



Margrethe Vestager on looking out for the little guy & the bigger picture of digital competition

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**Margrethe Vestager on looking out for the
little guy & the bigger picture of digital
competition**

Intro [00:00:03] Welcome to OECD Podcasts, where policy meets people. Danish politician Margrethe Vestager has been the European Commission's antitrust chief for the past five years. During this time, she has investigated and fined a number of companies for anti-competitive actions. But it has been her handling of antitrust breaches by the tech giants that has brought the most attention. Do these superstar tech firms, with their network effects and intangible assets, fundamentally change the nature of market competition? What do we do about winner take all dynamics in the digital economy? I'm Clara Young. After a talk at the OECD on competition in the digital sphere, I had a chance to have a quick chat with Ms Vestager.

Margrethe Vestager [00:00:50] It's a pleasure indeed. Thank you for having me.

Clara Young [00:00:52] There is a delicate balance between regulation and competition, which is to keep a balance between innovation and competition. Can you talk about that?

Margrethe Vestager [00:01:03] Well, things are changing very fast right now because we're in a digital revolution and we're definitely not done yet. We still have quantum computing to come the full use of blockchain technology, just to mention a few of the things that are still in the pipeline. And then, of course, many more things that we don't know of yet. Competition law enforcement can sort of sort out things before they are mainstream and because of that also sometimes inform regulation so that the regulator gets it right. Take the example of the first Google case where we saw Google promoting itself, its own shopping comparison service. So, it's the first thing you see and rival shopping comparison services show up on average on page four of your search results. This is not fair competition. And so, we ended up giving Google a fine of EUR 2.4 billion euros and the obligation to apply equal treatment between their own services and rival services. Now, we also have a regulation called the Platform-to-Business Regulation, which requires platforms to be fair and transparent with the businesses they host. This is a broad regulation that makes sure that every platform has these obligations. And the Google case showed that we need to do something broader. So, in that respect, regulation, competition and law enforcement works very well together.

Clara Young [00:02:34] In a recent OECD report, there is evidence that competition is not as vibrant as it should be. And we're seeing that in price mark-ups. What other effects are there from not enough competition?

Margrethe Vestager [00:02:48] That in itself is a very important issue because you have member states with small budgets, of course, but you also have citizens who may not have a lot of money. And for them, for instance, a 5% increase in their phone subscription or increases in prices of what they shop for, for daily use, that can be an issue. So, you need competition to keep prices down. The other thing is also that you need competition to make us innovative, because if no one is challenging you, well, why bother? And Europe with our sort of economic model, we should stay at the absolute top of the value chain. And if you want to stay there, you need to be innovative. You need to question everything you do and to stay there to up your game. Here, competition is a very important driver.

Clara Young [00:03:40] But a lot of tech companies made that argument that we do need to do these mergers or we need certain acquisitions to stay competitive. So how do you make those kinds of

judgements when it's hard to determine what is going to be innovative and cutting edge, perhaps in a future time, like a year or two years from now?

Margrethe Vestager [00:04:04] This is this is why we ask a lot of questions, because with antitrust, for instance, misuse of dominant position, here we look at illegal behaviour in the past when it's looking at a merger to see if it will harm consumers with higher prices or less innovation, less choice, inferior quality. Then, of course, we look into the future. So, we have to do quite advanced analysis based on the input we get from the market, from customers, competitors, regulators, those who know what is going on, sometimes as far reaching as 10 years into the future in order to say, well, if things really go wrong and the merging parties increase their prices, they limit choice, the quality becomes inferior. Is there then someone else that the customer or the business to business consumer can turn to? And in that, of course, we have to look quite far into the future in some markets because they are not that fast and here may be 5-10 years is the horizon that you want to be able to look into.

Clara Young [00:05:10] The backdrop to this conference that we're having today at the OECD on digital competition is that there is an opening up now of two quite distinct systems. We have a closed market system where we're seeing more digital surveillance and the ideal of an open market system and transparency. So, there's quite a lot at stake here, more than just competition. How does the commission function against this backdrop?

Margrethe Vestager [00:05:41] Well, very much, of course, recognising the responsibility we have to see what do we need to propose in order for our democracies to form our future societies and to give direction. Because it's definitely just not about the market, because the market is just a part of societies, society is much more. It's friendships, it's communities, it's democracy. It's so much more. So, when we have been talking about this, we talk about, of course, the market, the digital single-market competition rules, consumer rights, consumer protection, protection of copyright holders, making sure that they get remunerated. But it's also about democracy. It's about fake news. It's about how to avoid manipulation. It's the security side of things. Because I think by now, my colleague told me 50% of all crime will have a tech side to it. Digital side to it. So, when it comes to crime, but also security, how to make sure that our electricity grids are safe, that our hospitals are safe, that our infrastructure is safe. You see that since we are in this revolution, it's everything in the society that you have to consider. How can we use the tools we have already? And where do we have to create new tools for people to say, well, this is a society where I'm counted in as a citizen and respected as a human being?

Clara Young [00:07:10] There's been so much focus on the tech giants and how they have grown and become dominant in terms of market power. And now we're hearing there should be more responsibility on their part. You spoke at the end of your remarks about perhaps a difference in approach to companies that are like infrastructure, companies that could be considered public service in a digital world. Could you elaborate on that?

Margrethe Vestager [00:07:43] Yeah, well, first and foremost, we have a very fundamental principle that with power comes responsibility. And that also goes for businesses. If you become a dominant business because people really like your products, that is great. That's a success for you and for the customer. But with strength also, of course, comes the risk of misuse of strength. So, you get the responsibility not to

misuse your power, to limit competition, to make it possible for someone else to compete against you. And you see some that turn into sort of de facto market regulators. They're so big that they set the rules within that market. And that we'll have to consider, well, under what framework should they set these rules because they have the power to do that. Who can be found, who cannot be found if they depend on a platform? And next to that, there is a consideration as to what is public service in a digital world. An obvious example is how we identify ourselves. We all have a passport and consider that to be, you know, a completely natural thing, that we can identify ourselves in the analogue, physical world, on paper. Now, why would we accept that your identity in the digital world is serviced by a private company? Why not sort of say, well, how can we make sure that this completely natural thing in the physical world is also transformed into the digital world? And I think we have to rethink what can we expect of our society to provide for us when the world becomes digital and we are only starting that consideration. But I think it's one of the most urgent ones, because otherwise there is a risk that our societal infrastructure will be overrun by a business-created infrastructure. That, of course, comes with a different mission, because a business mission is not to create a society where everyone is counted in as equals. It is a business logic. It is to make a profit. And these are two very different things.

Clara Young [00:09:49] Thanks very much for speaking to me, Ms Vestager.

Margrethe Vestager [00:09:55] It was my pleasure. Thank you.

Clara Young [00:10:02] I'm Clara Young. To find out more about digital competition, read the CD's Economic Outlook 2019.

Outro [00:10:07] Thank you for listening to OECD Podcasts. I hope you've enjoyed our interviews. We'll return in September with a brand-new season to listen to more of our podcasts. You can find us on iTunes, Spotify and soundcloud.com/oecd.