# Kentucky Round 3 Wiki

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#### The *Amex* decisioncreated a *de facto* “platform exceptionalism” rule that prevents plaintiffs from challenging *any instance* of platform dominance

Hovenkamp, James G. Dinan University Professor, University of Pennsylvania Carey Law School and The Wharton School, ‘21

(Herbert, “Antitrust and Platform Monopoly,” 130 Yale L.J. 1952)

A. Against Platform Exceptionalism

In *Amex*, the Supreme Court disregarded a basic principle about markets, which is that they consist of close substitutes.212 Instead, it lumped production complements into the same market, and in the process, it stymied coherent economic analysis of the problem. To be sure, power in one side of a two-sided market cannot be assessed without determining what is occurring on the other side. But one does not need to group the two sides into the same “market.” Rather, a relevant market should be determined by reference to the side where anticompetitive effects are feared. Then, assessing power requires the fact finder to consider offsetting effects, some of which may occur on the other side.213

Second, the Court ignored an important distinction between fact and law. Disputes about market boundaries involve questions of fact. Nevertheless, the majority wrote—as a matter of law—that two-sided platforms compete exclusively with other two-sided platforms. These dicta have already produced mischief in lower-court decisions. For example, it led one court to conclude that a merger between a two-sided online flight-reservation system and a more traditional system could not be a merger of competitors.214

Third, without argument or evidence, the Court required litigants to show market power indirectly in vertical restraints cases by reference to a relevant market, even though superior techniques are available. Direct measures are particularly useful in digital markets, where the necessary data are easy to obtain and product differentiation makes traditional market definition unreliable.215 This was another breach of the boundary between fact and law.

Fourth, the Court misunderstood the economics of free riding, ignoring the fact that when a firm is able to recover the value of its investments through its own transactions, free riding is not a problem.

Fifth, the Court failed to perform the kind of transaction-specific factual analysis that has become critical to economically responsible antitrust law. Rather, it simply assumed, without examining the actual transactions before it, that losses on one side of a two-sided market are inherently offset by gains on the other side.216 Amex’s antisteering rule produced immediate losses for both the affected cardholder and the affected merchant. The only beneficiary was Amex, the operator of a platform able to shelter itself from competition. That competition, in turn, would have benefitted both cardholders and merchants.

Markets differ from one another.217 This is why we apply mainly antitrust law to some markets, regulation to others, and some mixture of the two to yet others. It is also why antitrust is so fact intensive, particularly on issues pertaining to market power or competitive effects. Indeed, the biggest advantage that antitrust has over legislative regulation is its fact-driven methodology. Antitrust courts do and should avoid speaking categorically about market situations that are not immediately before them and avoid making cursory conclusions based on inadequate facts. Within the antitrust framework, there is no reason to think that digital platforms are unicorns whose rules as a class differ from those governing other firms. Every market has its distinct features, but the ordinary rules of antitrust analysis are adequate to consider them. The *Amex* decision is a cautionary tale about what can happen when a court is so overwhelmed by a market’s idiosyncrasies that it makes grand pronouncements, abandoning well-established rules for analyzing markets in the process.

#### *Amex* set high burdens for Plaintiffs—forcing them to prove harm to users on both sides of the platform

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(John, “Antitrust and Two-Sided Platforms: The Failure of *American Express*,” Cardozo L. Rev. Vol. 41)

In sum, the Court's most fundamental error in *American Express* was its ruling that in a two-sided platform case, the plaintiff must show, in the first step of the rule of reason, that the defendant's conduct caused net harm to customers on both sides of its platform combined. This requirement, unprecedented in the Court's decisions, is not only substantively wrong, it will force plaintiffs in two-sided platform cases to address market power, anticompetitive effects, and justification all at once, at the beginning of their cases. This is inefficient and will result in more false negatives.75 To take advantage of this new framework, moreover, numerous defendants are likely to claim that they operate twosided platforms, further inhibiting antitrust enforcement.76

[Begin fn76]

76 See Hovenkamp, supra note 9, at 48 ("[U]nder the AmEx standard, we can expect an

outpouring of defendants emphatically claiming to be two-sided .... ).

[End fn76]

The Court overlooked all of these problems. 77

#### *Amex*’s platform rule is theoretical nonsense—that spills over to stymie enforcement in numerous sectors

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(Kaj, “Antitrust After American Express: Down a Competitive Effects Rabbit Hole,” September 21, <https://techlawdecoded.com/antitrust-after-american-express-down-the-competitive-effects-rabbit-hole/>)

What does make American Express unique, and the reason it has pushed the trajectory of antitrust even further into a competitive effects abyss, are the implications on the modern tech-based economy of the Supreme Court’s views on the proof that is required in cases involving two-sided markets.

Two-sided platforms are at the core of wide swaths of the online ecosystem, including retail (Amazon’s marketplace), social media (Facebook), online advertising (Google Ads), the internet of things (Apple’s HomePod), search (Microsoft’s Bing), and the gig economy (Uber), to name a few examples. The American Express decision has significantly raised the evidentiary bar for proving up an antitrust case in such markets. It will no longer be enough to show that a platform harmed competition on one side of the market—as difficult and burdensome as that task already is. Now “substantial anticompetitive effects” must be shown across both sides of the market, accounting for all the participants and users of a multi-sided platform in something akin to the “credit card transactions” market proposed in American Express.

But the logic underlying the American Express decision does not stop at multi-sided platforms. It is not difficult to imagine how creative defendants and laissez faire-inclined judges could spin a web of ever-increasing complexity in any case about a sprawling market with interconnections and interrelationships among different users, partners, and participants. This is a natural consequence of falling down the competitive effects rabbit hole. If it is not reined in, the competitive effects machinery tends towards entropy, especially in complex digital markets where a single player can be interacting with various segments of a broader digital ecosystem.

#### Inability to effectively contest platform conduct kills innovation

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(Rebecca, “Antitrust’s High-Tech Exceptionalism,” 130 Yale L.J. 588)

American competition policy has a big problem. Actually, it has four big problems: Amazon, Apple, Facebook, and Google. What was once a dynamic pool of smaller start-ups, the high-tech sector has now coalesced around just four companies that together reported over $773 billion of revenue in 2019.1 Each reigns over its own segment of the high-tech marketplace: Amazon controls the retail sector, Apple dominates devices and apps, Facebook owns social media, and Google virtually governs the internet itself. To the extent Silicon Valley still churns out a steady stream of startups, it is more to feed these beasts by acquisition than to produce meaningful rivals to their empires.2

Of course, not everyone agrees that this state of affairs is a problem at all. To some, the size of these firms is merely a symptom of their success. Relentless innovation, a customer-is-king mentality, network effects that benefit consumers, and economies of scale have made these firms ever larger and their products ever better for American consumers. Some even contest the idea that they are large at all by arguing that in a properly defined market, each firm faces significant rivalry and thus lacks market power. Some think that American antitrust law should pat itself on the back for fostering the competitive conditions that let these innovative companies thrive.3

However, this view is increasingly unpopular, and for good reason. Each of these companies, in its own way, holds the keys to competitive entry in many important online markets. To bring an app to market, a developer must deal with Apple; to reach online shoppers, retailers must use Amazon, and so on. Without a meaningful choice between platforms, independent sellers, developers, and websites must pass through a privately maintained bottleneck often on unfavorable terms. These restrictions on competition harm consumers by reducing the output and raising prices for goods that must pass through the bottleneck, and by reducing firms’ incentives to innovate—if they know a large portion of their profits will be appropriated by the platform, they have less incentive to bring new products to market. And by controlling the throttle of technological innovation, each dominant firm can stave off the possibility that one of these nascent companies will build a rival network—a platform that can break the bottleneck itself.4 Long-term, stable platform dominance means consum ers likely will not see the kind of Schumpterian innovation associated with great technological leaps forward.5 Rather, consumer welfare depends on these platforms’ internal incentives to innovate, which are weakened in the absence of true rivalry.6 In short, there is a growing recognition that as much as these companies have innovation to thank for their success, their current tactics are making it hard for the next generation of disruptive innovators to take over. If antitrust law continues to stand by, consumers will pay the price.

#### Tech concentration decks productivity growth – that ruins business dynamism and the economy

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(Ryan A., John Haltiwanger, Ron S. Jarmin, and Javier Miranda, “Changing Business Dynamism and Productivity: Shocks vs. Responsiveness,” June, <http://econweb.umd.edu/~haltiwan/Shocks_06_30_17.pdf>)

A hallmark of market economies is the continual reallocation of resources from less-valued or less-productive activities to more-valued or more-productive ones. Business dynamics—the process of business birth, growth, decline and exit—is a critical driver of the reallocative process. An optimal pace of business dynamics balances the benefits of productivity and economic growth against the costs associated with reallocation—which can be high for certain groups of firms and individuals. While it is difficult to prescribe what the optimal pace should be, there is accumulating evidence from multiple datasets and a variety of methodologies that the pace of business dynamism in the U.S. has fallen over recent decades and that this downward trend accelerated after 2000.1

Canonical models of firm dynamics and empirical evidence imply that there is a tight link between business dynamism and productivity growth. As highlighted by Hopenhayn and Rogerson (1993), increases in the dynamic frictions of adjustment on the extensive or intensive margins will reduce the pace of reallocation and lower productivity. Thus, a prima facie concern arising from these trends in business dynamism is that they may have had adverse effects on aggregate productivity growth. The question is particularly important in light of the growing body of evidence showing that aggregate productivity growth in the U.S. has been declining since the early 2000s (Fernald (2014)).2

At first glance, medium-run fluctuations in economywide productivity growth do not match up with patterns of declining business formation and business dynamism. Productivity growth accelerated in the 1990s through the early 2000s before slowing down after 2003, while aggregate startup activity and job reallocation fell throughout the 1980-2014 period. However, a more careful review of theory and evidence resolves the inconsistency: during the 1980s and 1990s, the decline in entrepreneurship and reallocation was dominated by the Retail Trade sector, where evidence suggests that falling dynamism was actually consistent with rising productivity growth.3

Fernald (2014) highlights that the surge in productivity from the late 1980s to early 2000s and the subsequent decline were both led by the ICT-producing and intensive ICT-using sectors. Interestingly, the High Tech sector exhibits a rise in business formation and job reallocation over the first period and a sharp decline in the post-2000 period, with the period since 2000 also being characterized by a decline in high-growth firm activity throughout the US economy more generally (Haltiwanger, Hathaway and Miranda (2014)). 4

In this paper, we find that changes in how businesses respond to their idiosyncratic productivity conditions are an important driver of the evolution of aggregate job reallocation and productivity in recent decades, especially in the High-Tech sector. We argue that the observed decline in responsiveness is consistent with models of firm dynamics in which increases in adjustment frictions can reduce the pace of reallocation and, consequently, productivity growth. As noted above, the canonical model is Hopenhayn and Rogerson (1993), but this theme is consistent with a wide class of firm-level adjustment cost models (e.g., Cooper and Haltiwanger (2006), Cooper, Haltiwanger and Willis (2007, 2016), and Elsby and Michaels (2013)). The core hypothesis is intuitive. An increase in adjustment frictions makes firms more cautious in responding to idiosyncratic productivity shocks. This yields a decline in the pace of job reallocation (as firms’ hiring and downsizing decisions become more sluggish), an increase in the dispersion of marginal revenue products and a decline in aggregate productivity.

#### Sustained productivity growth is the key determinant of great power conflict—power cycle theory confirms demonstrates relative decline is the critical point

Jacob L. Heim, Senior Policy Researcher, RAND, and Benjamin M. Miller, PhD, Economist; Professor, Pardee RAND Graduate School, 2020, Measuring Power, Power Cycles, and the Risk of Great-Power War in the 21st Century, https://www.rand.org/pubs/research\_reports/RR2989.html

Global Power Dynamics and Global Conflict

There are many models that link the distribution of global power to the prospects for major interstate war, according to different theories of why wars occur.27 Put broadly, when assessing whether one scenario is more stable than another, analysts apply a model (ranging from a heuristic to a formal model) to assess the prospects for crisis or war under different distributions of global power. One such approach would be to use a quantitative metric (such as the GPI) within a theoretical model that evaluates the likelihood of a war erupting under different distributions of global power.

There are many theoretical models that an analyst could use for this purpose.28 Among these models, power cycle theory represents an intriguing option due to its quantitative nature and its ability to operate on aggregated metrics, such as the GPI.

*Power cycle theory* relates the relative distribution of power in the international system to the likelihood of major wars—that is, large wars that will reorder the international system.29 For this reason, it focuses on *latent* indicators of military power. The theory concerns long-term shifts in power that take place over decades, rather than the year-to-year fluctuations in military capabilities that arise as states actualize their latent power by fielding new weapon systems, testing new technologies, or training their militaries in new concepts of operation. Power cycle theory posits that the largest wars—measured by duration and number of casualties—tend to occur when multiple great powers simultaneously experience *critical points* at which their relative rates of growth fundamentally shift. These major wars are also sometimes called extensive wars because they involve multiple major powers that fully mobilize, leading to a large number of casualties and restructuring of the international system. Scholars have found confirming evidence for the theory when testing it against the historical record as a whole and when examining case studies in specific major wars (such as WWI).30 By focusing on fundamental elements of national power and the risk of wars that could reorder the international system, these sorts of frameworks can help strategists step back and look for structural shifts in power that can destabilize the international system. Of course, destabilizing shifts represent only one concern out of many that national security strategists confront on a daily basis—from terrorism and power vacuums to nuclear proliferation and transnational crime—but they are a necessary concern that requires attention and foresight. Power cycle theory, like all models, is a simplification of reality, but we judge that it has value in helping analysts understand the balance of power and prospects for major wars in a systematic and quantifiable way. We do not view it as a replacement for critical thinking, the study of history, regional expertise, or other methods. We consider it to be a valuable tool to add to the larger toolbox used by national security analysts and those concerned about how future trends could affect great-power competition and war.

There are many theories of warfare involving cycles.31 While each differs in particulars, they share some broad characteristics because they emphasize long-term causes of war. In these theories, uneven rates of growth among states play an important role in creating systemic disequilibria. Theories differ on which rates of growth matter most; some focus exclusively on economic growth, while others focus on broader indexes that include population. Theories also differ on what configurations of powers are the most dangerous; for example, transition theories focus on when a rising power’s capabilities approach those of the leading power in absolute terms, while power cycle theory focuses on when the trend in a nation’s growth changes (peaks, bottoms out, or reaches an inflection point). All theories generally accept the argument that a discrepancy between a state’s perceived status and its desired status influences its behavior. We use power cycle theory in this report because of its unambiguous and quantifiable character (the theory leads to specific predictions tied to quantitative conditions). Although we apply power cycle theory, we do so mainly as an illustration of how one can combine international relations theory with future balance-of-power scenarios to consider which ones may be more unstable than others; we encourage strategists to consider many lenses when evaluating scenarios.

Power Cycle Theory

To answer questions about whether a balance of power in a given scenario makes a major war more or less likely, one needs to apply a theory that relates certain configurations of power to predictions about stability. Power transition theory, for example, might focus on the period around 2023, when China’s modified GPI score surpasses that of the United States. Power cycle theory, however, suggests that the risk of war is higher when several major powers go through critical points at similar times—not when their shares of global power cross each other. As mentioned earlier, critical points occur when the direction or acceleration of a state’s relative growth trend changes, such as when a state’s power falls after reaching its zenith or rises after reaching its nadir. Critical points may also occur when the *rate* of growth or decline accelerates or decelerates. For example, in our baseline scenario, Chinese relative growth experiences an inflection point around 2011.

Before 2011, Chinese relative growth was accelerating, in line with the economic trends that we discussed in the opening. After 2011, however, Chinese relative growth decelerates. While it is still growing in absolute and relative terms, its rate of relative growth slowed. Figure 10 highlights that, between 1990 and 2010, China’s relative power growth rate accelerated. After 2010, its relative power growth rate began decelerating. In the baseline scenario, its relative rate of growth continues to slow, but it does not peak. The point where China’s relative power growth rate stops accelerating and begins to decelerate (marked with the black dot in Figure 10) is a particular type of critical point called an inflection point, and it has special significance for a rising power.

**Competitiveness solves great power war**

**Baru 09**

(Sanjaya, Visiting Professor at the Lee Kuan Yew School of Public Policy in Singapore Geopolitical Implications of the Current Global Financial Crisis, Strategic Analysis, Volume 33, Issue 2 March 2009 , pages 163 – 168)

The management of the economy, and of the treasury, has been a vital aspect of statecraft from time immemorial. Kautilya’s Arthashastra says, ‘From the strength of the treasury the army is born. …men without wealth do not attain their objectives even after hundreds of trials… Only through wealth can material gains be acquired, as elephants (wild) can be captured only by elephants (tamed)… A state with depleted resources, even if acquired, becomes only a liability.’4 Hence, economic policies and performance do have strategic consequences.5 In the modern era, the idea that strong economic performance is the foundation of power was argued most persuasively by historian Paul Kennedy. ‘Victory (in war),’ Kennedy claimed, ‘has repeatedly gone to the side with more flourishing productive base.’6 Drawing attention to the interrelationships between economic wealth, technological innovation, and the ability of states to efficiently mobilize economic and technological resources for power projection and national defence, Kennedy argued that nations that were able to better combine military and economic strength scored over others. ‘The fact remains,’ Kennedy argued, ‘that all of the major shifts in the world’s military-power balance have followed alterations in the productive balances; and further, that the rising and falling of the various empires and states in the international system has been confirmed by the outcomes of the major **Great Power wars**, where victory has always

#### Fintech’s disruptive startups have been squashed by large financial institutions

Loo ’18 – Associate Professor at BU Law [Rory Van; Associate Professor, Boston University School of Law and Affiliated Fellow, Yale Law School Information Society Project; 2018; "Making Innovation More Competitive: The Case of Fintech"; UCLA Law Review; https://heinonline.org/HOL/Page?handle=hein.journals/uclalr65&div=7&g\_sent=1&casa\_token=&collection=journals; accessed 8-18-2021]

Fintechs can be of any size. Four of the ten largest U.S. companies, Google, Apple, Amazon, and Facebook, all have built payment systems and made other inroads into finance.36 Despite the participation of large technology companies, the main drivers of fintech innovation have been the thousands of startups attracting billions of dollars in investment each year. Startup business models are novel, diverse, and shifting. One of the earliest fintech areas was peer-topeer lending, in which companies link individuals who have money to those who want it.37 Most of the original peer-to-peer companies have already grown beyond their origins and now engage in more familiar "marketplace lending."38 They receive money from banks to lend to individuals, and their innovations have spread to other areas, such as sophisticated analytic tools for estimating borrowers' creditworthiness.39

Unlike the other categories of consumer fintechs, advisory fintechs do not need to directly receive any money from consumers to offer their basic product. The goal of Credit Karma, NerdWallet, Mint, and other advisory fintechs is to help people make all of their financial decisions through a single app.4" These companies learn about users-with permission-by accessing personal bank accounts, credit scores, credit card records, tax returns, and other similar sources of financial information. Users then receive recommendations about credit cards or mortgages with lower fees, savings accounts that pay higher rates, and other products that better meet their needs.41

While the term "fintech" is used here to exclude traditional banks, all major financial institutions have become highly technological. The leading banks are each purchasing fintech startups, forming strategic partnerships, or internally building whiz teams to design new products.42 JP Morgan Chase's Intelligent Solutions Group has over 200 analysts and data scientists and produced about fifty technologies in 2015 alone.43 Goldman Sachs, which has more engineers than Facebook or Twitter, is launching an online lender.44 In light of Wall Street's increasing launch of digital products and adoption of artificial intelligence,45 regulating fintech amounts to regulating the future of finance.

