

BERLIN CENTRE FOR CONSUMER POLICIES

4th Annual BCCP Conference

Regulatory Challenges in Digital Markets: The Rise of Corporate Power

June 21, 2019

WZB – Berlin Social Science Center

COOPERATING INSTITUTIONS

Alexander von Humboldt Institute for Internet and Society

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Freie Universität Berlin

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WZB Berlin Social Science Center

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WELCOME

It is a great pleasure to welcome you to the fourth BCCP Conference on Regulatory Challenges in Digital Markets: The Rise of Corporate Power.

A remarkable body of economic research reports on the global rise of concentration and markups across many markets and industries. The measurement of market power, the role of competition policy, and the potential need for regulatory intervention have moved into the spotlight, becoming core issues in current academic and policy discussions. Yet, not only are the possible explanations for rising corporate market and political power not well understood, nor are the implications for the working of markets, consumer welfare, and, more broadly, the functioning of democratic institutions and societies.

These issues are particularly challenging in multi-sided digital platform industries with large players like Amazon, Facebook, and Google, which are simultaneously under suspicion of increasing political power and influence. Consumers have hugely profited from an unprecedented proliferation of new and large online platforms. Yet, data breaches, fake news, and the potential abuses of increasingly dominant online businesses have led to growing resistance and worries that undermine trust in online markets, thus calling for policy intervention.

This conference aims to tackle questions related to the causes and consequences of rising corporate power.

What is the role and interplay of competition policy enforcement and regulation in protecting consumers from the abuse of market power? Should regulators be worried about rising markups across the economy? Is there room for more ex-ante regulatory intervention in digital markets? Is the law falling behind technology by failing to detect business practices that harm competition online?

Do social media indeed shape political agendas, political mobilization, and collective action? How can the Internet and social media platforms affect election outcomes? Is misinformation and political polarization on social media platforms damaging societies and democratic institutions? What is the base for policy intervention in this case? Is an ex-ante or ex-post regulatory approach warranted, or even possible?

I hope you enjoy the exciting discussions sparked by the distinguished panelists speaking today.

A handwritten signature in blue ink, which appears to read 'Tomaso Duso'.

Tomaso Duso
BCCP Spokesperson

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THE BERLIN CENTRE FOR CONSUMER POLICIES ABOUT US

The Berlin Centre for Consumer Policies (BCCP) is a Leibniz ScienceCampus, established September 2015, and co-funded by the German Leibniz Association and its member institutions.

Leibniz ScienceCampuses promote cooperation between Leibniz institutions and universities via regional, thematic research and policy partnerships.

The Centre builds on the cooperation between two Leibniz institutes – the German Institute for Economic Research (DIW Berlin) and the Berlin Social Science Center (WZB) – and faculties of the Humboldt-Universität zu Berlin, Freie Universität Berlin, Technische Universität Berlin, the Alexander von Humboldt Institute for Internet and Society, the European School of Management and Technology (ESMT Berlin), and the Hertie School of Governance.

A strong focus on Behavioral Economics, Industrial Organization, as well as Consumer and Competition Law – all combined with established policy expertise – makes Berlin an ideal location for a ScienceCampus focusing on consumer policies.

BCCP reinforces and institutionalizes this exceptional environment to create an enduring international platform in the broad area of competition and consumer policies. This platform strengthens the academic environment, encourages interdisciplinary research, and increases the visibility of Berlin as a center of excellent academic research and evidence-informed policy advice.



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AGENDA

9.00 – 9.50 a.m. *Registration*

9.50 – 10.00 a.m. **Welcome**

Tomaso Duso Spokesperson BCCP

DIW Berlin and Technische Universität Berlin

10.00 – 12.00 a.m. **The Rise of Market Power**

Recent academic work documents the global rise of concentration, profits, markups, and market power across many markets and industries since the 1980s. In the digital economy, in particular, large platforms have secured substantial and persistent advantages over smaller players due to network effects, the large-scale collection of customer data, and sophisticated pricing algorithms. What are the possible explanations for rising markups and increasing concentration? What are the distributional implications of this broad rise in market power? What is the role of competition policy enforcement in protecting consumers from monopoly, monopsony, and market power more generally? Should regulators be worried about rising markups across the economy and is there room for more regulatory intervention? Is the law falling behind technology in the sense that it is unable to detect business practices harming competition on big online platforms?

