

# Thoughts on Antitrust of Digital Economy in the New Era

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## Abstract

With the development of the new generation of Internet technology, digital economy plays an important role in the economic society. Under the new social development trend, how to deal with the antitrust supervision problems brought by the large-scale Internet platform has become a common challenge faced by governments all over the world. China's digital economy antitrust has entered a period of comprehensive supervision. Therefore, we need to fully understand the causes of platform economic monopoly, put forward a more perfect and scientific scheme for the supervision of platform antitrust, and pave the way for the sustainable and healthy development of platform economy.

**Keywords:** platform economy, internet enterprises, antitrust regulation

## 1. Development History of Platform Economy Antitrust

At the beginning of the century, China has realized the wide application of Internet technology. With the vigorous development of Internet enterprises from 2008 to 2015, the digital economy and antitrust supervision have entered the embryonic period. At this time, the antitrust law still in the initial operation stage, and there are still many loopholes, which can not effectively intervene and solve the legal disputes in the society; From 2015 to 2019, with the popularization of smart phones and the improvement of mobile payment technology, a number of Internet industry giants were born, and relevant industry giants monopolized by taking advantage of data and scale. At this time, the absence of anti-monopoly supervision and law enforcement led to the merger of relevant platform companies, which did not accept the investigation of anti-monopoly law enforcement agencies, and the development of platform economy was in the period of disorderly expansion and competition; From 2019 to now, China's digital economy antitrust supervision has entered a comprehensive supervision period, the relevant antitrust laws and policies have been gradually improved, and the behaviors of platform monopoly and restricting competition have been investigated by law enforcement agencies on a large scale. The newly revised draft of the antimonopoly law clearly brings Internet operators into the scope of supervision. The antimonopoly guide in the field of platform economy issued by the State Council proposes to increase the anti-monopoly investigation of all market subjects in the field of platform economy, cover and solve hot issues in social development such as VIE structure, one out of two, big data maturation and so on. The introduction of relevant laws and policies marks that the anti-monopoly supervision in the field of digital economy in China has entered a new stage.

## 2. Causes of Platform Economic Monopoly in the New Era

### 2.1 The Platform Has an Advantageous Position

Different from the simple offline trading mode, the trading mode under the digital economy is more complex and has a tripartite relationship: the platform is one party, the supplier is one party, the consumer is one party, the platform is in the middle, provides trading venues and technical support, and acts as a market manager to supervise the quality of goods or services and the trading behavior of users on both sides. However, the platform may not only be a neutral manager, but also a supplier. Furthermore, there are dual identities of managers and suppliers. Take JD as an example. As an e-commerce platform, JD provides a trading platform for suppliers, and its identity is the platform party; platform also has self operated goods: JD signs a purchase and operation contract with the supplier, and the supplier delivers the goods to JD warehouse. The ownership of the goods belongs to JD, which sells them with the help of platform, and provides delivery and after-sales services. In this way, with the help of the reputation and guarantee enjoyed by JD platform, JD's self operated goods are naturally superior to those provided by ordinary suppliers in the hearts of consumers, so as to obtain a large number of

trading opportunities. This obviously hinders fair competition within the platform.

### *2.2 The Platform Has Data and Scale Advantages*

One of the most remarkable characteristics of platform economy is network externality, that is, the more network nodes in the market, the higher value the market creates for participants. However, the establishment of the network has obvious threshold effect. The cost of building platform infrastructure in the initial stage is very high. Once entering the target market, its marginal cost is close to zero. Leading enterprises can rely on the excess income brought by the number of users to share the initial cost, constantly consolidate the market advantage, produce scale effect, and move towards monopoly. Platform economies of scale arise from two aspects: one is the connection expansion effect. If each new connection adds value, the larger network will enjoy greater returns on scale than the smaller network. In order to dilute the initial cost, the platform operators have the tendency to continuously expand the network. On the other hand, it is to reduce the friction cost. In the case of general information asymmetry, contract disputes often occur, and the negotiation cost of dispute settlement will appear at this time. Platform enterprises can use their dominant position in the market to effectively solve disputes, so that buyers and sellers choose to respect the rules formulated by the platform for fear of paying the cost of credit and economy. The higher the market share of the platform, the higher the user stickiness and the lower the cost of solving friction.

