concrete example of that is you have even the Economist saying that shareholder value costs are something like two trillion dollars a year of value that is extracted off the back of workers and communities up to the shareholders. And meanwhile, as that accumulates, you've got seven trillion dollars that's sitting in tax havens. So this is not money that's being recirculated. So the whole promise of trickle down is that you don't tax the rich, you let them make as much money as possible, but then you redistribute either through tax or you kind of allow them to multiply that wealth by employing lots of people. And we see that now that that's not how capitalism is working, certainly not digital capitalism.

Video clip (John Kay) Certainly the idea that companies have a duty to try to avoid tax comes from the shareholder value issue. If you go back to that definition of the duty of directors of a company, if it's to promote the success of the company for the benefit of the members, I don't quite see myself where avoiding tax comes into that particular statement. So the idea that there's an obligation to minimise your tax bills is not very compelling. But still, we now have a very elaborate industry that is concerned with tax avoidance. And the truth is if we were serious, there's a lot we could do about that really quite quickly. It's almost all generated by the fact that these companies operate internationally. So you can play with the differences between different international regimes, some of them large countries like the UK or the Netherlands, have actually used tax loopholes to attract companies and revenues. Ireland and Holland have done that on a large scale.

Michelle Meagher A really big thing that people need to understand is that although everyday people don't think in terms of neoclassical economics, if they have any social life, but actually all of the people who are kind of pulling the strings and operating the system do think in those terms. And whenever they want to object to anything, it's the kind of neoclassical knee jerk response that says that computer says, no, that's not how the system works.

Ross TINA, there is no alternative.

Michelle Meagher Exactly. There is no alternative. And, you know, a lot of those people will be educated, like I was, studied economics at Oxford, went to law in the City, and really just kind of believed in this competitive system.

Ross Did you have a light bulb moment, though, or a eureka moment? Did you do PPE?

Michelle Meagher Yes, yeah.

Ross Well, now we talk because almost every politician, you know, the ministers, that PPE is the degree of choice of choice, they learn economics, neoclassical economics, they think they're versed in economics, they're not. They don't really understand how the economy works.

Michelle Meagher And who can blame them, because that is not what our economics education looks like. It doesn't have that kind of holistic view. You know, we have this idea of heterodox economics that it's somehow, you know, weird and strange when it's actually just a full picture of how the world works. And so, you know, if you're trying to communicate to people in those positions of power to have a say over how the world is regulated, you need to be showing them why they instinctively know, which is that that is not a full picture and that actually you can't kind of keep using the same system. I think of, you know, if you're going to try and change a paradigm, using the tools of the existing paradigm often isn't going to get you there. Because which is why I called my book, *Competition Is Killing US*, something that a lot of progressives really challenge. Most people think that we need more competition to challenge monopolies. But what I'm trying to say is we can't rely on competition and competition will not solve it. We can't sit back, create competition, break up

some companies and kind of say, OK, let's let capitalism is fixed. You've got all of these deep ideas stemming back to neoclassical economics that really have regulators beholden.

Ross So we're going to hire you and take your advice on how to sort this out. What are the three things as a client or a government, you'd say to me, just as absolutely foundational issues, these are the three things that you need to implement now?

Michelle Meagher Well, because I don't think that it's about just some specific laws. I put it under three categories. So one is that we need to disperse power and we need to do it in all sorts of ways. As a competition lawyer, looking at the antitrust aspects of this, that means we need to block more mergers. We need to be more cynical when companies come to us and say, oh, this is really efficient, we're going to do loads of good things for our customers when really we know they're beholden to shareholder value. If they're able to cut costs by sacking their workers, which they will, all the benefits, if there are any, will go to their shareholders. So we need to be challenging corporate power at that level by dispersing it. And then the second one is democratisation. So if you have power that resists dispersal, you should be democratising it. You should be putting workers on boards, other stakeholders on boards. If you want to continue under that particular model, you should be looking around the economy and for opportunities to shore up countervailing power so that other nodes of power within the economy. Is that cooperative business models? Is it looking at unionisation, not just of workers, by the way, but also of civil society, looking at ways that you can create other pools of power that are going to challenge that particular corporate power?

Ross Just imagining Jeff Bezos's face when you say all that, because I don't think he'd be into any of it, really.

Michelle Meagher I mean, they are notoriously union busting. So, no, they wouldn't. But that's the point. Nobody wants this to happen to them. If you're a Jeff Bezos in the world, the third Jeff Bezos really isn't going to like it. The third is dissolve. So ultimately, if you've got a company that is breaching the public interest again and again, that companies should not have the right to exist. Now, I don't actually think that there are many governments that would go to Jeff Bezos and say, we're just going to take away your right of incorporation. But I do think that it would really focus the mind of oil companies, of tech companies to say, no, you don't just get to exist forever.

Ross Optimistic?

Michelle Meagher I am optimistic because I think that humankind doesn't often settle and we kind of always trying to to move forward. I do think, though, there's a there's a challenge there, because even just within this idea of progress, you know, we believed in the progress of capitalism. At some point, people really believed in the progress of communism. I think that this idea of progress may be what's kind of holding us ransom, that by trying to always move forward, we're not ever settled on what we have is enough. We have enough to feed everybody the entire world right now. We don't need more. We just need to share it around. And we have enough wealth for people to have meaningful good work, but we're not giving them that. Instead, we're forcing them to do more and more. So I think that it's an optimism, but it's almost an optimism that's based in just accepting the world kind of what we have and

not saying that there's some utopia that we can get to where we can have all of the promises of capitalism. But it's going to be fairer. It's not going to be.

Ross Congratulations on the book. Timely and thanks very much for your time.

Michelle Meagher Thanks so much.

Ross That's it from Renegade Inc. this week. We'd love to hear from you so studio@renegadeinc.com. Join us next week for more insight from those people who are thinking differently. But until then, stay curious.