Jan Eeckhout Professor of Economics, Universitat Pompeu Fabra Barcelona

Jonathan Baker Research Professor of Law, American University

Fiona Scott Morton Theodore Nierenberg Professor of Economics, Yale University

Moderated by **Tomaso Duso** Head of the Firms and Markets Department, DIW Berlin and Professor of Empirical Industrial Economics, Technische Universität Berlin

12.00 – 1.00 p.m. *Lunch break*

1.00 – 2.30 p.m. **Political Consequences of Corporate Power in Digital Markets**

This session highlights how the economic market power of digital and social media platforms, such as Google and Facebook, can also lead to political power and influence as these large platforms are increasingly primary sources of news and information for consumers. How can social media shape political agendas, political mobilization, and collective action? How can the Internet and social media platforms, in particular, affect election outcomes? Is misinformation and political polarization on social media platforms damaging societies and democratic institutions? What might we do to limit corporate power and influence in the political process?

Matthew Gentzkow Professor of Economics, Stanford University

Helen Margetts Professor of Society and the Internet, University of Oxford

Moderated by **Daniela Stockmann** Professor of Digital Governance, Hertie School of Governance, BCCP

2.30 – 3.00 p.m. *Coffee break*

3.00 – 4.30 p.m. **Policy Roundtable:**

Consumer and Competition Policy in Times of Rising Corporate Power

This policy roundtable brings together the topics of the previous two academic sessions and discusses the connection between rising market power, increasing political influence of digital and social media platforms, as well as the related importance of user data, data security, and data protection law. Is existing consumer protection law adequate for addressing concerns arising on online platforms? Are existing regulations sufficient to address the particular policy concerns arising in these markets? Has there been a lack of competition enforcement in the past resulting in the rise of mark-ups and concentration? What is the future role of consumer and competition policy? How can the peculiarities of digital markets, such as network effects, big data, and the power of defaults, be taken into account?

Amelia Fletcher Professor of Competition Policy,

University of East Anglia and Centre for Competition Policy

Marit Hansen Data Protection Officer for the State of Schleswig-Holstein

Stefan Hunt Chief Data and Technology Insights Officer,
UK Competition and Markets Authority

Paul Nemitz Principal Advisor in Directorate-General Justice and Consumers
of the European Commission

Moderated by **Hans W. Friederiszick** Managing Director, E.CA Economics and
Research Fellow, European School of Management and Technology (ESMT Berlin)

4.30 p.m. **Concluding Remarks**

Pauline Affeldt Coordinator of the Berlin Centre for Consumer Policies,
Research Associate in the Firms and Markets Department, DIW Berlin and
Technische Universität Berlin

7.30 p.m. **Speakers Dinner** (by invitation), sponsored by E.CA Economics

SPEAKERS

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Pauline Affeldt

Coordinator of the Berlin Centre for Consumer Policies, Research Associate in the Firms and Markets Department, DIW Berlin and Technische Universität Berlin

Pauline Affeldt is Research Associate at the Firms and Market Department at the DIW Berlin and at the Department of Microeconomics at the Technische Universität Berlin, and the Coordinator of the Berlin Centre for Consumer Policies (BCCP).

Her research interests are in applied econometrics in the field of industrial organization, competition policy, regulation and media economics.

Her current research focuses on the assessment of the effectiveness of European merger control and the role of multi-homing in two-sided media markets.

She previously worked at the economic consultancy E.CA Economics, advising clients in European and German competition policy cases. She received her undergraduate degree at Tilburg University and will receive her PhD at Technische Universität Berlin this summer.