B. Private Sector Institutional Dynamics

Fintechs could in theory pose a threat to traditional banks. Almost threequarters of millennials say they would prefer to receive their financial services from technology companies such as Google and Amazon, rather than big banks.46 Convenience, trust, and price all could play important roles in driving customer switching. Individual users, including small businesses, increasingly find dealing with big banks to be time-consuming and frustrating compared to the ease of tailored startup apps.47 In recent years, consumers have grown distrustful of large financial institutions, whose reputations have been battered by subprime mortgage lending, the financial crisis, the LIBOR scandal, and Wells Fargo opening millions of fake accounts in customers' names. 48

Innovation helps explain why publicly traded companies are disappearing at a faster rate today than ever before-six times as fast as forty years ago.49 Online startups have even thrived in other heavily regulated industries, such as transportation and gambling." Convenience and lower costs have driven some of this success, and many fintechs offer similar advantages.51 Furthermore, unlike some industries that Silicon Valley has invaded, finance lacks a meaningful physical component. This makes the base products inherently vulnerable to digital competition. Traditional banks' infrastructures-including their legacy information systems and physical branches-inhibit their ability to rapidly respond to disruption.

Since Dimon's 2015 warning, however, the dynamics between fintech and traditional firms appear to have shifted. Entrepreneurs who started out wanting to do to banks what Amazon did to retail have wound up licensing their technology to banks.52 As one industry observer puts it: "What was once perhaps an adversarial relationship has warmed .... Many no longer see an existential threat in fintech. Instead, they believe that "[i]t is most likely that the small fintech companies will be subsumed" by large financial institutions. 4

Ii. The Competition Shortcomings

A given fintech's decision of whether to challenge or join banks will depend in part on whether regulations and market dynamics give it a real chance to compete. Competition is extremely difficult to measure, and economic models inadequately consider important factors, such as innovation.5 To assess the hypothesis that a lack of competition inhibits fintech, this Part surveys the evidence related to entry barriers, customer switching, anticompetitive prices, and the relative pace of U.S. innovation.

A. Entry Barriers

When firms face excessive barriers to entering a market, competition can stagnate, raising prices and lowering innovation. 6 Although part of the problem is simply the large amount of regulation, 7 fintech has faced two further entry barriers: traditional firms' ability to block market access and the difficulty in obtaining a federal bank license.

Legacy financial institutions can limit some fintechs' operations through control of data. Most notably, advisory fintechs rely on access to both personal and general product data. 8 Some banks' response has been to block or limit fintechs' access to customer accounts, thereby making it harder for fintechs to provide tailored advice. 9 Legacy institutions can also block fintechs from collecting online product information by using laws never intended for such a purpose, including trespass to chattel, the Digital Millennium Copyright Act,6 " and the Computer Fraud and Abuse Act.61 As a result, advisory fintechs cannot on their own provide comprehensive financial advice to their users. In order to access crucial data, fintechs may need to prioritize big banks' interests over helping consumers switch.

Some legacy firms can also limit market access through their dominant market positions. Over 99 percent of all credit card transactions run through the Visa, American Express, Mastercard, and Discover networks.62 Many commentators have documented credit card companies' ability to engage in exclusionary conduct, such as vertical restraint clauses that prevent merchants from using other payment methods.63 Although credit card companies may not be able to use those same tactics against payment fintechs, their strong market positions could enable them to deploy other tactics. They have, for instance, instituted "Honor All Cards" rules requiring merchants to accept their contactless payments as a condition of accepting plastic cards. These rules arguably "foreclose entry to those digital wallets that.., do not use the credit card networks for payments. 64

#### That means US fintech will lose to international competitors.

Loo ’18 – Associate Professor at BU Law [Rory Van; Associate Professor, Boston University School of Law and Affiliated Fellow, Yale Law School Information Society Project; 2018; "Making Innovation More Competitive: The Case of Fintech"; UCLA Law Review; https://heinonline.org/HOL/Page?handle=hein.journals/uclalr65&div=7&g\_sent=1&casa\_token=&collection=journals; accessed 8-18-2021]

C. International Competitiveness

Less efficient and innovative U.S. financial services are problematic not only in isolation, but also from an international perspective. Scholars and regulators have inconclusively debated whether banks need to be big to maintain their international competitiveness. 12' Less well-recognized is how a lack of domestic competition may undermine U.S. financial firms' global competitiveness. Foreign financial firms may gain an edge by being subject to greater competition in their home markets, thereby being forced to innovate more and operate leanly. This creates two potential problems. First, reduced domestic competitiveness may make the United States less able to enter foreign markets. The U.S. economy has benefited in recent years from billions of dollars in revenues earned abroad by Google and other leading digital companies. 126 Given the growing portion of the global economy taken up by finance, the fintech lag could constitute a large-scale missed opportunity for U.S. firms to strengthen the economy by bringing in revenues earned abroad.

Second, in the long term, American financial firms may become more vulnerable to international competition even in domestic markets. Although U.S. licenses can shield banks from foreign fintech challengers today, distributed ledger technologies may change this. Americans are already increasingly using Bitcoin, Ethereum, and other unregulated virtual currencies based on blockchain technology.127 Much is unknown about how such technologies will develop, and the trust offered by a governmentally overseen financial system may prove difficult to replicate. 128 If, however, an era of wide-open global finance arrives, U.S. financial institutions could find themselves suddenly exposed to international competition as never before. Without U.S. regulators to insulate them, U.S. financial institutions made soft by lesser competition would be more prone to lose significant market share to foreign financial institutions than they would be if domestic markets were more competitive.

#### Fintech innovation is key to the effectiveness of U.S. economic sanctions

Harrell and Rosenberg 19 – Peter E. Harrell is an adjunct senior fellow at the Center for a New American Security; former Deputy Assistant Secretary for Counter Threat Finance and Sanctions at the U.S. State Department. Elizabeth Rosenberg is a senior fellow and director and director of the Energy, Economics, and Security Program at the Center for a New American Security.

Peter E. Harrell and Elizabeth Rosenberg, “Economic Dominance, Financial Technology, and the Future of U.S. Economic Coercion,” *Center for a New American Security*, 2019, pp. 25-26, http://files.cnas.org.s3.amazonaws.com/documents/CNAS-Report-Economic\_Dominance-final.pdf.

Developments in financial technology also have the potential to affect the availability and strength of coercive economic measures over the longer term. The movement to develop blockchain-based, decentralized payments platforms and new digital currencies or tokenized assets that feature anonymity can undermine the strength of coercive economic measures. However, financial technology developments, such as the development of artificial intelligence/machine learning (AI/ML) compliance technologies, also present potential means to better detect and stop evaders and avoiders of U.S. economic coercion throughout global chains of financial interconnectivity.

Financial technologies are not themselves the drivers of potential future changes to the sources of coercive economic leverage. However, they may enable foreign governments to develop better tools to insulate transactions from U.S. jurisdiction. And, regardless of the actions of foreign governments as they spread commercially, they may help evaders duck U.S. coercive economic power in limited but meaningful ways. Conversely, new AI/ML or other technologies may help U.S. policymakers implementing economic coercion to better do their job.

Financial technology can be a facilitator of rapid transformation in the financial services sector. Importantly, financial technology developments will not happen just in the United States; a number of other countries, from China to Singapore to Switzerland, are promoting themselves as financial technology leaders. There is no guarantee that financial technology innovators and investors will be centered in the United States in the future—which represents a vulnerability to U.S. economic prominence.

Maintaining U.S. Leverage

The extent to which the United States will maintain coercive economic leverage in a world where financial technology disrupts aspects of the traditional financial architecture will depend to a significant degree on the extent to which U.S. firms, and large global firms, continue to play a dominant role in the development of the technology. To put it bluntly, a blockchain-based clearing mechanism that enables trade between foreign countries without financial transactions touching the dollar would likely undermine U.S. leverage if the technology were developed and operated by a foreign company that had no need to adhere to U.S. law. The United States would maintain at least some leverage if the technology were developed or operated by a U.S. company obliged to adhere to U.S. sanctions, technology-export restrictions, and other relevant laws, or a foreign company with significant U.S. exposure.

#### Iran’s an emerging global hub for Bitcoin mining. Absent our internal link, they’ll obviate the role of financial institutions and effectiveness of sanctions.

**Erdbrink 19** --- Dutch journalist who is the Northern Europe bureau chief for The New York Times

Thomas, 1-29-2019, "How Bitcoin Could Help Iran Undermine U.S. Sanctions,” New York Times, https://www.nytimes.com/2019/01/29/world/middleeast/bitcoin-iran-sanctions.html

Iran’s economy has been hobbled by banking sanctions that effectively stop foreign companies from doing business in the country. But transactions in Bitcoin, difficult to trace, could allow Iranians to make international payments while bypassing the American restrictions on banks.

In the past, the threat of United States sanctions has been enough to squelch most business with Iran, but the anonymous payments made in Bitcoin could change that. While Washington could still monitor and intimidate major companies, countless small and midsize companies could exploit Bitcoin and other cryptocurrencies to conduct business under American radar.

The United States Treasury, well aware of the threat, is attempting to bring Bitcoin and the others into line. In recent weeks, in response to an internet fraud case originating from Iran, the Treasury imposed sanctions on two Iranians and the Bitcoin addresses, or ‘‘wallets,’’ they had used for trading in the currency.

The Treasury also has warned digital marketplaces that buy and sell Bitcoin and companies that sell computers used to process Bitcoin transactions that they should not provide services to Iranians. Several well-known trading sites are now blocking buyers and sellers from Iran. Some have confiscated money belonging to clients based in Iran.

“Treasury will aggressively pursue Iran and other rogue regimes attempting to exploit digital currencies,” the department said in a statement.

But by their nature, cryptocurrencies are uncontrolled by any person or entity. At best, efforts to regulate or monitor trade in them are episodic, whack-a-mole affairs. With Bitcoin and other cryptocurrencies, there is simply no way to duplicate the banking sanctions that have proved so damaging to the Iranian economy.

Bitcoin transactions are recorded on a digital ledger or database known as the blockchain, maintained communally by many independent computers. The system is designed explicitly to avoid central banks and large financial institutions. Like emails delivered without going through a central postal service, the computer network maintaining Bitcoin records enables the movement of money without going through any central authority.

The Iranian government has been slow to recognize the potential sanctions-evading possibilities of Bitcoin. But it is now considering the establishment of exchanges to facilitate trading, one official, Abdolhassan Firouzabadi, said recently. Despite the failure of Venezuela’s state-backed cryptocurrency, the Petro, Iran’s central bank said recently that it was seriously considering creation of something similar, possibly called the Crypto-Rial, named after the national currency, the rial.

Still, Iran’s venture into Bitcoin pales in comparison to what has been happening the former Soviet republic of Georgia, where thousands of people have jumped into the cryptocurrency business.

At the computerized processing operation in the Iranian desert, no one seemed particularly concerned with the geopolitical implications of Bitcoin.

The operation consisted of 2,800 computers from China, fitted into eight containers, which when linked are called a farm. It makes intense mathematical calculations, known as mining, needed to confirm Bitcoin transactions. Miners collect fees in Bitcoin for their services.

Ignoring the rain, the European visitor used the calculator on his mobile phone to determine how much money could be made from this particular farm, multiplying computer power and deducting electricity and operational costs.

He estimated about five Bitcoins a month, which at roughly $4,000 per Bitcoin at current price levels, would be about $20,000.

“Not too bad,” he said.

The currency fluctuates like any other, though it has proved particularly volatile, sinking to slightly less than $4,000 a unit from nearly $20,000 about a year ago.

“We’ll have two engineers on site to keep everything running, that’s it,” said Behzad, the chief executive of IranAsic, the company running the site. He, like the European investor, did not want to provide his family name, out of fear of penalties from the United States.

The Chinese computers, called Antminer V9s, were regarded as outdated by the European visitor. Still, he said, “I guess this is the last place on earth where they are still profitable.”

That helps explain why Iran seems to be taking its first baby steps toward becoming a global center for mining Bitcoins. Because of generous government subsidies, electricity — the energy for the computers needed to process cryptocurrency transactions — costs little in Iran. It goes for about six-tenths of a cent per kilowatt-hour, compared with an average of 12 cents in the United States and 35 cents in Germany.

In recent months, dozens of foreign investors from Europe, Russia and Asia have considered moving their mining operations to Iran and other low-cost countries like Georgia. “We have to be flexible in this industry and go where prices are the lowest in order to survive,” said the European investor.

#### Tracking solves Iranian evasion – US lead key.

**Robinson 21** --- Ph.D., Co-founder and Chief Scientist discusses cryptocurrency forensics, investigations, compliance, and sanctions.

Tom, "How Iran Uses Bitcoin Mining to Evade Sanctions and “Export” Millions of Barrels of Oil," Elliptic, <https://www.elliptic.co/blog/how-iran-uses-bitcoin-mining-to-evade-sanctions>

The Iranian state is therefore effectively selling its energy reserves on the global markets, using the Bitcoin mining process to bypass trade embargoes. Iran-based miners are paid directly in Bitcoin, which can then be used to pay for imports - allowing sanctions on payments through Iranian financial institutions to be circumvented.

This has become all but an official policy, with a think tank attached to the Iranian president’s office recently publishing a report highlighting the use of cryptoassets to avoid sanctions.

Many of those making the Bitcoin transactions and paying the fees to Iran-based miners will be located in the United States - the very country spearheading the sanctions. As the US government considers whether to lift some sanctions on Iran in exchange for a return to a nuclear deal, it will need to consider the role that Bitcoin mining plays in enabling Iran to monetise its natural resources and access financial services such as payments.

In the meantime, financial institutions should consider the sanctions risk they are exposed to due to Iranian Bitcoin mining - particularly those that are beginning to offer cryptoasset services. If 4.5% of Bitcoin mining is based in Iran, then there is a 4.5% chance that any Bitcoin transaction will involve the sender paying a transaction fee to a Bitcoin miner in Iran. Financial institutions should also be on the lookout for crypto deposits originating from Iranian miners that are seeking to cash-out their earnings.

Solutions for Sanctions Risks

However as we discuss in more detail our new sanctions guide, solutions to these challenges exist and are already used by financial institutions engaging in cryptoasset activity.

For example, blockchain analytics solutions such as those provided by Elliptic can be used by regulated financial institutions to detect and block cryptoasset deposits from Iran-based entities including miners. Techniques can also be employed to ensure that transaction fees are not paid to miners in high risk jurisdictions.

#### Effective sanctions key to prevent Iranian nuclear acquisition.

**Morrison 21** --- Master of Arts of Political Science, University of Waterloo.

Kallen, 2021, “Economic Sanctions and Nuclear Non-proliferation: A Comparative Study of North Korea and Iran, “University of Waterloo, Fulfilment of the thesis requirement for the degree of Master of Arts, https://uwspace.uwaterloo.ca/bitstream/handle/10012/16666/Morrison\_Kallen%20.pdf?sequence=3

Economic sanctions have been successful in stopping Iran from pursuing their nuclear program thus far. Iran has conceded multiple times to the United States and the international community to halt the enrichment of uranium and the advancement of their nuclear program. The most notable example of Iran’s concessions has been the signing of the Joint Comprehensive Plan of Action in which Iran agreed to halt and greatly reduce their nuclear program in return for substantial easing of economic sanctions. The second criteria has been met as Iran’s economy has significantly worsened due to continued economic pressure from the United States and the international community. Iran’s economy has significantly worsened due to continued economic pressure from the United States and the international community. Continued economic pressure has been paramount to bringing Iran to the negotiating table. While the United States and its regional allies do pose a military threat to Iran, that is unlikely a sufficient factor in dissuading Iran.

We have established that the level of political contestation in the targeted countries, their economic and security vulnerabilities, and the degree of international cooperation are important factors in determining if economic sanctions are effective at limiting nuclear proliferation. In Iran’s case the regime, while authoritarian, allows for limited political contestation. The general public gets to elect the president (even if candidates are handpicked by the supreme leader). Iranians have been able to protest against the government. One goal of economic sanctions is to galvanize the general public against the government and their policy decisions. Iranians have indeed been frustrated by the sanctions and voiced their discontent with the government policies targeted by the sanctions.

Iran’s international environment is also conductive for economic sanctions to be effective. Iran is a regional power with an impressive arsenal of missiles and extensive network of proxy forces. Therefore, nuclear weapons are not imperative for Iran’s defence. On the other end, Iran’s economy is largely based on oil and gas exports. Integration into the global market is very important for Iranians and a vital source of revenue for the government. Economic sanctions have hurt the Iranian economy and therefore have hurt Iranians. The economic squeeze has brought Iran to the negotiating table in the past and will likely do so in the future. The international approach to Iran has been encompassing with the European Union and the United Kingdom taking a common stand with the United States in preventing Iran from acquiring nuclear weapons. Even after the United States left the JCPOA the EU and UK have attempted to develop mechanisms to provide Iran with economic incentives to keep Iran abiding to the JCPOA. Even though China has given Iran an economic lifeline there is tension within Iran over concerns of becoming too economically dependent on China.

#### Israel would preempt before the nukes come online. Sparks a wider regional conflict that draws in all the major powers.

Scheinman 18 – Security Studies Chair, Nat’l War College; Nuclear Nonprolif Rep. for Obama

Adam M. Scheinman, What if Iran leaves the NPT?, 8 June 2018, <https://thebulletin.org/2018/06/what-if-iran-leaves-the-npt/>

Not to diminish the immensity of North Korea’s nuclear challenge, but Iran’s withdrawal from the NPT carries weightier risks. It would likely mean that Iran’s Supreme Leader had given the green light to an Iranian nuclear weapon, opening the floodgates to NPT withdrawals by other Arab states—Saudi Arabia, the UAE, and Egypt head that list. These and possibly other Sunni governments, none of whom can rely on a major power for defense, may conclude that they require their own nuclear weapon to check Iran’s rise. The Saudis are very clear and public on this point.

More immediately, Israel may feel compelled to strike Iranian nuclear facilities before they become fully operational. This raises the specter of a regional war that may draw in several of the nuclear weapon states—the United States, the UK, France, and Russia—and reshape the Middle East in ways we cannot predict. Whether the NPT could survive such a shock is another unknown.

