

Roaring Twenties or Digital Depression? II.

Q&A With Prof. David Audretsch of Indiana University

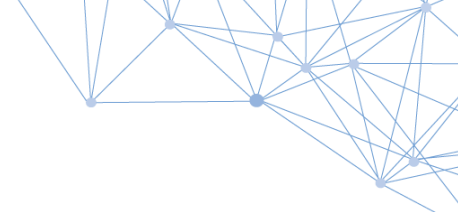
As a companion to our earlier report [Roaring Twenties or Digital Depression? Unintended Consequences of Antitrust Activism on the U.S. Small Business Economy](#), we conducted an email question-and-answer session with Prof. David B. Audretsch, Distinguished Professor & Ameritech Chair of Economic Development at Indiana University and Editor-in-Chief of the academic journal, *Small Business Economics*. We discussed the relationship between large tech companies and small businesses, the difference between a company being “big” versus behaving “anticompetitively,” and the state of business competition in the U.S. today.

The broad majority of small businesses currently [rely on digital tools](#) to power various aspects of their operations. How would you describe the importance of large tech companies such as Amazon, Apple, Facebook, Google, and Microsoft to the small business economy, particularly coming out of the COVID-19 pandemic?

Large tech companies, such as Amazon, Apple, Facebook, Google, and Microsoft are to small business what the COVID-19 vaccination is to the overall public. Their digital tools provide an inoculation and insulation against the turmoil and volatility not just from the pandemic but also from a generally turbulent global marketplace. In the absence of the large tech companies, small business would be left on its own to weather the devastating global competition, which would undoubtedly result in a small business landscape littered with devastation and casualties. The large tech companies equip American small businesses with the tools – digital tools – to remain and attain competitiveness and resilience in the global marketplace.

There seems to be a through-line between the [European Digital Markets Act proposal](#) and the new [House Antitrust subcommittee legislative proposals](#) that “big” by itself is an indication that something is wrong, versus traditional legal definitions of what precisely constitutes an illegal monopoly. What are your thoughts on the long-term impact of this alternative definition?

The United States Supreme Court made its stance unequivocally clear that being “big” does not constitute a per se violation of the antitrust laws in its 1919 decision in the Sherman Act Section 2 monopolization case against U.S. Steel. As the Court ruled, “Size alone is not an offense.” Rather, as both economic doctrine and subsequent precedent cases concluded, the overall reasonableness of the (potential) economic impact needs to be considered to constitute a violation under the antitrust statutes. In the case of the large tech companies, this means that the substantial benefits bestowed on small business points to a positive and pro-competitive assessment of large tech.



Reversing this deeply rooted legal and economic doctrine would result in economic, social, and political disaster. Without the state-of-the-art digital tools and new innovations constantly emanating from large tech, small businesses would be vulnerable to competitive disadvantages vis-à-vis foreign competition as well as from their larger, better resourced domestic counterparts. A weakened small business sector would in turn erode the standard of living in the United States and limit its ability to address the plethora of challenges and issues confronting society. Why would public policy kill the goose that lays the golden egg?

Tech companies such as Zoom, BigCommerce, Monday.com, and SquareSpace compete on some level with tech giants, but all showed growth and even had initial public offerings (IPOs) during the last two years. Does this constitute a valid line of evidence that there is real competition among software companies?

The emergence and growth of new startups confirms that competition is alive and thriving among software companies. Because competition is centered around innovation and new products, entry into the software industry is more than possible. The key for public policy is to ensure vigorous competition in the software industry, as well as in other technology markets, to ensure that entrepreneurs have easy access to the key resources they need to launch and grow new ventures, such as finance, human talent, and a transparent regulatory environment that minimizes burdens on the startup of new companies.

If a relatively “aggressive” form of the proposed antitrust legislation were to be signed into law and enforced by the FTC and DOJ, what scenario(s) could you foresee about the effects of that on small businesses during the next five years?

“Aggressive” antitrust legislation would paradoxically have the reverse impact as intended. The existing tech leaders would be entrenched, and their power would be solidified. Such antitrust legislation would actually make it more difficult for entrepreneurial startups to innovate and grow into new challengers of the technology leaders. As I concluded in my book, [Innovation and Industry Evolution](#), the new small business of today becomes the large technology powerhouse of tomorrow. However, the proposed antitrust legislation would actually deprive small business and entrepreneurial startups of the requisite digital tools and capabilities needed to grow into viable competitors of the status quo technological leaders.

The impact on small business would be even more deleterious. Small business has been on the losing end of economic activity for some years now, as reflected by declining shares of sales and employment. Aggressive antitrust legislation that would choke off the flow of new and innovative digital tools available to small business would only exacerbate the relative decline of small business in the United States. Perhaps even more alarming is that the ability of the country to create jobs, enhance productivity and compete globally is directly linked to the viability and resilience of small business. What’s good for small business is good for America.