Big Tech Gets Bigger – An Overview of the Effects of Tech Mergers on Competition and Innovation [Working Title]

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Motivation:
There is a broad concern across the political spectrum that merger control has been too lenient towards Big Tech. In fact, recent high-profile reports express concerns about concentration and the persistent and increasing market power of some firms in digital industries (see e.g., Scott Morton et al. (2019), or CMA (2020)). Besides aiming to provide a better understanding of digital markets these reports propose a wide range of potential pro-competitive measures. Among which is for example, breaking firms up, subjecting them to pervasive regulation, and also being much more wary of mergers between incumbents and either recent or potential entrants.

At the same time, the number of acquisitions by the five largest U.S. technology companies in 2020 – Google, Amazon, Facebook, Apple, and Microsoft (GAFAM) – came at the fastest pace through June since 2015, according to Bloomberg data. In fact, up to date most acquisitions occurred under the radar of competition authorities as they were below the notification threshold, while the very few cases that came under scrutiny have been approved by officials, e.g., Google/YouTube, Google/Waze, Google/DoubleClick, Facebook/Instagram, Facebook/Whatsapp, Microsoft/LinkedIn.

Goal:
The goal of the thesis is to discuss effects of big tech mergers for competition and innovation as well as possible implications for existing merger policy. To do so, the following (non-exhaustive) list of questions may be fruitful for the student to investigate:

- Which characteristics of digital markets give rise to the importance of new entrants as a driver of market performance?
- What are the potential adverse competitive effects of the acquisition of emerging competitors by big tech?
- Do potential market efficiency increasing effects of big tech mergers exist, and do they compensate for any adverse effects?
- What are the implications for existing merger policy? Is there a requirement for changes to existing merger policy when applied to the context of acquisitions in digital industries?
- What are policy recommendations on how to deal with mergers in digital industries in the future?
- What are potential effects/trade-offs that require consideration when deciding on the need for strict vs. permissive merger policy?

Suggested Literature:


