

Box 5.1: Are tech giants monopolizing the information technology sector in the USA?

Just before the Covid-19 pandemic hit the USA in early 2020, a growing public outcry against what many perceive as the monopolization of the information technology sector led federal regulators to start a wide-ranging effort to determine whether the acquisition strategies of the five US giants were harming competition and, thereby, penalizing consumers, while evading regulatory scrutiny.

These five giants are Alphabet (Google's parent company), Amazon, Apple, Facebook and Microsoft. They had a combined net worth over US\$ 5.6 trillion in 2018 that grew by more than 52% in 2019 (The Economist, 2020a). An unbroken flow of mergers in the information technology sector has contributed significantly to this market concentration.

The 'big five' are able to amass and access reams of personal data that are a commercial goldmine but also raise ethical issues about data privacy. They support social media platforms that have been used for political advertising and to disseminate disinformation, with the potential to sway voters. A scandal involving the usage of Americans' data by British political consulting firm Cambridge Analytica to influence the 2016 US presidential election has opened a fierce debate about how major tech companies use and store Americans' data.

This dominant position has raised concerns in Congress and beyond about the 'big five's' growing influence on American society, the economy and politics.

In 2020, the Federal Trade Commission (FTC) ordered the 'big five' to provide detailed information of their acquisitions

of smaller rivals. These investigations are being shared with the Department of Justice (DOJ) and the US Congress, who are conducting their own independent antitrust reviews of these technology companies.

The FTC has the power to sue companies to put an end to anti-competitive behaviour. It can take them to court or agree to a settlement that may include a financial penalty. The FTC can block mergers or acquisitions and can even unwind acquisitions or mergers that have already been consummated.

For its part, the DOJ's Antitrust Division can prosecute antitrust violations in criminal court.

The outcome of these investigations was pending as of early November 2020.

Source: compiled by authors

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