#### Loss of economic leverage alone is sufficient to trigger the impact.

**Zilber 21** --- Journalist covering Middle East politics and an adjunct fellow at the Washington Institute for Near East Policy.

Neri, 9-14-2021, "Israel Can Live With a New Iran Nuclear Deal, Defense Minister Says," Foreign Policy, https://foreignpolicy.com/2021/09/14/israel-iran-nuclear-deal-defense-minister-gantz/

TEL AVIV, Israel—Israel would be willing to accept a return to a U.S.-negotiated nuclear deal with Iran, Defense Minister Benny Gantz told Foreign Policy—but Israeli officials are also pressing Washington to prepare a serious “demonstration of power” in case negotiations with Tehran fail.

The remarks, made during an exclusive interview last week, appear to reflect a shift in policy for Israel, which under the leadership of former Prime Minister Benjamin Netanyahu loudly opposed the 2015 nuclear agreement and worked to undermine it.

Former U.S. President Donald Trump pulled the United States out of the agreement in 2018, but the Biden administration has renewed the diplomacy—even as Iran moves closer to enriching enough uranium to make a nuclear weapon.

Gantz, asked about efforts by the Biden administration to get back to an agreement with Iran, said: “The current U.S. approach of putting the Iran nuclear program back in a box, I’d accept that.”

He added that Israel would want to see a “viable U.S.-led plan B” that includes broad economic pressure on Iran in case the talks fail. And he gestured at Israel’s own “plan C,” which would involve military action.

Gantz estimated that Iran was two to three months away from having the materials and capabilities to produce one nuclear bomb. Iran has steadily ramped up its nuclear work since the United States withdrew from the deal, despite a so-called maximum pressure campaign advanced by Trump and Netanyahu that included sanctions and sabotage efforts.

#### Can’t stay contained—multiple pathways to global nuclear war.

Avery 13 – Lektor Emeritus & Associate Professor, U of Copenhagen

John Scales Avery, Lektor Emeritus, Associate Professor, at the Department of Chemistry, University of Copenhagen, since 1990 he has been the Contact Person in Denmark for Pugwash Conferences on Science and World Affairs, An Attack On Iran Could Escalate Into Global Nuclear War, 11/6/13, http://www.countercurrents.org/avery061113.htm

Despite the willingness of Iran's new President, Hassan Rouhani to make all reasonable concessions to US demands, Israeli pressure groups in Washington continue to demand an attack on Iran. But such an attack might escalate into a global nuclear war, with catastrophic consequences. As we approach the 100th anniversary World War I, we should remember that this colossal disaster escalated uncontrollably from what was intended to be a minor conflict. There is a danger that an attack on Iran would escalate into a large-scale war in the Middle East, entirely destabilizing a region that is already deep in problems. The unstable government of Pakistan might be overthrown, and the revolutionary Pakistani government might enter the war on the side of Iran, thus introducing nuclear weapons into the conflict. Russia and China, firm allies of Iran, might also be drawn into a general war in the Middle East. Since much of the world's oil comes from the region, such a war would certainly cause the price of oil to reach unheard-of heights, with catastrophic effects on the global economy. In the dangerous situation that could potentially result from an attack on Iran, there is a risk that nuclear weapons would be used, either intentionally, or by accident or miscalculation. Recent research has shown that besides making large areas of the world uninhabitable through long-lasting radioactive contamination, a nuclear war would damage global agriculture to such an extent that a global famine of previously unknown proportions would result. Thus, nuclear war is the ultimate ecological catastrophe. It could destroy human civilization and much of the biosphere. To risk such a war would be an unforgivable offense against the lives and future of all the peoples of the world, US citizens included.

#### Saudi will follow them across the nuclear threshold---nuclear war.

Robb et. al 12 (Senator Charles S. – Virginia, General Charles Wald – Former Deputy Commander of U.S. European Command, Dr. Daniel Ahn – Senior Economist and Head of Portfolio Strategy for CitiBank New York, John Hannah – Former Assistant for National Security Affairs to the Vice President, Stephen Rademaker – Former Assistant Secretary of State for Arms Control and Nonproliferation, Christopher Carney – former U.S. Representative from Pennsylvania, Ed Husain – Senior Fellow for Middle Eastern Studies at the Council on Foreign Relations, Ambassador Dennis Ross – Counselor for the Washington Institute for Near East Policy, Ambassador Eric Edelman – Former Under Secretary of Defense for Policy, Reuben Jeffrey III – Former U. S. Under Secretary of State for Economic, Business, and Agricultural Affairs, John Tanner – Former U.S. Representative from Tennessee, Secretary Dan Glickman – Senior Fellow at the Bipartisan Policy Center, Admiral Gregory Johnson – Former Commander of U.S. Naval Forces, Europe, Mortimer Zuckerman – CEO and Chairman of the Board of Directors for Boston Properties, Inc., Larry Goldsetin – Founder of Energy Policy Research Foundation, Inc., and General Ron Keys – Former Commander of the Air Combat Command, The Price of Inaction: Analysis of Energy and Economic Effects of a Nuclear Iran, Bipartisan Policy Center, p. 24)

Saudi Arabia would be very likely to try to follow Iran across the nuclear threshold. Should it do so, the world would face the possibility of an Iran-Saudi nuclear exchange—a catastrophic humanitarian event that would threaten the entirety of Gulf oil exports for an extended period of time. In early 2008, the Senate Foreign Relations Committee concluded: “If Iran obtains a nuclear weapon, it will place tremendous pressure on Saudi Arabia to follow suit.”19 By 2012, some experts believe it has already begun to do so. Two main factors could drive Saudi Arabia to pursue a nuclear weapon: (1) a decades-long Saudi-Iran cold war waged along sectarian, religious, ethnic, and geopolitical lines and (2) a deep-seated competition over the energy policies that form the lifeblood of both regimes. The Sunni Saudi monarchy and Shiite Iranian theocracy each claim leadership of the Islamic world. This sectarian competition for primacy is reinforced by ethnic differences: Saudi Arabia is the largest and most populous Arab country astride the Gulf, but it is dwarfed by Iran’s much larger Persian-majority population. These competing claims have pitted the two countries in an enduring cold war and proxy conflict spanning from Lebanon to Iraq and the Arabian Peninsula. Iran—under both the Shah and the ayatollahs—has routinely sought to use its conventional military capabilities, large population, geostrategic position, expansive resources, and ties to armed groups to shift the balance of power in the Persian Gulf in its favor and at the expense of its Sunni Arab neighbors.20 As a result, Saudi Arabia has made it clear it views a nuclear-capable Iran as an existential threat. In 2008, King Abdullah urged the United States to “cut off the head of the snake,” one instance of his “frequent exhortations [to] the United States to attack Iran to put an end to its nuclear weapons program,” according to U.S. diplomatic cables revealed by Wikileaks.21 With uncertain prospects for a halt to Iran’s nuclear program—peaceful or otherwise—in 2009, the King informed a senior American official, “If [Iran] gets nuclear weapons, we will get nuclear weapons.” This year, senior Saudi officials reiterated that “it would be completely unacceptable to have Iran with a nuclear capability and not the kingdom [of Saudi Arabia].”22 Rather than lose time developing an indigenous nuclear program, it is likely the Saudi kingdom would seek to obtain a nuclear warhead from Pakistan ready to mount on its CSS-2 ballistic missiles. Close Saudi-Pakistani security ties date back to shared Cold War–era interests, and it is widely believed that Riyadh bankrolled Islamabad’s nuclear weapons program with the stipulation that Pakistan would sell nuclear devices to Saudi Arabia in an emergency; in the words of a senior Saudi official, “within weeks.”23 Pakistan would benefit by receiving much-needed cash and could demand in return dual-key authority over missile launches, both to control Saudi policy and to bolster its own secondstrike capability against India. At best, this would create a nuclear-armed standoff between the two most powerful and mutually antagonistic countries in the Persian Gulf. At worst, it could devolve into atomic warfare. Iran’s and Saudi Arabia’s small arsenals, lack of durable communication channels, poor civilian oversight of command-and-control systems, erratic intelligence, proximity to each other, religious ardor, and sectarian divide would all distinguish this scenario from the Cold War balance between the United States and the Soviet Union. Any such conflict would likely be extremely devastating. Each country would have natural incentives to cripple its opponent’s oil facilities in any nuclear conflict. Crudeoil exports are both regimes’ political and economic lifeblood, and thus the basis for their military power. Also, each country’s oil infrastructure and export terminals are concentrated along the Gulf, within range of the other’s nuclear-weapons delivery vehicles. Moreover, a nuclear war in this region would likely not only destroy a large portion of the Gulf’s oil infrastructure but also render the entire Gulf unavailable to shipping for some period of time. This could come directly through radioactive fallout, atmospheric pollution, and environmental destruction, or indirectly through prohibitively high insurance rates and other risk factors for tankers transiting the region.24 Therefore, even if a nuclear exchange did not spread into a region-wide war, the transit of Hormuz-bound oil exports would be halted by such a conflict.

#### Thus the plan: The United States federal government should remove plaintiffs’ heightened burden of proof in platform markets.

#### That solves –it enables tailored remedies that promote competition but maintain efficiency

Hovenkamp, James G. Dinan University Professor, University of Pennsylvania Carey Law School and The Wharton School, ‘21

(Herbert, “Antitrust and Platform Monopoly,” 130 Yale L.J. 1952)

More Creative Alternatives

Frequently, neither simple injunctions nor simple breakups will be good solutions for platform monopoly. Injunctions may be inadequate to restore competition, and breakups may impair efficient operation and harm consumers in the process.

The case for a breakup is strongest when noncompetitive performance or conduct seems to be inherent in a firm’s current structure. Even then, however, there is no guarantee that the firm, once dismantled, will perform any better than before. For example, how do we break up Facebook without harming the constituencies that it serves?

The approaches discussed briefly in this Section do not require the breakup of assets or the spinoff of divisions or subsidiaries other than some that have been acquired by merger. Rather, they alter the nature of ownership, managerial decision making, contracts, intellectual-property licenses, or information management. Instead of attempting to force greater competition between a dominant platform and its rivals, we might do better to leave the firm intact but encourage more competition within it. Alternatively, we might increase interoperability by requiring more extensive sharing of information or other inputs. While the current antitrust statutes grant the courts equitable power sufficient to accomplish these remedies,299 the proposals are novel and could provoke resistance.

These remedies can be applied to entities other than structural monopolies, and for offenses under both section 1 and section 2 of the Sherman Act. While less intrusive than asset breakups, however, they can be more intrusive than simple conduct injunctions. As a result, they should be limited to situations where prohibitory injunctions alone are unlikely to be adequate. Occasional uses of unlawful exclusive dealing, most-favored-nation agreements,300 or other anticompetitive contract practices deserve an injunction, but ordinarily would not merit a breakup of the entire firm or fundamental alteration of its management structure.

The traditional way that antitrust law applies structural relief is to break up firms’ various physical assets, through such devices as forcing selloffs (divestiture) of plants, products, or subsidiaries.301 To the extent these breakups interfere with a firm’s production and distribution, they can produce harmful results such as increased costs or loss of coordination. This is particularly true of integrated production units, such as single digital platforms. The D.C. Circuit noted this concern in Microsoft when it refused the government’s request for a breakup.302

a. Enabling Competition Within the Platform

One alternative to divestiture is to leave a platform’s physical assets and range of participants intact but change the structure of ownership or management so as to make it more competitive internally. A platform or other organization can itself be a “market” within which competition can occur. In that case, antitrust law can be applied to its internal decisions, improving competition without limiting the extent of scale economies or beneficial network effects.

Ordinarily, agreements among subsidiaries or other agents within a firm are counted as unilateral and so are attributed to the firm itself.303 That rule is a direct consequence of the separation of ownership and control. The all-important premise, however, is that the firm’s central management is the only relevant economic decisionmaker. When that is not the case, even agreements among the various constituents within the firm can be treated as cartels.

There is plenty of precedent on this issue. The history of antitrust law is replete with examples of incorporated firms that are owned or managed by distinct and often competing entities. The courts have treated these firms as cartels or joint ventures, even for practices that, from a corporate law perspective, appeared to be those of a single firm. If properly managed, the result can be to force entities within the same incorporated organization to behave competitively vis-à-vis one another.

Firms whose ownership is reorganized in this fashion can still be very large and retain most of the attributes of large firms. On the one hand, this will satisfy those concerned that the breakup of large firms can result in the loss of economies of scale or scope, or of other synergies that generally lead to high output and lower prices. On the other hand, it will not satisfy those who believe that “big is bad” for its own sake.304

Joint management of unified productive assets has a storied history that goes back to the Middle Ages. Farmers, ranchers, and fishermen produced cattle, sheep, and fish on various “commons,” or facilities that were shared among a large number of owners and subjected to management rules.305 Many of these operated on a mixed model that involved individual production for stationary products such as crops, but a commons for grazing cattle or other livestock. For mobile products such as cattle or fish, the costs of shared management were lower than the costs of creating or maintaining boundaries. That was not the case for radishes or wheat. So rather than cutting a large pasture or bay into 100 fenced-off plots, participating property owners operated it as a single economic unit, substituting management costs for fencing costs. Just as for any firm, size and shape are determined by comparing the costs and payoffs of alternative forms of organization.306

So while a commons can be a very large firm, it can be operated by a collaboration of competing entities rather than a single one. Output reductions and price setting by a single firm are almost always out of reach of the federal antitrust laws. On the other hand, if a market is operated by a joint venture of

active business participants, their pricing is subject to the laws against collusion. Their exclusions also operate under the more aggressive standards that antitrust applies to concerted, as opposed to unilateral, refusals to deal.307 The fact that this joint venture is a corporation organized under state law, as many ventures are, does not make any difference. It is still a collaboration as far as antitrust law is concerned.

The theory of the firm precludes claims of an antitrust conspiracy between a corporation and its various subsidiaries, officers, shareholders, or employees. This preclusion is an essential corollary to the proposition that a corporation is a single entity for most legal purposes and not simply a cartel of its shareholders or other constituent parts. This is how corporate law preserves the boundary between firms and markets.308

But important exceptions exist. While a corporation is a single entity for most antitrust purposes, if it is operated by its shareholders for the benefit of their own separate businesses, its conduct is reachable under section 1 of the Sherman Act. A cartel is still a cartel even if it organizes itself into a corporation.

The classic antitrust example of such a collaborative structure is in the 1918 Chicago Board of Trade case, which first articulated the modern rule of reason for antitrust cases.309 As Justice Holmes had described the Board thirteen years previously, 310 it was an Illinois state-chartered corporation whose 1600 members were themselves traders for their own individual accounts, and with individual exclusive rights to do business on the Board’s trading floor.311 The “call rule,” which prevented collaborative price making among the members except during exchange hours, could not have been challenged under the antitrust laws as unilateral conduct. A single firm may set any nonpredatory price it wishes. Further, all of the relevant participants were inside the firm. Nevertheless, they were regarded as independent actors for the purpose of trading among themselves.

Thus the United States challenged the call rule as price fixing among competitors. 312 Not only is the substantive law against such collaborative activity more aggressive than that against unilateral actions, but the remedial problems are less formidable. If a firm acting unilaterally should set an unlawful price, the court must order it to charge a different price, placing it in the awkward position of a utility regulator. By contrast, price fixing by multiple independent actors operating in concert is remedied by a simple order against price fixing, requiring each participant to set its price individually without dictating what the price must be. The Supreme Court ultimately found the Chicago Board’s call rule to be lawful. If it had not, however, the remedy would have been an injunction against enforcement of the rule, leaving the members free to set their own prices. In fact, the United States’ requested relief was precisely that.313

The same thing applies to refusals to deal. If a firm is acting unilaterally, its refusal to deal is governed by a strict standard under which liability is unlikely, particularly if there has not been an established history of dealing.314 Further, in many circumstances a court can enforce a dealing order only by setting the price and other terms. By contrast, if the entity that refuses to deal is operated by a group of active business participants, its collective refusal to deal is governed by section 1 of the Sherman Act. A court usually need do no more than issue an injunction against the agreement not to deal. This is true even if the actors have incorporated themselves into a single business entity, as in the Associated Press case, which involved a New York corporation whose members were 1200 newspapers. 315 The government charged the Association with “combining cooperatively” to prohibit news sales to nonmembers or making it more difficult for a newspaper to enter competition with an existing newspaper.316 The Court upheld an injunction against the restrictive rules under the Sherman Act.317

The modern business world provides many analogies to this structural situation. For example, each of the NCAA’s 1200 member schools operates as a single entity in the management of education, student housing and discipline, and financing of its own operations, including athletic departments. By contrast, the rules for recruiting and maintaining athletic teams, their compensation, as well as the scheduling, operation, and playing rules of games, are controlled through rulemaking by the collective group.318 While the schools compete with one another in recruiting athletes and coaches, in obtaining both live and television audiences, and in the licensing of intellectual property, all of these things fall within NCAA rulemaking and are reachable by antitrust law. Specifically, decisions to restrict the number of televised games;319 to limit the compensation of coaches320 or players;321 or to limit licensing of students’ names, images, and likenesses322 all fall within section 1 of the Sherman Act. When a violation is found, the antitrust remedy is an injunction permitting each team to determine its choices individually.

The same analysis drove the American Needle litigation, a refusal-to-deal case that involved the National Football League (NFL).323 The NFL is an unincorporated association controlled by thirty-two individual football teams, each of which is separately owned. NFL Properties (NFLP) is a separate, incorporated LLC in New York, controlled by the NFL. The individual teams are members, and they also collectively control the licensing of the teams’ substantial and individually owned intellectual-property rights. In this case, the team members voted to authorize NFLP to grant an exclusive license to Reebok to sell NFLlogoed headwear (i.e., helmets and caps) for all thirty-two teams.324 The plaintiff, American Needle, was a competing manufacturer that the agreement excluded.325

The issue for the Supreme Court was whether NFLP’s grant of an exclusive license should be addressed as a “unilateral” act of NFLP or as a concerted act by the thirty-two teams acting together, and the Court unanimously decided the latter.326 As a matter of corporate law, the refusal to deal appeared to be unilateral. NFLP, the licensing party, was an incorporated single entity. The lower court had relied on earlier Seventh Circuit decisions holding that professional sports leagues should be treated as single entities under these circumstances.327

The Supreme Court’s decision to the contrary was consistent with its earlier cases Sealy328 and Topco.329 In both of those cases, the Court held that even if an entity is incorporated, it can be addressed as a collaboration of its competing and actively participating shareholders. In Sealy, each member was a shareholder, and collectively the members owned all of Sealy’s stock.330 In Topco, each of the twenty-five members owned an equal share of the common stock, which had voting rights. They also owned all of the preferred stock, which was nonvoting, in proportion to their sales.331

Agreements among the active members or shareholders on incorporated real-estate boards are treated in the same way. Acting as a single entity, the board organizes the listing of properties for sale, formulates listing rules, promulgates standardized listing forms and sales agreements, and controls much of the conduct of individual brokers. Acting individually, the shareholder-brokers show properties to clients and obtain commissions from sales. Each real-estate office acts as not only a shareholder or partner in the overall organization, but also a competitor for individual real-estate sales.

Without discussing single-entity status, in 1950 the Supreme Court held that price fixing among real-estate agents who were members of an incorporated board was an unlawful conspiracy.332 A leading subsequent decision involved Realty Multi-List, a Georgia corporation organized and owned by individual real-estate brokers.333 Under the corporation’s arrangement, one shareholder member could show properties listed by a different shareholder member.334 The Fifth Circuit concluded that both the agreements among the members fixing commission rates and setting exclusionary and disciplinary rules for brokers who deviated from these rates were unlawful under section 1 of the Sherman Act.335

In the 2000s, the government and private plaintiffs sued several multiplelisting services, challenging their decisions to exclude real-estate sellers.336 The Fourth Circuit eventually applied American Needle, rejecting the contention that concerted action was lacking because the parties making the decision were acting as “agents of a single corporation.”337 Several other decisions have arrived at similar results reaching both price fixing and concerted exclusion.338

Hospital-staff-privileges boards also provide an analogy. Hospitals regularly use such boards to decide which physicians can be authorized to practice at the hospital. If physician-board members with independent practices deny staff privileges to someone, they may be treated as a conspiracy rather than a single actor.339

Even an incorporated natural monopoly can be subject to section 1 of the Sherman Act if it is controlled by its shareholders for their separate business interests. That issue arose in the 1912 Terminal Railroad decision.340 The railroadbridge infrastructure across the Mississippi was very likely a natural monopoly, given it operated as a bottleneck through which all traffic across the river had to pass.341 However, the facility was incorporated, and its shareholders were a group of thirty-eight firms and natural persons organized by railroad financier Jay Gould.342 The venture constituted a single corporation under Missouri law, but it was actively managed by its shareholder participants, all of whom had separate businesses. They were mainly individual railroads, a ferry company, bridges, a “system of terminals,” and several individuals.343 The venture thus controlled an extensive collection of railroad transportation, transfer, and storage facilities at a point at which all east-west traffic in that part of the country had to cross the Mississippi River.344

The Court’s order is both interesting and pertinent to platforms. It rejected the government’s request for dissolution. It noted that dissolving the corporation would do nothing to eliminate the bottleneck.345 Rather, it ordered the district court to fashion a “plan of reorganization” that permitted all shippers, whether or not they were members of the organization, to have access on fair and reasonable terms, with the goal of “plac[ing] every such company upon as nearly an equal plane as may be with respect to expenses and charges as that occupied by the proprietary companies.”346 Dissolution would be mandated only if the parties failed to agree on these terms.347

The *Terminal Railroad* decree suggests a way to remedy anticompetitive behavior by large digital platforms representing several sellers without sacrificing operational efficiencies. Rather than requiring divestiture of productive assets, which almost always leads to higher prices, we could restructure ownership and management. A large firm such as Amazon can attain economies of scale and scope that rivals cannot match. Further, Amazon benefits consumers, most suppliers, and labor, by selling its own house brands and the brands of third-party merchants on the same website. This is how a seller of house brands can break down the power of large name-brand sellers.348

The problem is not that Amazon sells too much, but rather that Amazon’s ownership and management make it profitable for Amazon to discriminate in favor of its own products and against those of third-party sellers, or to enter other anticompetitive agreements with independent sellers. Breaking up Amazon or forcing a physical separation of own-product and third-party sales would mean giving up a great deal of brand rivalry that benefits consumers.

Suppose a court required Amazon to turn important commercial decisions over to a board of active Amazon participants who made their own sales on the platform, purchased from Amazon, or dealt with it for ancillary services. Acting collaboratively, they could control product selection, distribution and customer agreements, advertising, internal product development, and pricing of Amazon’s own products. Their decisions would be subject to antitrust scrutiny under section 1 of the Sherman Act.

Such an approach could be particularly useful in situations involving refusals to deal. To illustrate, an important focus of the EU’s November 2020 Statement of Objections Against Amazon is on claims that Amazon “artificially favour[s] its own retail offers” in product areas where it sells both its own and third-party merchandise.349 Under current United States antitrust law, a firm acting unilaterally would not be prevented from discriminating between its own and thirdparty sales. That was the very issue in Trinko—namely, that monopolist Verizon discriminated against third-party carriers and favored its own.350

If decision making in this area were entrusted to a board of active sellers, including both Amazon itself and third parties, the section 1 standard would reach the conduct. Justice Scalia’s Trinko opinion, citing Terminal Railroad, observed that the Supreme Court had imposed nondiscrimination obligations under similar circumstances, but only when the government was attacking concerted rather than unilateral conduct.351 Further, when such conduct is concerted, it is “amenable to a remedy that does not require judicial estimation of free-market forces: simply requiring that the outsider be granted nondiscriminatory admission to the club.”352 The number and diversity of participants could vary, but they should be sufficiently numerous and diverse to make anticompetitive collusion unlikely. That could include individual merchants who sell on Amazon, principal shareholders, and perhaps customers and others. The Board should be subject to rules setting objective standards for product selection.

Numerosity should not interfere with effective operation. The Chicago Board of Trade had 1800 trading members and decisionmakers in 1918, when organizational rules and procedures were still being managed with pencil and paper.353 The NCAA has more than 1200 member schools,354 and the Associated Press had more than 1200 member newspapers in 1945.355 The Terminal Railroad Association had 38 shareholder members, but the decree contemplated nondiscriminatory sharing with any non-shareholder who wished to participate. 356 One large real-estate board, the Chicago Association of Realtors, has

over 15,500 members.357

The designated decisionmakers need not be Amazon shareholders, as long as they have independent business interests and operate on Amazon. In fact, the details of state corporate law or organization would not ordinarily affect the federal antitrust issue. For example, in some of these cases—such as Terminal Railroad, 358 Sealy,359 and Topco360—the relevant decisionmakers owned shares in the corporation. In American Needle, the organization in question was NFL Properties, an LLC,361 which does not have shareholders but rather owner-members similar to a partnership. Similarly, in Associated Press, the Court probed a cooperative association incorporated under the Membership Corporation Laws of New York.362

Whether the court applies the per se rule or the rule of reason in such cases would depend on the offense. In NCAA, the Supreme Court concluded that the rule of reason should apply to all restraints undertaken by the association because cooperation was necessary to the creation of the product: intercollegiate sports.363 That is not the case with product sales on Amazon. Rather, the traditional distinction between naked and ancillary restraints would work well. Price fixing or unjustified limitations on output would be strongly suspect.364 On the other hand, rules establishing uniform practices governing distribution and resolution of customer complaints could certainly be reasonable and thus lawful. Concerted refusals to deal can cover a range of practices from naked boycotts motivated by price (per se unlawful)365 to reasonable standard setting (rule of reason),366 and should be addressed accordingly.

Such an approach would notably not aim at size *per se*. An Amazon with competitively restructured management could be just as large as it is now. Indeed, it could be even larger. Cartels and monopolies function by restricting output, and facilitating internal competition could serve to increase it. Amazon would likely retain the efficiencies that flow from its size and scope. We would have effectively turned the internal workings of its platform into a market. It still might be in a position to undersell other businesses or to exclude products that its members and rules disapprove. If it did so in an anticompetitive manner, however, section 1 of the Sherman Act could be applied.

#### The aff is goldilocks – it remedies type II errors because it is POSSIBLE for plaintiffs to win, but caps type I error because frivolous cases would still be dismissed

Hovenkamp, Assistant Professor, USC Gould School of Law, ‘19

(Erik, “Platform Antitrust,” 44 J. Corp. L. 713)

C. Plaintiffs Already Bear the Burden on Balancing

Balancing anticompetitive effects against procompetitive efficiencies is notoriously challenging. 196 It is intuitively sensible that, if there are countervailing welfare effects, the burden ought to be on the plaintiff to establish that the balance of effects results in a net injury. But it is incorrect to presume that the AmEx III decision-which requires balancing right out of the gates-was necessary to achieve this result.

Recall that, if the defendant establishes a procompetitive justification and the plaintiff fails to identify a less restrictive alternative, then the court must attempt to balance the countervailing effects. Here, the plaintiff carries the burden of persuasion by virtue of its underlying obligation to prove an anticompetitive effect by a preponderance of evidence. 1 9 7 As such, the rule of reason already ensures that the plaintiff bears the ultimate burden as to the balance of countervailing effects. But, critically, the usual approach delays the balancing inquiry until such time as the court can be sure it is necessary-namely, until after the defendant has established a significant efficiency that might warrant balancing.

Most rule of reason cases resolve before reaching the balancing stage. 198 However, this is in part due to the fact that a large majority of cases end at the first stage, with plaintiffs failing to make a prima facie case. 199 Michael Carrier finds that, between 1999 and 2009, plaintiffs fail at the first stage in 97% of rule of reason cases. 2 0 Further, 'there was only one final judgment issued in a plaintiff's favor over that period (out of 222 total judgments). Thus, given that the burden of establishing a prima facie case *without* balancing is already highly demanding, we would hardly stack the deck against defendants by continuing to reserve the balancing analysis for the final stage.

Everyone agrees that platform economics makes matters more complicated, which does indeed increase the concern that courts might err in attempting to resolve the balance of countervailing effects. But the maximal possible number of type 1 errors is capped by the number of judgments issued in plaintiffs' favor. And that number is already miniscule under the traditional burden shifting rules. As such, there simply isn't any room for a large swath of plaintiff-favoring errors, because plaintiffs almost never win in the first place.

### acquisition adv – 1ac

Advantage 2 is Acquisition –

#### The full scope of *Amex* is unclear—companies will exploit it to misuse their platforms—that’s effectively impossible to police

Khan, JD, FTC Chair, former director of legal policy with the Open Markets Institute, former professor at Columbia Law, ‘18

(Lina, “The Supreme Court just quietly gutted antitrust law,” July 3, <https://www.vox.com/the-big-idea/2018/7/3/17530320/antitrust-american-express-amazon-uber-tech-monopoly-monopsony>)

Antitrust laws have never permitted monopolistic firms to wield their market power against one set of customers so long as they benefit another set of players. Yet this kind of “balancing” is exactly what the Second Circuit ratified. Consider: Under the logic the appeals court used, an anticompetitive scheme by Uber to suppress driver income would not be considered illegal unless those bringing the suit showed that riders were also harmed.

What’s more, the court said, plaintiffs have to meet this new burden at the very earliest stage of litigation.

Last Monday, a 5-4 majority on the Supreme Court upheld that approach. Not only does the decision show stunning disregard for core elements of antitrust law, it carelessly mangles long-accepted legal rules along the way to establishing its position. Perhaps most strikingly, it overrides or ignores facts established by the district court.

For example, the Supreme Court states that AmEx’s increased merchant fees reflect “increases in the value of its services,” even though the lower court expressly found that AmEx’s price hikes exceeded the value of the cardholder rewards.

In practice, the Court has shielded from effective antitrust scrutiny a huge swath of firms that provide services on more than one side of a transaction — and, in today’s digital economy, there are many (as Justice Stephen Breyer noted in a dissent he read from the bench to emphasize his concerns).

Worse yet, the Court left unclear what kinds of businesses actually qualify for this new rule. As the Open Markets Institute, for which I work, explained in an amicus brief, deciding an antitrust case using the amorphous concept of a “two-sided” market will incentivize all sorts of companies to seek protection under this bad new theory.

What kinds of companies might have more freedom to exert pressure on customers, as a result of this decision? Not newspapers, the Court said: Readers are “largely indifferent” to the number of advertisements on newspaper pages, even though advertisers are looking to reach readers. So someone suing a newspaper on antitrust grounds (say, for prohibiting advertisers from doing business with other newspapers) would not have to prove that a newspaper’s conduct harmed both readers and advertisers.

On the surface, the Court’s language suggests that the special rule would apply to Amazon’s marketplace for third-party merchants, to eBay, and to Uber — but not to Google search or Facebook. Indeed, the Justice Department’s antitrust division chief, Makan Delrahim, has also come to this conclusion about the scope of the decision. But the Court’s opinion hardly delivers a clear and workable standard for judges to go by.

One can imagine the reams of studies Google would commission to show that targeting users with advertising did indeed amount to a “transaction” with users that users highly valued — a showing that, if successful, would likely qualify it for the shield of the special rule. If so, Google might be able to impose exclusionary contracts on advertisers and significantly boost the prices it charges them. Amazon, meanwhile, can continue to squeeze the suppliers and retailers reliant on its platform with little worry about being charged with the abuse of monopsony power.

Federal judges generally lack the expertise needed to independently assess the hyper-complex economic studies that this new rule will spur. Rather than focusing on the conduct between a company and one set of its customers, the new rule requires a much more involved showing.

#### This is accelerating—recent Circuit decisions doubled down on *Amex* – to expand it to new sectors, and mergers

Rozga, JD, Counsel, Davis Wright Tremaine LLP, former Federal Trade Commission attorney, Guest Lecturer, Boston University School of Law, ‘20

(Kaj, “Antitrust After American Express: Down a Competitive Effects Rabbit Hole,” September 21, <https://techlawdecoded.com/antitrust-after-american-express-down-the-competitive-effects-rabbit-hole/>)

These are no longer just predictions, but lived realities. Since American Express came down, parties opposing government antitrust enforcement actions have taken that decision and run with it.

Antitrust in tech markets after American Express

In the two years since the American Express decision, courts have already relied on it to toss out two more major antitrust cases brought by the government, both involving tech markets.

Sabre/Farelogix

The first of these cases involved the DOJ’s effort to block a merger. Sabre was seeking to acquire Farelogix, its competitor in offering booking services to airlines. Sabre operates a two-sided transaction platform that connects airlines to travel agencies (or travelers) for the sale of tickets and other services. Farelogix provides IT solutions to airlines that are used to sell tickets to travel agencies (or travelers).

The DOJ concluded that the deal would harm competition. It believed that Farelogix acted as a competitive constraint on Sabre to the extent that it provided an alternative for airlines that rely on such third-party services to sell tickets to travel agencies and end customers. The evidence at trial—including company documents and testimony from airlines—showed that the two viewed each other as competitors and that some airlines were able to use this to seek lower commission fees from Sabre. The court hearing the case found that “it is logical to conclude that part of Sabre’s interest in acquiring Farelogix is to mitigate the risk” resulting from the fact that its technology enables airlines to bypass Sabre’s transaction platform.4

Nevertheless, the court ruled that the DOJ failed to meet its burden of proof to “show that this purchase will harm competition on both sides of the two-sided market” for travel services provided to airlines and travel agencies. Citing the American Express decision, the court said: “As a matter of antitrust law, Sabre, a two-sided transaction platform, only competes with other two-sided platforms, but Farelogix only operates on the airline side of Sabre’s platform.” Therefore, it was not enough to prove that the merger would harm competition on only the one side of the two-sided market that Farelogix is active on.

And so despite the extensive evidence of competition between the companies, the court had to conclude that, as a matter of law, “Sabre and Farelogix do not compete in a relevant market.” To succeed in blocking the merger, the DOJ would have had to “produce evidence that the anticompetitive impact of the merger on the airline side of the [transaction] platform would be so substantial that it would sufficiently reverberate throughout the [platform] to such an extent as to make the two-sided [transaction] platform market, overall, less competitive.”

Qualcomm

The second case that shows how American Express left its mark on antitrust is a monopolization (abuse of a dominant position) case brought by the Federal Trade Commission against Qualcomm. The case involved modem chips used in smart phones. Qualcomm made the chips, but it also held important patents for the technology. Rival chip makers licensed that technology from Qualcomm to produce their own competing chips.

The FTC alleged that Qualcomm had abused a dominant market position when it refused to sell its chips to smartphone manufacturers unless they also entered into a patent license (which required making a royalty payment) for any chips that they acquired from not only Qualcomm but also any of its rival chip makers. This practice, the FTC argued, imposed an anti-competitive surcharge on rivals’ chips which raised the barriers for competing with Qualcomm. This, in turn, hurt the phone manufacturers by inflating the price they paid for chips.

The court hearing the case in the first instance agreed, and ruled for the FTC. But an appeals court overturned the decision. On the main antitrust theory of the case, the appeals court reasoned that the FTC had failed to prove that Qualcomm’s “no license, no chip” policy harmed the “area of effective competition.”5 Although its evidence had shown how the policy could have increased costs for Qualcomm customers (phone makers) who buy the chips, it had not shown how the policy harmed competition by directly impacting Qualcomm competitors (rival chip makers). It pointed to the ruling in American Express that the DOJ in that case had failed to meet its burden of proof because it did not show how restrictions imposed on merchants “have anticompetitive effects that harm consumers” (italics my own).

The analogy to the Qualcomm case seems to have been that the FTC needed to connect all the dots—customers and competitors alike—in proving anticompetitive effects. Showing that the “all-in” (royalty plus sales) price charged to customers might have been inflated by Qualcomm’s licensing practices was not enough because it “falls outside the relevant antitrust markets” at issue.

Down the competitive effects rabbit hole

The *American Express*, *Sabre/Farelogix* and *Qualcomm* cases share three traits in common that show how the half-century transformation of antitrust into an Economism-driven, predictive framework is undermining enforcement, especially in tech markets.

First, the cases show how the government agencies bringing an antitrust case and the courts rendering the decisions in them must undertake a massive burden. They have to dissect the inner workings of a market and then make predictions or conjectures about actual competitive effects in the market that result from the conduct at issue. In American Express and Sabre/Farelogix, it was proving lower output and higher overall “net” (or “two-sided”) prices on multi-sided transaction platforms. In *Qualcomm*, it meant proving “an anticompetitive surcharge on rivals’ modem chip sales” by directly linking up proof of harm to customers with proof of hindering competitors.

In all three instances, the burden imposed by the courts for proving these so-called “actual anticompetitive effects” was simply too high for the government to meet. *Qualcomm* arguably went even further in raising the evidentiary bar for tech cases. The influential appeals court issuing that decision went so far as to declare that “novel business practices—especially in technology markets—should not be ‘conclusively presumed to be unreasonable and therefore illegal without elaborate inquiry as to the precise harm they have caused or the business excuse for their use’” (italics my own). Requiring “elaborate” and “precise” proof would seem to doom all but the slam-dunk government actions against tech.

Second, the trio of cases shows how proof of actual anticompetitive effects depends heavily on economic theory and models. The Supreme Court sets the pace in American Express by relying entirely on a string of academic articles by economists—citing nothing from the fact record of the case before it—to construct its “two-sided transaction platform” market and reach the critical conclusion that “[e]valuating both sides of a two-sided transaction platform is [] necessary to accurately assess competition.”

Sabre/Farelogix picks up the baton and runs with it, relying on that theory-based legal holding in American Express to ignore an exhaustive factual record of company documents, executive testimony, and third-party complaints showing close competition between the merging companies. Qualcomm then carries the baton across the finish line when it frames the case with a skepticism of “novel” theories of competitive harm by citing blanket assertions in two academic article about how antitrust cases of technology markets skew towards over-enforcement.6 When it comes to economic theory and a predictive antitrust that requires proof of actual anticompetitive effects, the tail wags the dog.

Third, these three cases rest on a critical assumption—arguably bordering on a blind faith—that economics is up to the task of proving actual competitive effects. Baked into the courts’ reasoning is that economics can be used to understand and predict complex market environments that change in real-time in often unexpected ways. Yet, as discussed in my recent article, it has yet to be empirically proven—or seriously tested—that economics can perform the sort of analyses and predictions that would justify its having become the foundational underpinning of the enforcement of the antitrust laws. If anything, real-world experience in competition law practice combined with general research on uncertainty and decision-making suggest that expert judgments are poor predictors in complex environments like those at issue in antitrust cases.

And as they push antitrust further down an Economism-driven path, the courts provide little guidance on how plaintiffs are to meet their super-sized burden for proving actual anticompetitive effects. In American Express and Sabre/Farelogix, the government’s case is thrown out because it failed to prove an increase in the “net” or “two-sided” prices on a multi-sided transaction platform. But such a thing exists only as a figment of a court’s imagination. It does not exist in the real world. No one pays it, and no one charges it. And it’s unclear how an antitrust plaintiff is to go about the precarious exercise of weighing benefits to one side of a market against the harms to another. In American Express, for example, would it mean weighing the swipe fees charged to merchants against the rewards points earned by shoppers? In the absence of any guidance, it can safely be assumed that economic theories and models are expected to conjure such “net” prices into existence.

The trio of cases, therefore, reflects and even propels a broader trend that has eviscerated antitrust enforcement—especially in tech—by erecting high barriers for plaintiffs to prove actual anticompetitive effects using dubious economic tools.

A modern antitrust in peril

With the Sabre/Farelogix and Qualcomm cases, the American Express decision has rounded out its influence on the three main pillars of US antitrust law: mergers, monopolization, and contracts in restraint of trade.

None of the three cases sets out groundbreaking new law. Their significance lies rather in accelerating a trend, half of a century in the making, among policymakers, academics, and judges to require antitrust plaintiffs to take on an ever-increasing burden of proof in using economic tools to show how market conduct harms competition. Each such case is an individual brick in a rising wall—reaching its tallest heights in tech markets that are especially difficult to understand and predict—that plaintiffs must scale to bring a successful antitrust case.

The consequence is not just an intellectual failing about humankind’s ability to make accurate predictions in unpredictable markets. It also means lax antitrust enforcement and the mass-consolidation of economic power across the economy.

#### First, mergers—*Amex* undermines enforcement against nascent acquisitions

Salop, Professor of Economics & Law, Georgetown University Law Center and Senior Consultant, Charles River Associates, ‘21

(Steven, “Dominant Digital Platforms: Is Antitrust Up to the Task?” yalelawjournal.org/pdf/SalopEssay\_rnon2ejq.pdf)

This most recent agency loss involved an acquisition by a dominant digital platform. Sabre is a digital platform that permits airlines to post schedules, fares and seat availability and allows travel agents to access this information, make travel bookings and pay for them. Sabre proposed to acquire Farelogix, which provides technology to airlines. This technology allows an airline to disintermediate Sabre by allowing the airline to connect directly to travel agencies and provide travel agencies with information and ticket-booking services itself. Thus, this acquisition was analytically like a vertical merger, where Farelogix sells a critical input (i.e., its technology) to airlines, which they use to compete with Sabre for the business of travel agents. The competitive concern is that Sabre would foreclose airlines’ ability to acquire the Farelogix technology input.

Perhaps attempting to exploit the horizontal-merger structural presumption and avoid the difficulties they faced in AT&T/Time Warner, the DOJ did not litigate the case as a vertical merger. Instead, the complaint alleged that Sabre and Farelogix competed in the provision of booking services for airline tickets sold through travel agencies. This competition is indirect, resulting from Farelogix working with the individual airlines to disintermediate Sabre. However, the trial court did not miss the point. It observed that “Sabre and Farelogix view each other as competitors” and found that “the record reflects competition between Sabre’s and Farelogix’s direct connection solutions for airlines.”94

Having concluded that competition was reduced by the merger, the trial court nonetheless rejected the DOJ’s complaint on the grounds that Farelogix and Sabre do not compete in the two-sided platform market.95 While Sabre provides services to customers on both sides (i.e., to both airlines and travel agencies), Farelogix provides services to only one side (i.e., to airlines, but not to travel agencies). The travel agency services are provided by the airlines themselves, using the Farelogix technology.

This approach was both defective and unnecessary because Sabre competed with the combination of Farelogix and the airlines.96 Yet the court thought that American Express compelled the opposite result, despite its own fact-finding and the vertical nature of the transaction. If other U.S. courts similarly follow this same defective approach, the result will be underdeterrence of anticompetitive acquisitions by digital platforms.97 Indeed, this approach would lead to ludicrous results. Under this reasoning, Microsoft could have legally ended the competitive threat from Netscape and Java simply by acquiring them instead of trying to destroy them.

#### Prospect of big tech acquisition dampens innovation

Allensworth, Professor of Law at Vanderbilt Law School, ‘21

(Rebecca, “Antitrust’s High-Tech Exceptionalism,” 130 Yale L.J. 588)

E. Whither Innovation?

As a theoretical matter, big tech’s refusals to deal and predatory copying suppress innovation. A retailer with a new idea for a household product will be less inclined to invest in producing it if he knows Amazon can appropriate the returns. A developer with a better “app for that” will be less likely to bring it to market if she believes Apple or Facebook might someday remove it from their platforms. And if a rival search company cannot hope to keep its data private from Google, it will not invest in building a better search engine to try to take on the giant.

Whether big tech stifles innovation as an empirical matter is less clear, but there is anecdotal evidence that it does. During a recent hearing following the House Judiciary Committee’s investigation into competition abuses among high-tech firms, Representative Cicilline read a quote that he said was typical of the entrepreneurs he interviewed: “If someone came to me with an idea for a website or a web service today, I’d tell them to run. Run as far away from the web as possible.”111 Venture capital, while booming overall,112 is shy about funding projects that might compete with Big Tech. The best-case scenario for a start-up is acquisition by one of the big four—a lucrative payday, for sure, but nothing compared to what could come from actually toppling a dominant firm. This puts a ceiling on the upside, and with the ever-present risk of failure, it likely leads to under-investment in new ideas. As one funder put it, “[w]e don’t touch anything that comes too close to Facebook, Google or Amazon.”113

CONCLUSION: “ANTITRUST IS GREEDY”

The promise that we saw in high tech during its first boom—that it would change the way we work, communicate, shop, and play—has largely been realized. Few can argue with the efficiencies that digital communication and commerce have brought to our lives and markets. But, as Professor Herbert Hovenkamp has said, “antitrust is greedy.”114 It wants not only efficiency in end products, but efficiency in the competitive process that brings them about. During the dot-com era, American antitrust institutions became enthralled with the idea that encouraging the development of dynamic, innovative products required compromising our commitment to dynamic, innovative markets. That compromise contributed—in a way that is often overlooked—to the current competition crisis in big tech.

#### Specifically, AI acquisitions have increased six-fold.

CB Insights ’19 – data analytics company [CB Insights; private company with a business analytics platform and global database that provides market intelligence on private companies and investor activities, targeted at private equity, venture capital, investment banking, angel investing, and consulting professionals by providing insights about high growth private companies; 9-17-2019; "The Race For AI: Here Are The Tech Giants Rushing To Snap Up Artificial Intelligence Startups"; CB Insights; https://www.cbinsights.com/research/top-acquirers-ai-startups-ma-timeline/; accessed 8-15-2021]

Artificial intelligence has long been a major focus for tech leaders across industries. Big corporations across every sector, from retail to agriculture, are trying to integrate machine learning into their products. At the same time, there is an acute shortage of AI talent.

This combination is fueling a heated race to scoop up top AI startups, many of which are still in the early stages of research and funding.

Below, we dig into AI acquisition trends, from which companies are the most acquisitive to what areas of focus are attracting the most attention.

TECH GIANTS LEAD IN AI ACQUISITIONS

The usual suspects are leading the race for AI: tech giants like Facebook, Amazon, Microsoft, Google, & Apple (FAMGA) have all been aggressively acquiring AI startups in the last decade.

Among the FAMGA companies, Apple leads the way, making 20 total AI acquisitions since 2010. It is followed by Google (the frontrunner from 2012 to 2016) with 14 acquisitions and Microsoft with 10.

Apple’s AI acquisition spree, which has helped it overtake Google in recent years, was essential to the development of new iPhone features. For example, FaceID, the technology that allows users to unlock their iPhone X just by looking at it, stems from Apple’s M&A moves in chips and computer vision, including the acquisition of AI company RealFace.

In fact, many of FAMGA’s prominent products and services came out of acquisitions of AI companies — such as Apple’s Siri, or Google’s contributions to healthcare through DeepMind.

That said, tech giants are far from the only companies snatching up AI startups.

Since 2010, there have been 635 AI acquisitions, as companies aim to build out their AI capabilities and capture sought-after talent (as of 8/31/2019).

The pace of these acquisitions has also been increasing. AI acquisitions saw a more than 6x uptick from 2013 to 2018, including last year’s record of 166 AI acquisitions — up 38% year-over-year.

In 2019, there have already been 140+ acquisitions (as of August), putting the year on track to beat the 2018 record at the current run rate.

#### Tech behemoths won’t take DOD contracts. Antitrust would encourage smaller firms to develop AI for the sole purpose of defense needs.

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3. Are smaller vendors more likely to produce innovative products that meet the Pentagon’s needs?

Tech industry leaders have relatively **little incentive** to work with the Pentagon. Their companies already enjoy **broad customer bases** and financial independence from U.S. government contracts—including those **at the Pentagon**.89 DOD contracts involve **applying** AI technology in varied, complex, and **operationally demanding** environments with **low tolerance** for error. Similarly, industry has **little motivation** to take on unique DOD **data management** and privacy requirements, such as data compartmentalization, protection against deceptive or compromised data inputs, and strict **data accountability** provisions complicating **algorithm training**.90 Finally, some commercial AI advances will easily convert into Pentagon applications. Others will require significant, difficult adaption and productization.

Antitrust action could create **smaller AI firms** targeting DOD business as their “**niche**.” With the Pentagon as their **sole customer**, these firms could focus on its unique needs, tailoring broader AI innovations for the Pentagon through **productization** and **organizational adaptation**. They could follow the example of **Palantir**, which makes 50 percent of its revenue from **government contracts**,91 or Kratos (60 percent).92 In the last five years, a **number of companies** have emerged in this mold, including Anduril Labs (2017), Shield AI (2015), Descartes Labs (2014), and Uptake (2014). As smaller firms’ primary, high-value customer, the Pentagon can **dictate** their innovation objectives, ultimately yielding AI applications better suited to **defense needs**.

#### Military AI ushers in the erosion of conventional deterrence – developing it is necessary to prevent great power wars.

Brose ’19 – Senior Fellow at the Carnegie Endowment for International Peace [Christian; Senior Fellow at the Carnegie Endowment for International Peace; 2019; "The New Revolution in Military Affairs"; Foreign Affairs; <https://www.foreignaffairs.com/articles/2019-04-16/new-revolution-military-affairs>

Yet if ever there were a time to **get serious** about the coming revolution in **military affairs**, it is **now**. There is an emerging consensus that the United States' top **defense-planning priority** should be **contending** with **great powers** with **advanced militaries**, primarily **China**, and that **new technologies**, once intriguing but speculative, are now both **real** and **essential** to **future military advantage**. Senior military leaders and defense experts are also starting to agree, albeit belatedly, that when it comes to these threats, the United States is **falling dangerously behind**.

This reality demands more than a revolution in technology; it requires a revolution in thinking. And that thinking must focus more on how the U.S. military fights than with what it fights. The problem is not **insufficient spending** on defense; it is that the U.S. military is being countered by **rivals** with **superior strategies**. The United States, in other words, is playing a **losing game**. The question, accordingly, is not how **new technologies** can improve the U.S. military's ability to do what it already does but how they can enable it to operate in **new ways**. If American defense officials do not answer that question, there will still be a **revolution in military affairs**. But it will primarily **benefit others**.

It is still possible for the United States to adapt and succeed, but the scale of change required is enormous. The **traditional model** of U.S. **military power** is being **disrupted**, the way Blockbuster's business model was amid the rise of Amazon and Netflix. A military made up of **small numbers** of **large**, **expensive**, **heavily manned**, and **hard-to replace** systems will not **survive** on **future battlefields**, where swarms of **intelligent machines** will deliver violence at a **greater volume** and **higher velocity** than **ever before**. Success will require a **different kind of military**, one built around **large numbers** of **small**, **inexpensive**, **expendable**, and **highly autonomous** systems. The United States has the money, human capital, and technology to assemble that kind of military. The question is whether it has the imagination and the resolve.

NEW TECHNOLOGIES, OLD PROBLEMS

**Artificial intelligence** and other emerging technologies will change the way **war is fought**, but they will not change its nature. Whether it involves longbows or source code, war will always be violent, politically motivated, and composed of the same three elemental functions that new recruits learn in basic training: move, shoot, and communicate.

Movement in warfare entails hiding and seeking (attackers try to evade detection; defenders try to detect them) and penetrating and repelling (attackers try to enter opponents’ space; defenders try to deny them access). But in a world that is becoming one giant sensor, hiding and penetrating—never easy in warfare—will be far more difficult, if not impossible. The amount of data generated by networked devices, the so-called Internet of Things, is on pace to triple between 2016 and 2021. More significant, the proliferation of low-cost, commercial sensors that can detect more things more clearly over greater distances is already providing more real-time global surveillance than has existed at any time in history. This is especially true in space. In the past, the high costs of launching satellites required them to be large, expensive, and designed to orbit for decades. But as access to space gets cheaper, satellites are becoming more like mobile phones—mass-produced devices that are used for a few years and then replaced. Commercial space companies are already fielding hundreds of small, cheap satellites. Soon, there will be thousands of such satellites, providing an unblinking eye over the entire world. Stealth technology is living on borrowed time.

On top of all of that, quantum sensors—which use the bizarre properties of subatomic particles, such as their ability to be in two different places at once—will eventually be able detect disruptions in the environment, such as the displacement of air around aircraft or water around submarines. Quantum sensors will likely be the first usable application of quantum science, and this technology is still many years off. But once quantum sensors are fielded, there will be nowhere to hide.

The future of movement will also be characterized by a return of mass to the battlefield, after many decades in which the trend was moving in the opposite direction—toward an emphasis on quality over quantity—as technology is enabling more systems to get in motion and stay in motion in more places. Ubiquitous sensors will generate exponentially greater quantities of data, which in turn will drive both the development and the deployment of artificial intelligence. As machines become more autonomous, militaries will be able to field more of them in smaller sizes and at lower costs. New developments in power generation and storage and in hypersonic propulsion will allow these smaller systems to travel farther and faster than ever. Where once there was one destroyer, for example, the near future could see dozens of autonomous vessels that are similar to missile barges, ready to strike as targets emerge.

Technology will also transform how those systems remain in motion. Logistics—the ability to supply forces with food, fuel, and replacements—has traditionally been the limiting factor in war. But autonomous militaries will need less fuel and no food. Advanced manufacturing methods, such as 3-D printing, will reduce the need for vast, risky, and expensive military logistics networks by enabling the production of complicated goods at the point of demand quickly, cheaply, and easily.

In an even more profound change, space will emerge as its own domain of maneuver warfare. So far, the near impossibility of refueling spacecraft has largely limited them to orbiting the earth. But as it becomes feasible to not just refuel spacecraft midflight but also build and service satellites in space, process data in orbit, and capture resources and energy in space for use in space (for example, by using vast solar arrays or mining asteroids), space operations will become less dependent on earth. Spacecraft will be able to maneuver and fight, and the first orbital weapons could enter the battlefield. The technology to do much of this exists already.

THE MILITARIES OF TOMORROW

Technology will also radically alter how militaries shoot, both literally and figuratively. Cyberattacks, communication jamming, electronic warfare, and other attacks on a system’s software will become as important as those that target a system’s hardware, if not more so. The rate of fire, or how fast weapons can shoot, will accelerate rapidly thanks to new technologies such as lasers, high-powered microwaves, and other directed-energy weapons. But what will really increase the rate of fire are intelligent systems that will radically reduce the time between when targets can be identified and when they can be attacked. A harbinger of this much nastier future battlefield has played out in Ukraine since 2014, where Russia has shortened to mere minutes the time between when their spotter drones first detect Ukrainian forces and when their precision rocket artillery wipes those forces off the map.

The militaries of the future will also be able to shoot farther than those of today. Eventually, hypersonic munitions (weapons that travel at more than five times the speed of sound) and space-based weapons will be able to strike targets anywhere in the world nearly instantly. Militaries will be able to attack domains once assumed to be sanctuaries, such as space and logistics networks. There will be no rear areas or safe havens anymore. Swarms of autonomous systems will not only be able to find targets everywhere; they will also be able to shoot them accurately. The ability to have both quantity and quality in military systems will have devastating effects, especially as technology makes lethal payloads smaller.

Finally, the way militaries communicate will change drastically. Traditional communications networks—hub-and-spoke structures with vulnerable single points of failure—will not survive. Instead, technology will push vital communications functions to the edge of the network. Every autonomous system will be able to process and make sense of the information it gathers on its own, without relying on a command hub. This will enable the creation of radically distributed networks that are resilient and reconfigurable.

Technology is also inverting the current paradigm of command and control. Today, even a supposedly unmanned system requires dozens of people to operate it remotely, maintain it, and process the data it collects. But as systems become more autonomous, one person will be able to operate larger numbers of them single-handedly. The opening ceremonies of the 2018 Winter Olympics, in South Korea, offered a preview of this technology when 1,218 autonomous drones equipped with lights collaborated to form intricate pictures in the night sky over Pyeongchang. Now imagine similar autonomous systems being used, for example, to overwhelm an aircraft carrier and render it inoperable.

Further afield, other technologies will change military communications. Information networks based on 5G technology will be capable of moving vastly larger amounts of data at significantly faster speeds. Similarly, the same quantum science that will improve military sensors will transform communications and computing. Quantum computing—the ability to use the abnormal properties of subatomic particles to exponentially increase processing power—will make possible encryption methods that could be unbreakable, as well as give militaries the power to process volumes of data and solve classes of problems that exceed the capacity of classical computers. More incredible still, so-called brain-computer interface technology is already enabling human beings to control complicated systems, such as robotic prosthetics and even unmanned aircraft, with their neural signals. Put simply, it is becoming possible for a human operator to control multiple drones simply by thinking of what they want those systems to do.

Put together, all these technologies will displace decades-old, even centuries-old, assumptions about how militaries operate. The militaries that embrace and adapt to these technologies will dominate those that do not. In that regard, the U.S. military is in big trouble.

A LOSING GAME

Since the end of the **Cold War**, the United States' approach to **projecting military force** against regional powers has rested on a series of **assumptions** about how conflicts **will unfold**. The U.S. military assumes that its forces will be able to move **unimpeded** into forward positions and that it will be able to **commence hostilities** at a time of **its choosing**. It assumes that its forces will operate in **permissive environments**-that adversaries will be **unable to contest** its **freedom of movement** in any domain. It assumes that **any quantitative advantage** that an adversary may possess will be **overcome** by its own **superior ability** to **evade** detection, **penetrate** enemy defenses, and **strike targets**. And it assumes that U.S. forces will suffer **few losses** in combat.

These **assumptions** have led to a force built around relatively **small numbers** of **large**, **expensive**, and **hard-to-replace** systems that are optimized for moving undetected close to their targets, shooting a limited number of times but with extreme precision, and communicating with impunity. Think stealth aircraft flying right into downtown Belgrade or Baghdad. What's more, systems such as these depend on **communications**, **logistics**, and **satellite networks** that are almost **entirely defenseless**, because they were designed under the **premise** that no adversary would ever be able to **attack them.**

This military enterprise and its underlying suppositions are being called into question. For the past two decades, while the United States has focused on **fighting wars** in the **Middle East**, its competitors-especially **China**, but also **Russia**-have been dissecting its way of war and **developing** so-called anti-access/area-denial (or A2/AD) capabilities to **detect U.S. systems** in **every domain** and **overwhelm them** with large salvos of precision fire. Put simply, U.S. rivals are fielding **large quantities** of **multimillion-dollar weapons** to destroy the United States' **multibillion-dollar military** systems.

China has also begun work on **megaprojects** designed to **position it** as the **world leader** in **artificial intelligence** and other advanced technologies. This undertaking is not exclusively military in its focus, but every one of these **advanced-technology megaprojects** has **military applications** and benefits the **People's Liberation Army** under the doctrine of "**military-civil fusion**." Whereas the U.S. military still largely treats its data like engine exhaust-a **useless byproduct**-China is moving with **authoritarian zeal** to stockpile its data like **oil**, so that it can power the **autonomous** and **intelligent** military systems it sees as **critical** to **dominance** in **future warfare**.

The United States' position, **already dire**, is **rapidly deteriorating**. As a 2017 report from the rand Corporation concluded, "U.S. forces could, under plausible assumptions, lose the **next war** they are **called upon to fight**." That same year, General Joseph Dunford, chairman of the Joint Chiefs of Staff, sounded the alarm in stark terms: "In **just a few years**, if we do not **change** the **trajectory**, we will **lose** our qualitative and quantitative **competitive advantage**."

The **greatest danger** for the United States is the **erosion of conventional deterrence**. If leaders in **Beijing** or **Moscow** think that they might **win a war** against the United States, they will run **greater risks** and **press their advantage**. They will take actions that steadily undermine the United States' commitments to its allies by casting doubt on whether Washington would really send its military to defend the Baltics, the Philippines, Taiwan, or even Japan or South Korea. They will try to **get their way** through **any means necessary**, from coercive diplomacy and economic extortion to meddling in the domestic affairs of other countries. And they will steadily harden their **spheres of influence**, turning them into areas ever more **hospitable** to **authoritarian ideology**, **surveillance states**, and **crony capitalism**. In other words, they will try, as the military strategist Sun-tzu recommended, to "win without fighting."

#### Second, platform misuse—that enables a host of bad practices—undermines cyber security

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(Maurice, “Here Are All the Reasons It’s a Bad Idea to Let a Few Tech Companies Monopolize Our Data,” <https://hbr.org/2018/03/here-are-all-the-reasons-its-a-bad-idea-to-let-a-few-tech-companies-monopolize-our-data>)

So, the divergence in antitrust enforcement may reflect differences over these data-opolies’ perceived harms. Ordinarily the harm from monopolies are higher prices, less output, or reduced quality. It superficially appears that data-opolies pose little, if any risk, of these harms. Unlike some pharmaceuticals, data-opolies do not charge consumers exorbitant prices. Most of Google’s and Facebook’s consumer products are ostensibly “free.” The data-opolies’ scale can also mean higher quality products. The more people use a particular search engine, the more the search engine’s algorithm can learn users’ preferences, the more relevant the search results will likely be, which in turn will likely attract others to the search engine, and the positive feedback continues. As Robert Bork argued, there “is no coherent case for monopolization because a search engine, like Google, is free to consumers and they can switch to an alternative search engine with a click.” How Data-opolies Harm But higher prices are not the only way for powerful companies to harm their consumers or the rest of society. Upon closer examination, data-opolies can pose at least eight potential harms. Lower-quality products with less privacy. Companies, antitrust authorities increasingly recognize, can compete on privacy and protecting data. But without competition, data-opolies face less pressure. They can depress privacy protection below competitive levels and collect personal data above competitive levels. The collection of too much personal data can be the equivalent of charging an excessive price. Data-opolies can also fail to disclose what data they collect and how they will use the data. They face little competitive pressure to change their opaque privacy policies. Even if a data-opoly improves its privacy statement, so what? The current notice-and-consent regime is meaningless when there are no viable competitive alternatives and the bargaining power is so unequal. Surveillance and security risks. In a monopolized market, personal data is concentrated in a few firms. Consumers have limited outside options that offer better privacy protection. This raises additional risks, including: Government capture. The fewer the number of firms controlling the personal data, the greater the potential risk that a government will “capture” the firm. Companies need things from government; governments often want access to data. When there are only a few firms, this can increase the likelihood of companies secretly cooperating with the government to provide access to data. China, for example, relies on its data-opolies to better monitor its population. Covert surveillance. Even if the government cannot capture a data-opoly, its rich data-trove increases a government’s incentive to circumvent the data-opoly’s privacy protections to tap into the personal data. Even if the government can’t strike a deal to access the data directly, it may be able to do so covertly. Implications of a data policy violation/security breach. Data-opolies have greater incentives to prevent a breach than do typical firms. But with more personal data concentrated in fewer companies, hackers, marketers, political consultants, among others, have even greater incentives to find ways to circumvent or breach the dominant firm’s security measures. The concentration of data means that if one of them is breached, the harm done could be orders of magnitude greater than with a normal company. While consumers may be outraged, a dominant firm has less reason to worry of consumers’ switching to rivals. Wealth transfer to data-opolies. Even when their products and services are ostensibly “free,” data-opolies can extract significant wealth in several ways that they otherwise couldn’t in a competitive market: First, data-opolies can extract wealth by getting personal data without having to pay for the data’s fair market value. The personal data collected may be worth far more than the cost of providing the “free” service. The fact that the service is “free” does not mean we are fairly compensated for our data. Thus, data-opolies have a strong economic incentive to maintain the status quo, in which users, as the MIT Technology Review put it, “have little idea how much personal data they have provided, how it is used, and what it is worth.” If the public knew, and if they had viable alternatives, they might hold out for compensation. Second, something similar can happen but with the content users create. Data-opolies can extract wealth by getting creative content from users for free. In a competitive market, users could conceivably demand compensation not only for their data but also their contributions to YouTube and Facebook. With no viable alternatives, they cannot. Third, data-opolies can extract wealth from sellers upstream. One example is when data-opolies scrape valuable content from photographers, authors, musicians, and other websites and post it on their own platform. In this case, the wealth of the data-opolies comes at the expense of other businesses in their value chain. Fourth, data-opolies can extract our wealth indirectly, when their higher advertising fees are passed along in the prices for the advertised goods and services. If the data-opolies faced more competitors for their advertising services, ads could cost even less — and therefore so might the products being advertised. Finally, data-opolies can extract wealth from both sellers upstream and consumers downstream by facilitating or engaging in “behavioral discrimination,” a form of price discrimination based on past behavior — like, say, your internet browsing. They can use the personal data to get people to buy things they did not necessarily want at the highest price they are willing to pay. As data-opolies expand their platforms to digital personal assistants, the Internet of Things, and smart technologies, the concern is that their data advantage will increase their competitive advantage and market power. As a result, the data-opolies’ monopoly profits will likely increase, at our expense. Loss of trust. Market economies rely on trust. For online markets to deliver their benefits, people must trust firms and their use of the personal data. But as technology evolves and more personal data is collected, we are increasingly aware that a few powerful firms are using our personal information for their own benefit, not ours. When data-opolies degrade privacy protections below competitive levels, some consumers will choose not “to share their data, to limit their data sharing with companies, or even to lie when providing information,” as the UK’s Competition and Markets Authority put it. Consumers may forgo the data-opolies’ services, which they otherwise would have used if privacy competition were robust. This loss would represent what economists call a deadweight welfare loss. In other words, as distrust increases, society overall becomes worse off. Significant costs on third parties. Additionally, data-opolies that control a key platform, like a mobile phone operating system, can cheaply exclude rivals by: steering users and advertisers to their own products and services to the detriment of rival sellers on the platform (and contrary to consumers’ wishes) degrading an independent app’s functionality reducing traffic to an independent app by making it harder to find on its search engine or app store Data-opolies can also impose costs on companies seeking to protect our privacy interests. My book with Ariel Ezrachi, Virtual Competition, discusses, for example, Google’s kicking the privacy app Disconnect out of its Android app store. Less innovation in markets dominated by data-opolies. Data-opolies can chill innovation with a weapon that earlier monopolies lacked. Allen Grunes and I call it the “now-casting radar.” Our book Big Data and Competition Policy explores how some platforms have a relative advantage in accessing and analyzing data to discern consumer trends well before others. Data-opolies can use their relative advantage to see what products or services are becoming more popular. With their now-casting radar, data-opolies can acquire or squelch these nascent competitive threats. Social and moral concerns. Historically, antitrust has also been concerned with how monopolies can hinder individual autonomy. Data-opolies can also hurt individual autonomy. To start with, they can direct (and limit) opportunities for startups that subsist on their super-platform. This includes third-party sellers that rely on Amazon’s platform to reach consumers, newspapers and journalists that depend on Facebook and Google to reach younger readers, and, as the European Commission’s Google Shopping Case explores, companies that depend on traffic from Google’s search engine. But the autonomy concerns go beyond the constellation of app developers, sellers, journalists, musicians, writers, photographers, and artists dependent on the data-opoly to reach users. Every individual’s autonomy is at stake. In January, the hedge fund Jana Partners joined the California State Teachers’ Retirement pension fund to demand that Apple do more to address the effects of its devices on children. As The Economist noted, “You know you are in trouble if a Wall Street firm is lecturing you about morality.” The concern is that the data-opolies’ products are purposefully addictive, and thereby eroding individuals’ ability to make free choices. There is an interesting counterargument that’s worth noting, based on the interplay between monopoly power and competition. On the one hand, in monopolized markets, consumers have fewer competitive options. So, arguably, there is less need to addict them. On the other hand, data-opolies, like Facebook and Google, even without significant rivals, can increase profits by increasing our engagement with their products. So, data-opolies can have an incentive to exploit behavioral biases and imperfect willpower to addict users — whether watching YouTube videos or posting on Instagram. Political concerns. Economic power often translates into political power. Unlike earlier monopolies, data-opolies, given how they interact with individuals, possess a more powerful tool: namely, the ability to affect the public debate and our perception of right and wrong. Many people now receive their news from social media platforms. But the news isn’t just passively transmitted. Data-opolies can affect how we feel and think. Facebook, for example, in an “emotional contagion” study, manipulated 689,003 users’ emotions by altering their news feed. Other risks of this sort include: Bias. In filtering the information we receive based on our preferences, data-opolies can reduce the viewpoints we receive, thereby leading to “echo chambers” and “filter bubbles.” Censorship. Data-opolies, through their platform, can control or block content that users receive, and enforce governmental censorship of political or religious information. Manipulation. Data-opolies can promote stories that further their particular business or political interests, instead of their relevance or quality. Limiting the Power of Data-opolies Upon closer examination, data-opolies can actually be more dangerous than traditional monopolies. They can affect not only our wallets but our privacy, autonomy, democracy, and well-being. Markets dominated by these data-opolies will not necessarily self-correct. Network effects, high switching costs for consumers (given the lack of data portability and user rights over their data), and weak privacy protection help data-opolies maintain their dominance. Luckily, global antitrust enforcement can help. The Reagan administration, in espousing the then-popular Chicago School of economics beliefs, discounted concerns over monopolies. The Supreme Court, relying on faulty economic reasoning, surmised that charging monopoly prices was “an important element of the free market system.” With the rise of a progressive, anti-monopoly New Brandeis School, the pendulum is swinging the other way. Given the emergence of data-opolies, this is a welcomed change.

#### Platform monopoly ensures any breach cascades, collapses society

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1. Risk of data breaches. A security breach of any of the digital monopolies could result in Exabytes of users’ most vulnerable information being publicly exposed (7). Besides the risk of irreparable damage to people’s reputation, private lives, and identity (as in, e.g., the “Ashley Madison” case (8)), such a breach could result in unprecedented damage to our economy (as in, e.g., the “Sony Pictures” case (9)) and our political standing (as in, e.g., “Wikileaks Cablegate” (10)). Importantly, a security collapse of that nature might only be the start of a series of follow-up breaches. A hack of Google’s Gmail, for example, could allow the perpetrators to obtain a user’s bank account password through the “forgot password” functionality, and ultimately lead to a collapse of businesses and industries (e.g. banking, taxation, weapon silos, etc.). Compared to what was deemed a “too big to fail” state when a handful of banks collapsed in 2008, such a crisis could be unparalleled. Although the digital monopolies employ talented security teams to prevent such hacks, the public has no guarantee that a skillfully deployed attack (e.g., by another nation-state, powerful underground organization, or simply a disgruntled employee) would not be successful. Even with the best efforts of the digital monopolies—which often heavily depend on the priorities of high-ranking leaders in the organization—societies should hence operate under the assumption that the data held by the digital monopolies could be leaked at any point in time.

#### Platform monopoly allows attackers to zap critical infrastructure in one hit—competition key

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(Daniel, Rebecca Bace, Peter Gutmann, Perry Metzger, Charles P. Pfleeger, John S. Quarterman, Bruce Schneier, CyberInsecurity: The Cost of Monopoly, <https://cryptome.org/cyberinsecurity.htm>)

Computing is crucial to the infrastructure of advanced countries. Yet, as fast as the world's computing infrastructure is growing, security vulnerabilities within it are growing faster still. The security situation is deteriorating, and that deterioration compounds when nearly all computers in the hands of end users rely on a single operating system subject to the same vulnerabilities the world over.

Most of the world’s computers run Microsoft’s operating systems, thus most of the world’s computers are vulnerable to the same viruses and worms at the same time. The only way to stop this is to avoid monoculture in computer operating systems, and for reasons just as reasonable and obvious as avoiding monoculture in farming. Microsoft exacerbates this problem via a wide range of practices that lock users to its platform.

The impact on security of this lock-in is real and endangers society. Because Microsoft's near-monopoly status itself magnifies security risk, it is essential that society become less dependent on a single operating system from a single vendor if our critical infrastructure is not to be disrupted in a single blow. The goal must be to break the monoculture. Efforts by Microsoft to improve security will fail if their side effect is to increase user-level lock-in. Microsoft must not be allowed to impose new restrictions on its customers – imposed in the way only a monopoly can do – and then claim that such exercise of monopoly power is somehow a solution to the security problems inherent in its products. The prevalence of security flaw in Microsoft’s products is an effect of monopoly power; it must not be allowed to become a reinforcer.

Governments must set an example with their own internal policies and with the regulations they impose on industries critical to their societies. They must confront the security effects of monopoly and acknowledge that competition policy is entangled with security policy from this point forward.

#### Ensures cyberattacks go nuclear

Sagan and Weiner ’21 – Stanford Professors [Scott D.; Caroline S.G. Monroe professor of political science and senior fellow at the Center for International Security and the Freeman Spogli Institute at Stanford University; Allen S.; senior lecturer in law and director of the program in international and comparative law at Stanford Law School; 7-9-2021; "The U.S. says it can answer cyberattacks with nuclear weapons. That’s lunacy."; The Washington Post; https://www.washingtonpost.com/outlook/2021/07/09/cyberattack-ransomware-nuclear-war/; accessed 8-15-2021]

Over the July 4 weekend, the Russian-based cybercriminal organization REvil claimed credit for hacking into as many as 1,500 companies in what has been called the largest ransomware attack to date. In May, another cybercriminal group, DarkSide, also apparently located mainly in Russia, shut down most of the operations of Colonial Pipeline, which supplies nearly half the diesel, gasoline and other fuels used on the East Coast — setting off a round of panic buying that ended only when the company handed over a ransom. These incidents were bad enough. But imagine a much worse cyberattack, one that not only disabled pipelines but turned off the power at hundreds of U.S. hospitals, wreaked havoc on air-traffic-control systems and shut down the electrical grid in major cities in the dead of winter. The grisly cost might be counted not just in lost dollars but in the deaths of many thousands of people.

Under current U.S. nuclear doctrine, developed during the Trump administration, the president would be given the military option to launch nuclear weapons at Russia, China or North Korea if that country was determined to be behind such an attack.

That’s because in 2018, the Trump administration expanded the role of nuclear weapons by declaring for the first time that the United States would consider nuclear retaliation in the case of “significant non-nuclear strategic attacks,” including “attacks on the U.S., allied, or partner civilian population or infrastructure.” The same principle could also be used to justify a nuclear response to a devastating biological weapons strike.

But our analysis suggests that using nuclear weapons in response to biological or cyberattacks would be illegal under international law in virtually all circumstances. Threatening an illegal nuclear response weakens deterrence because the threat lacks inherent credibility. Perversely, this policy could also wind up committing a president to a nuclear attack if deterrence fails. While the American public would indeed be likely to want vengeance after a destructive enemy assault, the law of armed conflict requires that some military options be taken off the table. Nuclear retaliation for “significant non-nuclear strategic attacks” is one of them.

The Biden administration is now conducting its own review of the U.S. nuclear posture. The 2018 Trump change is an urgent candidate for reevaluation, but people have generally ignored it up to now. As officials work on this process, they have the chance to take full account of what could be called the “nuclear law revolution” — a growing recognition that international-law restrictions on warfare, and especially those that protect civilians, apply even to nuclear war.