Further, platform enterprises can maintain monopoly for a long time after forming monopoly, which is mainly based on the following aspects: first, data monopoly. Platform enterprises collect a large amount of user data, track and portrait the user's behavior, and then carry out targeted promotion, discount and advertising, so as to continuously create new profits and data. Second, traffic monopoly. Platform enterprises use the network advantages to continuously collect the information required by users, and then monopolize user traffic. The traffic advantages can be expanded in multiple dimensions through the extension and derivation of platform business, so as to continuously consolidate their traffic advantages. Third, algorithm monopoly. This is a unique feature of platform monopoly, which is to realize "self preferential treatment" through special care for the business of the enterprise or invisible pressure on the business of competitors. Typically, operators who have a dominant position in the field of retrieval platform use "preferential" algorithms or rules for their own goods or services in the process of retrieval and sorting.

### *2.3 Lag of Relevant Laws and Regulations*

The antimonopoly law of the people's Republic of China was promulgated in 2007. China's Internet economy rose around 2000, and the Internet economy in its infancy accounts for a relatively low proportion in the national economy. Therefore, the anti-monopoly law promulgated in 2007 is mainly aimed at the monopoly behavior in China's traditional economy. With the vigorous development of China's digital economy, its proportion in the national economy has increased significantly. In reality, industry giants have taken advantage of their advantageous position to carry out mergers and forced "one out of two" and other unfair competition behaviors against small and medium-sized enterprises. However, the lack of relevant laws and policies has led to the abuse of market dominance and disorderly expansion of Internet industry giants, The platform economy urgently needs to be supervised and guided to develop in a standardized way.

## **3. Reasonably Guide the Sustained and Healthy Development of Platform Economy**

For the platform economy, we should not only support the positive side of its development, which is conducive to the convenience of people's lives, but also innovate the concept and mode of supervision, implement and improve the requirements of inclusive and prudent supervision, strive to create a fair competition market environment, and realize the stable operation of the open ecological competition system in the Internet market.

Pay attention to dynamic behavior supervision. The formation of platform oligarchy may be based on the efficiency advantage brought by network effect. Therefore, the supervision of these platforms should not only consider their market monopoly status, but should focus on the dynamic supervision of their behavior. The core is to pay attention to whether they have behaviors that undermine competition and damage the rights and interests of consumers. We should further improve the legal norms on the determination of monopoly of platform enterprises, and include the use of algorithms to implement price collusion and abuse of market dominant position into the scope of anti-monopoly regulation. However, it is necessary to be cautious when using regulatory methods such as splitting.

Strengthen supervision in the financial sector. Finance is a franchise industry, so we must carry out more strict antitrust supervision on platform enterprises in the financial field. We should combine macro prudential supervision and functional supervision measures to control the risk of joint debt by accessing the credit

investigation system and other means. At the same time, because large platform enterprises cover multiple business fields, in addition to the financial field, they also cover shopping, travel, accommodation, payment and transfer, investment and wealth management, life, public welfare and other scenes through their affiliated enterprises in the fields of e-commerce, logistics and marketing, making it difficult for regulators to grasp the full picture of information sharing and use. Therefore, it is suggested to strengthen information sharing, explore the cooperation mechanism of supervision and law enforcement, give full play to the power of social supervision, timely find the problems and potential risks in relevant fields, and improve the efficiency of supervision.

Establish a structural separation system. An important measure for platform oligarchs to consolidate their monopoly position is to use leverage effect for cross market integration, so as to strengthen their monopoly advantage. This cross market integration may be formed by the platform's vertical or horizontal expansion of business by using its data advantages, traffic advantages and technical advantages, or it may be achieved directly through mergers and acquisitions. It is worth noting that when platform oligarchs conduct cross market M & A, they generally do not have significant market advantages in the new market, so they do not meet the standard of anti-monopoly declaration. However, such mergers and acquisitions may lead to the formation of new monopoly power by platform oligarchs in new markets. In this regard, we can consider establishing a set of structural separation and preventive prohibition measures to solve the leverage effect, and make necessary regulations on the entry of Internet advantageous platforms into upstream and downstream industries.

We will continue to encourage innovation and development. The rationality of the boundary expansion of platform enterprises comes from the extensive application of emerging digital technologies such as cloud computing, big data, Internet of things and mobile Internet. At the level of antitrust law enforcement, the duration and income level of market forces should be considered to encourage platform enterprises to play a positive role in the positive externality. It is suggested to give greater weight to the contribution of innovation in platform antitrust as one of the important criteria for judging monopoly.

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