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Jonathan B. Baker

Research Professor of Law, American University

Jonathan B. Baker is Research Professor of Law at American University Washington College of Law. He specializes in the areas of antitrust and economic regulation. Professor Baker served as the Chief Economist of the Federal Communications Commission from 2009 to 2011, and as the Director of the Bureau of Economics at the Federal Trade Commission from 1995 to 1998. Previously, he worked as a Senior Economist at the President's Council of Economic Advisers, Special Assistant to the Deputy Assistant Attorney General for Economics in the Antitrust Division of the Department of Justice, an Assistant Professor at Dartmouth's Amos Tuck School of Business Administration, an Attorney Advisor to the Acting Chairman of the

Federal Trade Commission, and an antitrust lawyer in private practice. Professor Baker is the author of The Antitrust Paradigm, the co-author of an antitrust casebook, a past Editorial Chair of Antitrust Law Journal, and a past member of the Council of the American Bar Association's Section of Antitrust Law. He has published widely in the fields of antitrust law, policy, and economics. Professor Baker has received the Jerry S. Cohen Award for Antitrust Scholarship, American University's Faculty Award for Outstanding Scholarship, Research, and Other Professional Accomplishments, and the Federal Trade Commission's Award for Distinguished Service. He has a J.D. from Harvard and a Ph.D. in economics from Stanford University.



Tomaso Duso

Spokesperson of the Berlin Centre for Consumer Policies, Head of the Firms and Markets Department at DIW Berlin, Technische Universität Berlin

Tomaso Duso is the Head of the Firms and Markets Department at the DIW Berlin, a professor of empirical industrial economics at Technische Universität Berlin, and the Spokesperson of the Berlin Centre for Consumer Policies (BCCP). He is also a Research Fellow for the CEPR and CESifo. His research interests are in applied econometrics in the field of industrial organization, competition policy, regulation, and management. His papers have been published in The Review of Economics and Statistics, The Economic Journal, The Journal of Law and Economics, European Economic Review, and Journal of Management Studies among other academic journals.

Tomaso has advised several public bodies, such as various DG's of the European Commission, the UK Competition Commission and Competition and Markets Authority, the Dutch Authority for Consumers and Markets, the OECD, and the European Bank for Reconstruction and Development on competition policy issues. He previously worked at the Düsseldorf Institute for Competition Economic (DICE) of the Heinrich-Heine University, the Berlin Social Science Center (WZB), the Humboldt-Universität zu Berlin, and the University of Vienna. He received his undergraduate degree at the Ca' Foscari University in Venice and his PhD at the Humboldt-Universität zu Berlin.



Jan Eeckhout

Professor of Economics, Universitat Pompeu Fabra Barcelona

Jan Eeckhout is Professor of Economics at UPF Barcelona (ICREA-GSE). He studies the macro-economic implications of market power, unemployment, labor market risk, skill diversity, and inequality in cities. His work has been published in the American Economic Review, Econometrica, the Review of Economic Studies, the Journal of Political Economy, and has been supported by several government grants, including funding from the National Science Foundation (US) and the European Research Council, as well as private grants. Jan Eeckhout has been a Tenured Professor at the University of Pennsylvania and at University College London. He has also been the Louis A. Simpson

Visiting Professor at Princeton University, he has been a Visiting Professor at NYU Stern and he has been a Visiting Scholar at MIT. At UPF he has been the Chairman of the Department of Economics and Business. He has been Editor of the International Economic Review and is currently on the editorial board of the Review of Economic Dynamics and the Journal of Economic Theory, and is past editorial board member of the Journal of the European Economic Association. He is a Fellow of the European Economic Association and a member of the Academia Europaea. He received his Ph.D. in Economics from the London School of Economics in 1998.



Amelia Fletcher

Professor of Competition Policy, University of East Anglia

Professor of Competition Policy at the Centre of Competition Policy, University of East Anglia. Amelia is also Non-Executive Director at the Competition and Markets Authority, the Financial Conduct Authority and the Payment Systems Regulator, and a member of the Enforcement Decision Panel at Ofgem. She was previously Chief Economist at the Office of Fair Trading (2001-2013).

She has a DPhil and MPhil in economics from Nuffield College, Oxford and in 2014 was awarded an OBE for services to competition and consumer policy. She recently acted as a member of HM Treasury's Expert Panel on Digital Competition, led by Jason Furman.



Hans W. Friederiszick

Director, E.CA Economics, and Research Fellow, ESMT

Hans W. Friederiszick is a Director of E.CA Economics and one of the founders of E.CA Economics. Dr. Friederiszick has extensive experience in advising clients in all fields of competition economics (cartels, merger cases, abuse of a dominant position and state aid cases) and has led teams of economists on international antitrust investigations. He has been retained as an economic expert in German, UK and other European courts, and has been named in Global Competition Review's (GCR) Who's Who as one of the field's leading competition economists and thought leader.