#### Removing Amex’s special rule for platforms solves – leads to a strong rule of reason approach

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(Erik, “Platform Antitrust,” 44 J. Corp. L. 713)

That is no longer the case, however, as the Supreme Court recently confronted platform commerce head-on in AmEx 111.13 In June of 2018, the Court issued its first decision on how antitrust's rule of reason 14 is to be applied in cases involving platform defendants. 15 It was superficially a question of how to define the "relevant market" for purposes of an antitrust adjudication. 1 6 In particular, the question was whether the market definition must include both groups of users, which would require a plaintiff to prove a net injury to competition across both user groups-not just to win on the merits, but simply to carry its initial burden. The Supreme Court held that it does. 17

Most of the important complexities arising under two-sided competition center on the juxtaposition of countervailing effects-that is, pro and anticompetitive effects-arising within the separate sides of the market. In fact, even outside the platform context, such a juxtaposition of plausible effects is very common in antitrust disputes. And the rule of reason ordinarily divides the burdens of establishing them; it bifurcates them into separate stages, delaying the need for potential balancing or "netting out" of the effects (which is notoriously difficult) until the final stage of the adjudication. By evaluating the effects carefully and independently, a court is better equipped to determine whether such balancing is genuinely necessary; and, if so, the court is at least in a better position to compare the relevant effects. However, the Court's AmEx III decision largely abandoned this burdenshifting framework, effectively collapsing the entire rule of reason analysis-and all of its intermediate inquiries-into the plaintiffs initial burden.

Whether or not one agrees with its holding, the AmEx III decision is inarguably a watershed moment for platform antitrust. Against this backdrop, this Article considers how antitrust ought to accommodate the distinctive features of platforms and platform competition. It focuses principally on conduct evaluated under the rule of reason, 18 with emphasis on vertical restraints and unilateral conduct. 19 The analysis is organized as follows: I begin by providing an overview of the distinctive features of platforms and platform competition, as reflected within the platform economics literature. Part III then explains how such factors may bear on the analysis of various restrictive practices that are already familiar within antitrust, but whose effects may become more or less concerning when undertaken by two-sided defendants. In Part IV, I address the economic effects of an important category of restraints that are unique to platform markets. Finally, Part V turns to the broad question of law that was at issue in AmEx III.

One of the important competitive dynamics arising in platform markets is known as "steering." 21 This refers to any efforts aimed at inducing users to opt for one platform over another. The restraint at issue in AmEx IIIwas an example of this: it prohibits its merchants from offering AmEx cardholders a better price at checkout if they agree to switch to an alternative card (e.g. Visa), since competing cards generally charge lower network usage fees to merchants. 22 But, more generally, steering restraints take many different forms, and arise in many platform markets. 3 In general, steering strategies are usually procompetitive, as they typically act as a vehicle for price competition among rival platforms. Restraints on steering should therefore be regarded as a potential source of serious antitrust concerns. However, as discussed in detail in Part III, many research articles suggest that such restraints may be necessary to maintain adequate participation, and thus regard their welfare effects as highly ambiguous. 24 The AmEx III opinion cites these commentaries copiously. Importantly, however, these arguments stem primarily from economic models involving a platform monopolist, with the operative restraint merely precluding efforts to steer users toward a nonpla'fform alternative (e.g. toward cash rather than using a monopolist's payment card platform). 25 But this is not a good representation of how such restraints usually operate in real-world commerce. In practice, most of the relevant restraints seek to prevent steering toward competing platforms, rather than a nonplatform alternative that lacks the same transactional efficiencies.

As I argue below, when a restraint merely prevents steering toward competing platforms, there is substantially less reason to presume that it might be justified for reasons relating to the market's two-sidedness. Instead, the more likely result is simply that it prevents users from switching to rival platforms that would provide them with better jointvalue. That would suggest the restraint does not enhance the market-wide volume of trade. Rather, at best, it merely reallocates transactions among platforms, albeit in a way that leaves transacting parties with diminished welfare on average. At worst, it affirmatively reduces the overall volume of trade by undermining price competition generally. This can occur for two reasons. First, the restraint may extinguish rival platforms' incentive to make competitive price offerings, as it may prevent transacting parties from switching to the competitor's platform in response to its price cut. Second, the restraint may induce sellers who transact over the platform to set higher retail prices for their own wares, which injures all consumers, whether or not they take advantage of the platform's transaction service.

The question of law addressed in AmEx III is extremely broad in scope, as it bears on the application of antitrust law to all kinds of restrictive practices that might be undertaken by transaction platforms. As noted above, while facially a holding about market definition, the Supreme Court's decision is in fact a major alteration of the rule of reason's burden shifting framework. The Court's analysis was guided principally by a number of antitrust academics that focus most of their attention on a simple point-in effect that "both sides matter," and that it would be inappropriate to focus on one side myopically. 26 While correct, this point was actually never in dispute. Even the district court, whose market definition was formally limited to the merchant side of the market, 27 expressly emphasized the importance of accounting for the market's two-sidedness. 28 Indeed, its analysis gives substantial attention to cardholders, and it even concluded that they were likely injured in addition to merchants. 2 9 Despite this, the AmEx III majority chastised the district court's approach as "looking at only one side of the platform in isolation."' 30

It is indeed true that a platform's conduct may have countervailing effects within the two sides, and that this requires courts to take the market's two-sidedness into account. 31 But it does not follow that the appropriate way to deal with this is to require a plaintiff to "net out" all such considerations merely in order to support its prima facie case-before the defendant has substantiated its asserted efficiency defense. This approach is also a substantial deviation from precedent. Most difficult cases evaluated under the rule of reason involve potential countervailing pro- and anticompetitive effects. 32 And the courts developed a multi-stage burden shifting framework precisely to deal with this difficulty. By construction, this framework contemplates that a plaintiff can carry its initial burden without having shown that the defendant's conduct is definitively anticompetitive on the whole; that is why it is merely the first stage among several.

Far from providing any necessary reform, the AmEx III decision merely developed a "law of the horse": a needless construction of new legal principles when the old ones would do just fine (and likely much better).33 It is true that platform economics has important implications for antitrust policy and practice; this Article gives substantial attention to that fact. But such considerations can already be accounted for-both more practicably and more reliably-within the rule of reason's existing structure. To that end, a much better approach would be to maintain careful consideration of platform economics throughout the established burden shifting framework, which is designed to work through complex cases in incremental steps and to cast light on countervailing effects through an efficient allocation of burdens.

#### This is the least intrusive mechanism—it only punishes bad practices and allows innovative conduct to continue

Hovenkamp, James G. Dinan University Professor, University of Pennsylvania Carey Law School and The Wharton School, ‘21

(Herbert, “Antitrust and Platform Monopoly,” 130 Yale L.J. 1952)

A common complaint about antitrust is that it is costly and slow. While both observations ring true, the social cost of fact-intensive decision making is much less than that of making incorrect decisions that can affect millions of consumers, employees, and other constituents. Antitrust is a litigation-driven enterprise that requires decisionmakers to focus on the specific practices and assets before them. Unlike legislative regulation, antitrust does not group classes of industries together for common treatment, but that also means it is less susceptible to regulatory capture.

Nevertheless, antitrust can be subject to interest-group biases. Consumer welfare is a public good. Consumers are numerous, heterogenous, and for the most part, poorly organized. By contrast, firms who profit from underenforcement are much fewer and more unitary in their goals. Individually, the stakes firms have in the preservation of monopoly are far higher than the individual gains that accrue from competition, even though consumers’ aggregate gains are much larger, particularly when those of labor are included.435

Antitrust today suffers from an antienforcement bias that is scientifically obsolete and produces too many false negatives. This will hopefully pass as courts become more familiar with the economics of digital platforms and networks. Decisions such as Amex in the Supreme Court and Qualcomm in the Ninth Circuit indicate that development still has far to go. The rule of reason in particular has become much too burdensome for plaintiffs. Antitrust policy would perform better if plaintiffs had a lighter burden in establishing a prima facie case,

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with a heavier answering burden on defendants, who typically have better control of the relevant facts.436

Antitrust’s fact-specific, individual approach to intervention is usually superior to regulation. A few problems, such as management of consumer information, cut across all markets and regulation can be effective. Most other failures are specific to the firm, however. Calls for categorical treatment often amount to regulation by another name. It is easy to speak universally about these markets as winner-take-all, as having high barriers to entry, or as unnecessarily harmful to competitors or consumers. An example is broad statements of the nature that the big digital platforms must be broken up. These overly generalized conclusions frustrate rather than further reasonable competitive analysis. Platforms differ from one another by almost as wide a range as firms differ in general.

Market-power inquiries in cases involving platforms do produce some unique factual issues. When market power is assessed by conventional marketshare methods, a single relevant market should be defined with reference to one side. Effects on the other side must be considered to the extent that they strengthen or weaken any inference to be drawn from market shares. Direct economic measures will usually produce better results, although effects on the other side of two-sided platforms must be considered even when power is measured directly. Finally, the threat of competitive harm in networked markets can occur at lower market shares than the level required in conventional markets.

Antitrust’s fact-specific approach is also essential for the construction of appropriate remedies. The goal of a remedy should be consistent with the output-expanding goals of the antitrust laws themselves. Simple injunctions should always be considered. Often they can correct discrete problems while doing little to no damage to the efficiency and integrity of the firm or the market in which it operates. In addition, results are typically easier to predict.

As the long history of antitrust shows, breaking apart assets can be dangerous because it threatens losses of beneficial economies of scale or scope. Other approaches with more promise include the restructuring of management rather than assets, or else mandated interoperability or pooling. Restructuring management can enable firms to function more competitively by treating their internal decision making as a market that is itself reachable under the antitrust laws. In appropriate cases, interoperability can expand the range of beneficial network effects while doing no harm to the firm’s internal efficiencies.

Competition problems in digital platforms present some novel challenges, but most are within reach of antitrust law’s capacity to handle them. The courts and other antitrust policy makers should treat digital platforms for what they are—firms that have unique features, but not so unique that we must abandon what we know about competition in high-technology, product-differentiated markets.

## 2AC

### Platform

#### 0 uniqueness for the turn – whether AI development is slow or fast the impact is the same – the race is already underway its just a question of who wins

Horowitz 18 – Michael C. Horowitz is a professor of political science and the associate director of Perry World House at the University of Pennsylvania.

Michael Horowitz, May 2018, “Artificial Intelligence, International Competition, and the Balance of Power,” Texas National Security Review, https://tnsr.org/2018/05/artificial-intelligence-international-competition-and-the-balance-of-power/

Whether AI capabilities diffuse relatively slowly or quickly, major military powers will likely face security dilemmas having to do with AI development and deployment. In a slow diffusion scenario, if countries fear that adversaries could get ahead in ways that are hard to rapidly mimic — and small differences in capabilities will matter on the battlefield — that will foster incentives for quick development and deployment. In a rapid diffusion scenario, competitive incentives will also exist, as countries feel like they have to race just to keep up.[114](https://tnsr.org/2018/05/artificial-intelligence-international-competition-and-the-balance-of-power/" \l "_ftn114) Moreover, it will be inherently difficult to measure competitors’ progress with AI (unlike, say, observing the construction of an aircraft carrier), causing countries to assume the worst of their potential rivals.

Competition in developing AI is underway. Countries around the world are investing heavily in AI, though the United States and China seem to be ahead. Yet even if the space-race analogy is not precise, understanding AI as a competition can still be useful. Such frameworks help people and organizations understand the world around them, from how to evaluate international threats to the potential trajectory of wars.[115](https://tnsr.org/2018/05/artificial-intelligence-international-competition-and-the-balance-of-power/" \l "_ftn115) If likening competition in AI to the space race clarifies the stakes in ways that generate incentives for bureaucratic action at the government level, and raises corporate and public awareness, the analogy stands to have utility for the United States.

#### China and Russia will use AI to deny U.S. power projection and fracture the global order, the U.S. dominance solves because they incorporate ethics into AI

Garamone 20 – Reporter - United States Department of Defense.

Jim Garamone, September 9 2020, “Esper Says Artificial Intelligence Will Change the Battlefield,” U.S. Department of Defense, https://www.defense.gov/Explore/News/Article/Article/2340972/esper-says-artificial-intelligence-will-change-the-battlefield/

Artificial intelligence has the potential to change the battlefield, and the country that's first to field it will have enormous advantages over competitors, he told participants today.

"History informs us that those who are first to harness once-in-a-generation technologies often have a decisive advantage on the battlefield for years to come," the secretary said. "I experienced this firsthand during Operation Desert Storm, when the United States' military's smart bombs, stealth aircraft and satellite-enabled GPS helped decimate Iraqi forces and their Soviet equipment."

Artificial intelligence has the potential to be even more far-reaching than those technologies. "Unlike advanced munitions or next-generation platforms, artificial intelligence is in a league of its own, with the potential to transform nearly every aspect of the battlefield, from the back office to the front lines," he said. "That is why we cannot afford to cede the high ground to revisionist powers intent on bending, breaking or reshaping international rules and norms in their favor — to the collective detriment of others."

Esper noted that Russian President Vladimir Putin said the nation that leads in AI will be the "ruler of the world," and Russia has increased investments in the technology. "His intent is to employ any possible advantage to expand Russia's influence and chip away at the sovereignty of others," Esper said.

The Russians used a sophisticated and well-coordinated combination of unmanned aerial vehicles, cyberattacks, and artillery barrages to inflict severe damage on Ukrainian forces when they invaded that country. "Since then, Moscow has announced the development of AI-enabled autonomous systems across ground vehicles, aircraft, nuclear submarines and command and control," he said. "We expect them to deploy these capabilities in future combat zones."

 These principles make clear to the American people — and the world — that the United States will once again lead the way in the responsible development and application of emerging technologies, reinforcing our role as the global security partner of choice."

Defense Secretary Dr. Mark T. Esper

The Chinese Communist Party has a goal of being the AI world leader in 10 years. The People's Liberation Army sees AI as a leap-frog technology that will allow the largest military on Earth to field low-cost, long-range autonomous vehicles and systems to counter America's conventional power projection. "At this moment, Chinese weapons manufacturers are selling autonomous drones they claim can conduct lethal, targeted strikes," the secretary said. "Meanwhile, the Chinese government is advancing the development of next-generation stealth UAVs [unmanned aerial vehicle], which they are preparing to export internationally."

"Beijing is constructing a 21st-century surveillance state designed to wield unprecedented control over its own people," Esper said. "With hundreds of millions of cameras strategically located across the country and billions of data points generated by the Chinese Internet of Things, the CCP will soon be able to identify almost anyone entering a public space, and censor dissent in real time."

The Chinese system can be used to invade private lives, leaving no text message, internet search, purchase or personal activity free from Beijing's ever tightening grip, the secretary said. "As we speak, the PRC is deploying — and honing — its AI surveillance apparatus to support the targeted repression of its Muslim Uighur population," he said. "Likewise, pro-democracy protesters in Hong Kong are being identified, seized, imprisoned or worse by the CCP's digital police state — unencumbered by privacy laws or ethical governing principles. As China scales this technology, we fully expect it to sell these capabilities abroad, enabling other autocratic governments to move toward a new era of digital authoritarianism."

The U.S. is pioneering a vision for the emerging technology that protects the U.S. Constitution and the rights of all Americans. U.S. officials would like to see allies and partners adopt the standards of individual liberty, democracy, human rights and respect for the rule of law.

"We approach AI as we have other high-tech breakthroughs throughout our department's history — with rigorous standards for testing and fielding capabilities and the highest ethical expectations," Esper said. "Technology may constantly change, but our commitment to our core values does not."

Earlier this year, DOD adopted ethical principles for the use of AI-based on core values, such as transparency, reliability and governability. "These principles make clear to the American people — and the world — that the United States will once again lead the way in the responsible development and application of emerging technologies, reinforcing our role as the global security partner of choice," he said.

Esper touted the work of the Joint Artificial Intelligence Center saying its more than 200 civil service and military professionals work diligently to accelerate AI solutions and deliver these capabilities to the warfighter.

The JAIC helps the joint force organize, fight and win at machine speed. For example, AI helps in enhancing wildfire and flood responses through computer vision technology. "The JAIC is utilizing every aspect of artificial intelligence as a transformative instrument at home and abroad," he said. "The JAIC is also lowering technical barriers to AI adoption by building a cloud-based platform to allow DOD components to test, validate and field capabilities with greater speed, at greater scale. The goal is to make AI tools and data accessible across the force, which will help synchronize projects and reduce redundancy, among many other benefits."

#### There is no right option in the context of AI – the only certainty we have is Russian and Chinese control of AI would be far worse

Lowther and McGiffin 19 – Dr. Adam Lowther is Director of Research and Education at the Louisiana Tech Research Institute (LTRI) where he teaches deterrence strategy, NC3 History, and Integrated Tactical Warning and Attack Assessment in several nuclear command, control, and communication courses for the U.S. Air Force. Curtis McGiffin is Associate Dean, School of Strategic Force Studies, at the Air Force Institute of Technology.

Adam Lowther and Curtis McGiffin, August 16 2019, “AMERICA NEEDS A “DEAD HAND”,” War on the Rocks, https://warontherocks.com/2019/08/america-needs-a-dead-hand/

However, artificial intelligence is no panacea. Its [failures are numerous](https://medium.com/syncedreview/2018-in-review-10-ai-failures-c18faadf5983). And the fact that there is profound concern by well-respected experts in the field that science fiction may become reality, because artificial intelligence designers cannot control their creation, should not be dismissed. For the United States, every option presents significant risk and uncertainty. Reality, however, is progressing to a point where the United States must address the challenge we outlined above. Russia and China are not constrained by the same moral dilemmas that keep Americans awake at night. Rather, they are focused on creating strategic advantage for their countries.

### T Antitrust

#### The core antitrust laws are sections 1 and 2 of the Sherman Act and section 7 of the Clayton Act.

The Antitrust Division 07 – Law enforcement agency that enforces the U.S. antitrust laws

“Antitrust Division Statement Regarding the Release of the Antitrust Modernization Commission Report,” The Antitrust Division, Department of Justice, April 2007, https://www.justice.gov/archive/atr/public/press\_releases/2007/222344.htm

The AMC has made many specific recommendations in its report, and the Division is in the process of reviewing all of them. The Division commends the AMC for its three primary conclusions:

Free-market competition should remain the touchstone of United States' economic policy. The Commission's conclusion in this regard is a fundamental starting point for policy makers. Over a century of experience has shown that robust competition among businesses, each striving to be increasingly successful, leads to better quality products and services, lower prices, and higher levels of innovation.

The core antitrust laws—Sherman Act sections 1 and 2 and Clayton Act section 7—and their application by the courts and federal enforcement agencies are sound and appropriately safeguard the competitiveness of the U.S. economy.

New or different rules are not needed for industries in which innovation, intellectual property, and technological innovation are central features. Unlike some other areas of the law, the core antitrust laws are general in nature and have been applied to many different industries to protect free-market competition successfully over a long period of time despite changes in the economy and the increasing pace of technological advancement. One of the great benefits of the Sherman and Clayton Acts is their adaptability to new economic conditions without sacrificing their ability to protect competition.

#### The definition of “antitrust laws” usage of the word includes means that the phrase encompasses more than just the text of the relevant statutes---that means “antitrust laws” is inclusive of court interpretations of listed antitrust statutes.

