BIG TECH MONOPOLY

THE GIANT DISTRIBUTION PLATFORMS THAT WE NOW RELY ON POSE SERIOUS THREAT TO THE FINANCIAL-ECONOMIC-POLITICAL SYSTEMS OF NATIONS

The global middle-men

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Views are personal

GROWING INEQUALITY IN income and wealth, coupled with the acceleration of the number of billionaires, has been a major global socioeconomic concern in recent times. This is attributed mostly to hi-tech intermediation/aggregation platforms, which are fast emerging as aggregators of concern. Consequently, global debates over taxation of such platforms and other networking entities are raging. Equally vehement is the debate and regulatory action in various jurisdictions to rein them in from abusing their dominance. Their power and influence over people and lives are creating hugely complex sociopolitical and economic issues, more serious than the so-called multinationals and other near-monopolies in the past.

An equally interesting angle, though not much debated, is the type of services provided by such entities. The largest transport company doesn't own a single vehicle, the largest retailer doesn't own a single retail store, and the largest food delivery company does not own a single restaurant. Most of them are engaged in distribution; they rarely produce anything (goods or services).

The network media do not even create the content on their platforms. It is all created by the users, though at times not to the liking of many. In the process, they are facing requests/demand for removing such content. Most of the online/streaming entertainment companies, which are fast becoming global oligopolies, are also mainly aggregators, with a few in-house creations thrown in between. Even education, once the preserve of famed brick and wood/mortar universities, is being taken over by platform models, some of them with their overblown hype and capsuled tutorial/coaching models.

In short, just the distribution of goods and services has become a major business globally. They have become colossal oligopoly platforms, disrupting global supply-chain ecosystems drastically. Such massive and fast changes have suddenly brought enormous challenges for producers, producer-distributors, distributers, and small- and medium-scale operators in almost all integrated economies around the world, something like the tail wagging the dog. The macroeconomic effects of these changes on employment, prices, and incomes, including income distribution, are massive, with huge groundswell of gigs and temps, predatory pricing, and other anti-competitive practices. A 2018 book by Tom Goodwin captures these new developments in the title of his book, *'Digital Darwinism: Survival of the Fittest in the Age of Business Disruption'.*

In 1879, Henry George propounded that agriculture is the only productive human activity and advocated a single tax system based on the value of land. Though no sovereign borrowed the idea in exactitude, tax systems had been fairly simple till the late 19th century. Industrial revolution, and later, the explosion of services of umpteen types, created considerable complexity in the tax structures of nations. Now, the tech platforms, practically doing no "productive" activity but almost fully occupying the space of managing global distribution of nearly everything as a service, are the new reality. A few global platforms for everyone, including for social interaction, communications, and entertainment, seem to be the ultimate destination.

Monopoly usually has control over supply: quantity and price. However, these platforms are going one step ahead. They also have control over customers. For instance, a ride-hailing service scores every rider on a scale of 5, enabling denial of service to a rider who scores low. It may wipe out or marginalise other taxis from the market but may deny a ride to some customers. Similar AI-based algorithms 'read' and evaluate the preference of each user or consumer of their services and lure them to addictive consumerism. Like the sirens attracting passers-by with melodious music in Greek mythology.

> **Till the e-commerce giants became omnipresent, the domestic distribution chains were at times competitive**

Indian policymakers had been concerned about the cost and inefficiencies of long chains of distribution intermediaries (middle-men) operating in multiple areas, particularly in the primary sector. The major concerns were that the farmers/producers of agricultural and other primary products would get very low prices while the end consumers pay substantially higher prices because of several rounds of mark-up by these layers of middle-men. Given the magnitude of such collective mark-up just in the distribution chain, it resulted in skewed and undesirable income distribution in favour of the middle-men and against the producers as well as consumers. Even the Agricultural Produce Marketing Committee (APMC) enactments by almost all states did not help solve the problem; rather, the middle-men syndrome flourished under the APMCs too. Several committees and experts suggested the need for substantive disintermediation, and some policy measures have been taken to bring the producers and buyers closer. While this domestic policy battle remains protracted and inconclusive, it seems we have welcomed the aggregation-intermediation model of the new global monopoly/oligopoly in distribution.

These distribution platforms are getting bigger and more concentrated; making income distribution further skewed in their favour. Being the aggregator of aggregators, they have effective control over tributary/distributary aggregators. Till these e-commerce giants became omnipresent, the domestic distribution chains were at times competitive, with many players in the system. However, the global platforms on boarded them too aggressively, wiping out even the semblance of any competition.

Such monopoly has been entrenched through the traditional methods of predatory pricing, M&As, sharp business practices, promoting consumerism, etc, as well as through the power of new, high-cost frontier technology. Coupled with monopolisation in the payment system, these giant distribution platforms can create serious situations to the financial, economic, and political systems of nations.

There are several other issues with monopoly/oligopoly e-platforms. They can change shape and location easily, do not provide any direct employment except providing fluctuating and uncertain opportunity for gig workers. Anti-labour practices, dodging taxes are very common. Therefore, the value addition of their activities to the economy is low while income generation and distribution shift heavily in their favour. We wanted competitive but limited layers of intermediation. What we got are a few giant global intermediaries, crushing everything around them, perhaps with limited, short-run gains for some savvy consumers.