Regarding digital markets, he worked on the recent takeover of some assets of Unitymedia by Vodafone (fixed broadband markets); he supported ASICS in the German court proceedings regarding

selective distribution systems (exclusion of price comparison sites) and supported the parties in the digital audio books case in Germany (Audible/ Amazon). Hans also worked on the hoteling booking cases (HRS), worked for a complainant on the Google shopping case and carried out market definition assessment for online payment services (PayPal) and online auction markets (EBay).

Hans W. Friederiszick is a research fellow at ESMT Berlin where he teaches a course on Compliance with Competition and Consumer Policies. Recent research addresses the economics of regional state aid (Wolters Kluwer), efficiencies in article 102 TFEU cases (JCLE), selective distribution systems (Journal of Antitrust Enforcement) and the reverse privatization in the German waste industry (NZKart).



Matthew Gentzkow

Professor of Economics, Stanford

Matthew Gentzkow is Professor of Economics at Stanford University. He studies applied microeconomics with a focus on media industries. He received the 2014 John Bates Clark Medal, given by the American Economic Association to the American economist under the age of forty who has made the most significant contribution to economic thought and knowledge. He is a Fellow of the American Academy of Arts and Sciences and the Econometric Society, a Senior Fellow at the Stanford Institute

for Economic Policy Research, and a former Co-editor of American Economic Journal: Applied Economics. Other awards include the 2016 Calvo-Armengol International Prize, the Alfred P. Sloan Research Fellowship, grants from the National Science Foundation, National Institutes for Health, and Sloan Foundation, and a Faculty Excellence Award for teaching. He studied at Harvard University where he earned a bachelor's degree in 1997, a master's degree in 2002, and a PhD in 2004.



Marit Hansen

State Data Protection Officer for Schleswig-Holstein

Since 2015 Marit Hansen is the State Data Protection Commissioner of Land Schleswig-Holstein and Chief of Unabhängiges Landeszentrum für Datenschutz (ULD).

Before being appointed Data Protection Commissioner, she has been Deputy Commissioner for seven years. Within ULD she established the »Privacy Technology Projects« Division and the »Innovation Centre Privacy & Security«.

Since her diploma in computer science in 1995 she has been working on privacy and security aspects. Her focus is on »data protection by design« and »data protection by default« from both the technical and the legal perspectives. Marit is member of the Data Ethics Commission of the German Government.



Stefan Hunt

Chief Data and Technology Insights Officer, UK Competition & Markets Authority

Stefan Hunt is the Chief Data and Technology Insights Officer at the Competition and Markets Authority. He leads a group of data scientists and engineers using rich datasets or complex analysis, particularly relating to digital competition or technology markets.

He previously founded the Behavioural Economics and Data Science unit at the Financial Conduct Authority.

It provided state-of-the-art solutions to regulatory problems – setting a price cap for payday loans, or using machine learning to predict which firms or people needed regulatory attention.

He is an Honorary Professor in economics at the University of Nottingham, has a PhD in economics from Harvard University and has a bachelor's degree in experimental psychology from University of Cambridge.



Helen Margetts

Professor of Society and the Internet, University of Oxford

Helen Margetts is Professor of Society and the Internet at the University of Oxford, and Director of the Public Policy Programme at the Alan Turing Institute for Data Science and Artificial Intelligence.

From 2011 to 2018, she was Director of the Oxford Internet Institute, a multi-disciplinary department of the University of Oxford, before which she was Professor of Political Science and Director of the School of Public Policy at UCL. She has researched and written extensively about the relationship between technology, politics, public policy and government including over 100 articles and and six books, including a series of policy reports for the National Audit Office on Government on the

Web (1999, 2002, 2007, 2009) and the books Digital Era Governance (Dunleavy and Margetts, 2006) and Tools of Government in a Digital Age (Hood and Margetts, 2007). Her latest book, co-authored with a multi-disciplinary team, is Political Turbulence: How Social Media Shape Collective Action, which won the Political Studies Association's W.J. MacKenzie prize of the Political Studies Association for best politics book in 2017. In 2018 the Technical University Munich awarded her the Friedrich Schiedel prize for research and research leadership in Politics and Technology.

