



December 15, 2021

The Honorable Amy Klobuchar
Chairwoman
Subcommittee on Competition Policy,
Antitrust, and Consumer Rights
Committee on the Judiciary
United States Senate
Washington, DC 20510

The Honorable Mike Lee
Ranking Member
Subcommittee on Competition Policy,
Antitrust, and Consumer Rights
Committee on the Judiciary
United States Senate
Washington, DC 20510

RE: Hearing on The Impact of Consolidation and Monopoly Power on American Innovation

Dear Chairwoman Klobuchar and Ranking Member Lee:

Consumer Reports is pleased the Subcommittee is holding this hearing to focus on the impact of consolidation and monopoly power on innovation. This is a key aspect of how competition benefits us all – consumers, businesses, workers, and the economy overall.

Experience shows that competition drives innovation, and that without competitive pressure the pace of innovation slows down.

In a competitive marketplace, companies will want to move expeditiously to innovate, and will look for ways to bring new ideas to the market more quickly. That is because each company is aware that others are surely also looking to innovate, and the one who gets there first will have an advantage in attracting new customers and business opportunities and profits. A company contending in a marketplace where competition is functioning effectively cannot afford to wait until it is most convenient and immediately profitable to switch to a new technology or business model.

A company *can* afford to wait if it does not have to be concerned with competitors that it needs to keep up with or stay ahead of. And reflecting this, dominant corporations that do not face a near-term threat of competition have a pattern of limiting how they pursue improvements to existing technologies and ways of doing business, to what helps them maintain their dominant position. Innovations that would result in greater consumer benefits but that would disrupt the status quo are not pursued as vigorously, or are even actively delayed or stopped from reaching their true potential.

This is particularly evident now in the tech sector, where online platform giants have used acquisitions as an exclusionary strategy to stop potential competitors from challenging their

dominance with innovative alternatives. But the critical importance of competition for spurring innovation applies throughout the economy.

An example from the past is instructive.

Half a century ago, telecommunications had long been essentially under the control of a single monopolized company, American Telephone and Telegraph, also known as the Bell system. It not only controlled the telephone lines into most American homes and businesses. It also controlled the connections that enabled long distance calls, the manufacturing of the equipment used anywhere in the network, and – importantly – the research lab where new equipment was designed. Research was directed by the monopoly corporation, which generally set its pace and direction to fit the executives' views on what was going to be most demonstrably profitable in the visible horizon.

This embedded monopoly drag on innovation was one major reason – not the only one – why the Justice Department brought antitrust enforcement action against the Bell System. The enforcement action resulted in a telecommunications marketplace where technology and business models were no longer controlled by a monopoly. The result was a flourishing of innovation. Indeed, many say this enabled and hastened the arrival of the internet, which has revolutionized our economy and our society.

And we need new policy intervention today to address the market power and dominance of large corporations that operate unfettered by either meaningful competition or effective regulation. Without intervention, the marketplace is unlikely to self-correct, and distortions of competition, investment decisions, and innovation incentives throughout the economy will continue, with resulting consumer harms.

We are supportive of legislative proposals pending in this Committee to set fair market rules for the largest online platforms, and to update our antitrust laws so that they can more effectively serve their vital mission of promoting and protecting competition.

We appreciate the Subcommittee's commitment to pursuing these efforts, and to highlighting all aspects of the benefits of competition, and we look forward to continuing to work with you.

Sincerely,

Sumit Sharma
George Slover
Consumer Reports

cc: Members, Subcommittee on Competition Policy, Antitrust, and Consumer Rights