In 2019 she was awarded an OBE in the Queen's New Year's Honours List for services to social and political science.



Fiona M. Scott Morton

Theodore Nierenberg Professor of Economics, Yale University

Fiona M. Scott Morton is the Theodore Nierenberg Professor of Economics at the Yale University School of Management where she has been on the faculty since 1999. Her area of academic research is empirical industrial organization, with a focus on empirical studies of competition, focusing on competition in healthcare markets and antitrust economics. Her published articles range widely across industries from magazines, to shipping, to pharmaceuticals, to internet retailing, and are published in leading economics journals. From 2011-12 Professor Scott Morton served as the Deputy Assistant Attorney General for Economics at the

Antitrust Division of the U.S. Department of Justice, where she helped enforce the nation's antitrust laws. At Yale SOM she teaches courses in the area of competitive strategy. She served as Associate Dean from 2007-10 and she won the School's teaching award twice. She has served in an editing role on various academic economics journals, has won several research grants from the National Science Foundation, and is a Research Associate at NBER. Professor Scott Morton has a BA from Yale and a PhD from MIT. She is a frequent speaker at seminars and conferences across the United States and Europe.



Paul F. Nemitz

Principal Advisor in the Directorate General for Justice and Consumers of the European Commission

Paul F. Nemitz is the Principal Advisor in the Directorate General for Justice and Consumers. He was appointed by the European Commission on 12. April 2017, following a 6 year appointment as Director for Fundamental Rights and Citizen's Rights in the same Directorate General. As Director, Nemitz led the reform of Data Protection legislation in the EU, the negotiations of the EU – US Privacy Shield and the negotiations with major US Internet Companies of the EU Code of Conduct against incitement to violence and hate speech on the Internet. Before joining the Directorate-General for Justice and Consumers, Nemitz held posts in the Legal Service of the European Commission, the Cabinet of the Commissioner for Development Cooperation and in the Directorates General for Trade, Transport and Maritime Affairs. Nemitz has represented the European Commission in numerous cases before the European Court of Justice and has published widely on EU law.

He is a visiting Professor of Law at the College of Europe in Bruges; Member of the Board of the Verein Gegen Vergessen – Für Demokratie e.V., Berlin; Trustee of the Leo Baeck Institute, New York; Member of the Board of the Association for Accountability and Internet Democracy, AAID, Paris; Member of the Scientific Council of the Foundation for European Progressive Studies, Brussels. He is also a member of the Tönnieskreis e.V., Berlin, the Commission for Media and Internet policy of the SPD, Berlin; the German Association for European Law and the Arbeitskreis Europäische Integration, Heidelberg. Nemitz studied Law at Hamburg University. He passed the state examinations for the judiciary and for a short time was a teaching assistant for Constitutional Law and the Law of the Sea at Hamburg University. He obtained a Master of Comparative Law from George Washington University Law School in Washington, D.C., where he was a Fulbright grantee. He also passed the first and second cycle of the Strasbourg Faculty for Comparative Law.



Daniela Stockmann

Professor of Digital Governance, Hertie School of Governance
BCCP Fellow

Daniela Stockmann is Professor of Digital Governance at the Hertie School. Her current research focuses on the impact of digitalisation and its challenges for policymakers and citizens. Her most recent research project, funded by a Starting Grant of the European Research Council, explores the impact of the technological design of social media platforms on user behaviour regarding politics.

She holds degrees from the University of Rochester, the School of Oriental and African Studies at the University of London, and a PhD from the University of Michigan, Ann Arbor (2007). Before joining the Hertie School faculty, she was Associate Professor of Political Science at Leiden University. Her book, Media Commercialization and Authoritarian Rule in China (Cambridge University Press, 2013), received the 2015 Goldsmith Book Prize awarded by the Harvard Kennedy School Shorenstein Center on Media, Politics, and Public Policy.

Imprint
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Editor: Christiane Zscheck
Print: DIW Berlin
Berlin, June 2019

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