Wallace 92 – Judge, United States Court of Appeals, Ninth Circuit

John Clifford Wallace, Nugget Hydroelectric, L.P. v. Pacific Gas & Elec. Co., 981 F.2d 429, United States Court of Appeals for the Ninth Circuit, December 1992, LexisNexis

The Act's definition of "antitrust laws" "includes the Sherman Antitrust Act, the Clayton Act, the Federal Trade Commission Act, the Wilson Tariff Act, and the Act of June19, 1936, chapter 592." 16 U.S.C. § 2602(1) (citations omitted). The definition's use of the word "includes" suggests that the phrase "antitrust laws" may encompass more than just these statutes. See Highway & City Freight Drivers v. Gordon Transps., Inc., 576 F.2d 1285, 1289 (8th Cir.), cert. denied, 439 U.S. 1002, 58 L. Ed. 2d 678, 99 S. Ct. 612 (1978); American Fed'n of Television & Radio Artists v. NLRB, 149 U.S. App. D.C. 272, 462 F.2d 887, 889-90 (D.C. Cir. 1972); United States v. Gertz, 249 F.2d 662, 666 (9th Cir. 1957). In interpreting another statute, the Supreme Court has held that the term "laws" encompasses both statutes and court decisions. See Illinois v. City of Milwaukee, 406 U.S. 91, 99-100, 31 L. Ed. 2d 712, 92 S. Ct. 1385 (1972). We conclude that the phrase "antitrust laws" embraces not only the text of the Sherman Antitrust Act and the other listed statutes, but also the courts' interpretations of them. The state action doctrine is an interpretation of the Sherman Antitrust Act, see Parker, 317 U.S. at 350-51, of which Congress was aware, see Director, Office of Workers' Compensation Programs v. Perini North River Assocs., 459 U.S. 297, 319-20, 74 L. Ed. 2d 465, 103 S. Ct. 634 (1983), when it chose the phrase "antitrust laws." HN1 The plain meaning of section 2603(1) thus establishes that the Act is to have no effect on the applicability of the state action doctrine to gas and electric utilities like PG&E.

### CP States

#### CP is a de facto patchwork—majority of states bound by federal precedent

Richard A. Duncan is a partner in the Minneapolis office of Faegre & Benson LLP, and Alison K. Guernsey is presently a third-year law student at the University of Iowa College of Law and Editor-in-Chief of the Iowa Law Review, 2008, Waiting for the Other Shoe to Drop:

Will State Courts Follow Leegin? https://www.faegredrinker.com/webfiles/leegin\_article.pdf

This article explores yet another barrier to widespread adoption of RPM programs, one that is particularly applicable to franchisors seeking to negotiate national account pricing or to establish nationwide minimum pricing: state antitrust laws. Nearly all states have antitrust statutes, and those few that do not have such laws regulate anticompetitive conduct through consumer protection statutes or common law theories. The good news, at least for those who favor uniform national economic regulation, is that most state courts follow federal antitrust precedent, either because of statutory command or a decisional preference for uniform operation of state and federal antitrust laws. However, a significant minority of states feel themselves relatively unbound by federal precedent, and even those that do follow federal decisional law generally leave themselves an escape route if federal law varies from state statute or putative state policy goals.

This article reviews the current statutory and decisional law on RPM in the fifty states and the District of Columbia, and offers some predictions on which are likely to continue to prohibit RPM. Because this area of the law is now rapidly changing, it is also foreseeable that state legislatures will attempt to pass new statutes prohibiting RPM in reaction to Leegin. Twenty-five states did just that to permit “indirect purchasers” to sue for monetary damages after the Supreme Court held in Illinois Brick Co. v. Illinois that such purchasers lacked standing to sue under federal antitrust law. 7 Ultimately, Leegin does offer significantly greater leeway to suppliers to regulate their customers’ pricing behavior and for national account pricing programs in particular to flourish. However, during the transition to the post-Leegin world, franchisors must still take care when designing sales and distribution programs to assess the likely response of individual states to restraints on resale prices.

State Levels of Adherence

Most states have antitrust statutes containing provisions analogous to, or the same as, Section 1 of the Sherman Act. In fact, only four states—Arkansas, Vermont, Georgia, and Pennsylvania—do not. 8 Consistent with the manner in which many state statutes parallel the language of federal antitrust provisions, the majority of states also give deference to federal decisional law when interpreting their state antitrust statutes. There are exceptions for instances in which the state statutory language differs significantly from that of the Sherman Act or when the state legislature has expressed a policy interest at odds with federal precedent.

#### Rogue state DA—CP creates mass uncertainty that chills all business

Robert W Hahn Is Executive Director of the American Enterprise Institute, Brookings Joint Center, which focuses on antitrust and regulatory policy, and Anne Layne-Farrar is a Senior Consultant with NERA Economic Consulting, 2003, Federalism in Antitrust, 26 Harv. J. L. & Pub. Pol'y 877

When states file antitrust cases under state statutes rather than under the Clayton or Sherman Acts, the likelihood of inconsistent and conflicting antitrust precedent is even higher. As a result, state action affects not only current cases, but can also affect future firm behavior. With mergers, the possibility of a challenge from any of the fifty states, each with its own standard of evaluation, could prevent companies from even attempting a beneficial transaction. As Lande points out, "it is confounding enough for antitrust counselors to have to contend with two potential federal enforcement agencies.

Even if state laws were identical, the interpretation and application of those laws would differ "since enforcers with divergent philosophies necessarily will interpret ambiguous terms differently in various factual contexts." Philosophical differences in approaches to antitrust enforcement are likely to stem from many sources, such as political affiliation, educational training, and personal experience. The National Association of Attorneys General (NAAG) Merger Guidelines for the states explicitly allow for this, noting that the general policy can be supplemented or varied in light of differing precedents, and "in the exercise of [the AGs'] individual prosecutorial ... discretion." While differing views can be helpful in some areas of law, such as when different states provide a testing ground for new regulations appropriate for federal adoption, this kind of experimentation is likely to be wasteful in the antitrust arena.

#### CP impliedly preempted—conflicts with federal precedent

Victoria Graham, Bloomberg Law, Ohio Rethinks State Antitrust Laws to Confront Facebook, Google (1), October 17, 2019, <https://news.bloomberglaw.com/antitrust/ohio-rethinks-state-antitrust-laws-to-confront-facebook-google>

Ohio Rethinks State Antitrust Laws to Confront Facebook, Google (1)

Ohio legislators are considering whether to rewrite antitrust laws to reflect the growth of big tech in the latest sign of growing bipartisan state-level interest in confronting Alphabet Inc.’s Google and Facebook Inc.

Most state antitrust laws directly mirror U.S. competition law and Ohio could only go so far with antitrust revisions before they potentially conflict with federal law or interfere with how companies do business.

“Given the global and national footprints for the digital technology companies, state legislative carve-outs for the sector could affect companies’ ability to do commerce across states and regions,” said Diana Moss, president of the American Antitrust Institute.

States do have some room to maneuver in areas where the U.S. Congress hasn’t expressly enacted legislation, similar to how California enacted its own privacy law in the absence of a federal statute.

“Just because certain conduct is legal under federal law doesn’t mean the state couldn’t outlaw it,” Ralph Breitfeller, of counsel at Kegler, Brown, Hill & Ritter Co. in Columbus, Ohio, said.

State Scrutiny

Ohio lawmakers discussed a possible rethink of the state’s antitrust laws Oct. 17 during a legislative hearing in Cleveland examining the impact of Google and Facebook. The hearing featured several academics and Yelp Inc. executive, Luther Lowe, who has emerged as an outspoken critic of Google’s power to control the internet.

Legislators should consider changing state antitrust laws to allow regulators to assess factors other than price, such how much data one firm controls, when reviewing a merger, Dennis Hirsch, a professor at The Ohio State University Moritz College of Law, said during the hearing.

Current merger analysis, at both the state and federal level, doesn’t factor in data aggregation since it’s mostly concerned on how consumer prices are impacted by a merger.

A second hearing will follow in Cincinnati on Oct. 28.

The probe—the first of its kind by any U.S. state legislature—is led by state Sen. John Eklund, a Republican who represents a district east of Cleveland and practiced competition law for more than 40 years.

Ohio’s Attorney General Dave Yost (R) is among state attorneys general in both parties that have emerged as some of the most vocal critics of big tech’s power. Multi-state investigations into Facebook and Google’s dominant market power have positioned the states as potentially more aggressive enforcers than federal regulators.

At the federal level, Justice Department and Federal Trade Commission officials have been hesitant to call for new antitrust legislation, while Congress contemplates whether modifications need to be made to address the unique challenges of big tech.

The antitrust laws that date back as late as 1890 during the breakup of Standard Oil don’t need major changes since they are flexible enough to deal with new technology changes, such as the rise of Amazon.com Inc. and Apple Inc., most federal enforcers argue.

Yost, who is involved in both a Google and Facebook multi-state antitrust investigation, said during a September press conference that these hearings will “help inform” the state’s investigation and the discovery it conducts into both tech companies.

Ohio has played a pivotal role in shaping the history of U.S. antitrust law.

The nation’s first antitrust legislation which is still the current federal statute that prohibits monopolistic conduct, the Sherman Antitrust Act, was introduced by Senator John Sherman (R-Ohio).

After the Sherman Act’s passage, it was then Ohio’s Attorney General David Watson who first sued Standard Oil, which eventually lead the U.S. Supreme Court to force a breakup of the corporate trust in 1911.

Workarounds

States have to ensure that any new antitrust statutes don’t directly conflict with existing federal law since courts generally strike state laws as invalid if they clash with the federal government, John Newman, a former attorney at the DOJ’s antitrust division, who is now an antitrust professor at The University of Miami School of Law, said.

### DA CWS Blockchain

#### Amex’s increased burden makes it effectively impossible to sue

Gupta, JD, founder, Gupta Wessler LLP, appellate and Supreme Court Advocate, lecturer at Harvard Law School, former CFPB Senior Litigation Counsel, ‘17

(Deepak, Brief of Open Markets Institute as Amicus Curiae in Support of Petitioners, *Ohio v. American Express*, <https://www.supremecourt.gov/DocketPDF/16/16-1454/23961/20171214162630698_16-1454%20Open%20Markets%20Amicus%20Brief.pdf>)

By introducing a special rule for “two-sided” markets, the Second Circuit needlessly departed from a longstanding approach to antitrust law. Its new rule greatly raises the burden that a plaintiff in the “twosided” market context must carry at the very earliest stage of litigation. Not only is the new rule unjustified, it is pegged to a concept that is contested and ill-defined. Defendant companies ranging from airlines to chicken processors could reasonably claim that they meet the definition of “two-sided,” winning themselves more favorable judicial review.

Basing a fundamental and often decisive inquiry on a slippery definition is a mistake. Troublingly, the Second Circuit’s approach also risks exempting from effective antitrust scrutiny the dominant tech platforms, including Amazon, Google, and Facebook. These firms enjoy dominant positions in key markets that provide ample opportunity for anticompetitive conduct, underscoring the need for robust antitrust enforcement. Yet if the Second Circuit’s rule is upheld, a wide range of anticompetitive activity would become virtually beyond reach, given the far higher burden that plaintiffs would have to meet to establish even a prima facie case. In practice, this approach would risk immunizing dominant platforms from effective antitrust review.

#### Either democracy is doomed no matter what or its resilient and even if they win its down now, its certainly not because of the courts

Freedom House 21 – Freedom House is a non-profit non-governmental organization that conducts research and advocacy on democracy, political freedom, and human rights. Freedom House was founded in October 1941, and Wendell Willkie and Eleanor Roosevelt served as its first honorary chairpersons.

Freedom House, March 3 2021, “New Report: The global decline in democracy has accelerated,” https://freedomhouse.org/article/new-report-global-decline-democracy-has-accelerated

A need for reform in the United States

While still considered Free, the United States experienced further democratic decline during the final year of the Trump presidency. The US score in [Freedom in the World](https://freedomhouse.org/report/freedom-world/2021/democracy-under-siege) has dropped by 11 points over the past decade, and fell by three points in 2020 alone. The changes have moved the country out of a cohort that included other leading democracies, such as France and Germany, and brought it into the company of states with weaker democratic institutions, such as Romania and Panama.

Several developments in 2020 contributed to the United States’ current score. The Trump administration undermined government transparency by dismissing inspectors general, punishing or firing whistleblowers, and attempting to control or manipulate information on COVID-19. The year also featured mass protests that, while mostly peaceful, were accompanied by high-profile cases of violence, police brutality, and deadly confrontations with counterprotesters or armed vigilantes. There was a significant increase in the number of journalists arrested and physically assaulted, most often as they covered demonstrations. Finally, the outgoing president’s shocking attempts to overturn his election loss—culminating in his incitement of rioters who stormed the Capitol as Congress met to confirm the results in January 2021—put electoral institutions under severe pressure. In addition, the crisis further damaged the United States’ credibility abroad and underscored the menace of political polarization and extremism in the country.

”January 6 should be a wake-up call for many Americans about the fragility of American democracy,” said Michael J. Abramowitz, president of Freedom House. “Authoritarian powers, especially China, are advancing their interests around the world, while democracies have been divided and consumed by internal problems. For freedom to prevail on a global scale, the United States and its partners must band together and work harder to strengthen democracy at home and abroad. President Biden has pledged to restore America’s international role as a leading supporter of democracy and human rights, but to rebuild its leadership credentials, the country must simultaneously address the weaknesses within its own political system.”

“Americans should feel gratified that the courts and other important institutions held firm during the postelection crisis, and that the country escaped the worst possible outcomes,” said Abramowitz. “But the Biden administration, the new Congress, and American civil society must fortify US democracy by strengthening and expanding political rights and civil liberties for all. People everywhere benefit when the United States serves as a positive model, and the country itself reaps ample returns from a more democratic world.”

The effects of COVID-19

Government responses to the COVID-19 pandemic exacerbated the global democratic decline. Repressive regimes and populist leaders worked to reduce transparency, promote false or misleading information, and crack down on the sharing of unfavorable data or critical views. Many of those who voiced objections to their government’s handling of the pandemic faced harassment or criminal charges. Lockdowns were sometimes excessive, politicized, or brutally enforced by security agencies. And antidemocratic leaders worldwide used the pandemic as cover to weaken the political opposition and consolidate power.

In fact, many of the year’s negative developments will likely have lasting effects, meaning the eventual end of the pandemic will not necessarily trigger an immediate revitalization of democracy. In Hungary, for example, the government of Prime Minister Viktor Orbán took on emergency powers during the health crisis and misused them to withdraw financial assistance from municipalities led by opposition parties. In Sri Lanka, President Gotabaya Rajapaksa dissolved Parliament in early March and, with new elections repeatedly delayed due to COVID-19, ruled without a legislature for several months. Later in the year, both Hungary and Sri Lanka passed constitutional amendments that further strengthened executive power.

The resilience of democracy

Despite the many losses for freedom recorded by [Freedom in the World](https://freedomhouse.org/report/freedom-world/2021/democracy-under-siege) during 2020, people around the globe remained committed to fighting for their rights, and democracy continued to demonstrate its remarkable resilience. A number of countries held successful elections, independent courts provided checks on executive overreach, journalists in even the most repressive environments investigated government transgressions, and activists persisted in calling out undemocratic practices.

Following a marred election in Malawi in mid-2019, for instance, judges withstood bribery attempts and pressure from the incumbent administration and called for new elections. Opposition presidential candidate Lazarus Chakwera then won the 2020 rerun vote by a comfortable margin. The incident represented a critical win for Malawi’s democratic institutions and set a positive example of judicial independence for other African states.

In Taiwan, one of the highest-performing democracies in Asia, the government effectively suppressed the coronavirus without resorting to abusive methods, setting a sharp contrast with authoritarian China, where the regime has touted its draconian response as a model for the world. Even before the virus struck, Taiwanese voters defied a multipronged, politicized disinformation campaign from China and overwhelmingly reelected a president who opposes moves toward unification with the mainland.

“Our report concludes that democracy today is beleaguered but not defeated,” said Abramowitz. “Its adversaries have grown more powerful, making the world a more hostile environment for self-government, but its enduring appeal among ordinary people—which we’ve already seen this year in places like Russia and Myanmar—bode well for the future of freedom.”

### K Security

#### Perm do both – the aff’s contingent engagement with security allows reflexivity in politics

Mustapha, PhD, Assistant Professor, Dept of Political Science, Western University, ‘19

(Jennifer, “The politics and ethics of critical approaches to security,” Chapter 2 in *Writing Southeast Asian security: regional security and the war on terror after 9/11*, Routledge, pg. 14-17)

In my own contribution to this discussion (2013). I have argued for the need to move beyond critical post-structuralist deconstruction in order to engage with the (contingent) realities of actually occurring security problems. but without simply re-producing an unproblematic deference to foundational claims, liberal or otherwise. In my original exploration of these topics, I addressed the inclination within post-structuralism, and particularly within postmodernism, to defer engagement with this conundrum and noted that this is deeply troubling for those of us who wish to avoid the ethical and political hazards of being unable to make claims. Utilizing Stephen K. White's (2000. 2003. 2005. 2009) arguments for the viability of "weak ontologies," I argued that a post-structurally inclined critical security studies does not require a wholesale rejection of making foundational claims, nor does it necessitate a paralytic disjuncture from the "real world" or the real people who reside there.

Ultimately, I continue to assert that maintaining critical commitments in theorizing security can mean "being reflexive about the claims that are ultimately made, but also of being accountable to them" (Mustapha 2013. 64). This "weak ontology" understanding of critical security studies proves compatible with the type of "immanent critique" method that Wyn-Jones (1999) and Browning and McDonald (2011) advocate for in their support for the practical application of theory. Informed by a weak ontology, methods of critique that examine particular security logics in ways that recognize their historical, geographical, and ideational contingencies become possible. In other words, my own contribution to the critical security literature articulates a method of critique that calls for an empirically rooted examination of actually-occurring insecurities in order to move beyond deconstruction towards a reconstructive exercise of engaging with existing, but always contingently constructed, security logics. Further, it addresses the weaknesses of the aspects of critical security studies that have proven to be ill-equipped to grapple with the politics and ethics of security practices. This general concern is now echoed in work emerging in what is now called the "post-critical- space in security studies and IR that seeks to "ask not [just] what comes after critique, but what should come with critique in order to make it more effective in but also beyond academia" (Tallis 2017, 7).

#### There’s no impact – our one speech act does nothing and the fact that you can identify something as securitized proves there are brakes on escalation!

Heller et al., Institute for Peace Research and Security Policy – U Hamburg, ‘12

(Regina, “The 'dark' side of normative argumentation - The case of counterterrorism policy,” Global Constitutionalism Vol. 1 Issue 2 p. 278-312)

While we regard **securitization theory** as a very useful means to understand how actors in general try to legitimize certain practices by challenging existing norms, we contend that the theory **can only unfold** its full explanatory capacity **when it is** amended by a number of aspects to which critics of the CS have pointed and when **supplemented** by the framing theory approach. An important aspect here is **the** CS’ problematic **characterization of** **securitization as ‘self-referential’**. According to Buzan et al. ( 1998 : 24), an ‘issue becomes a security issue – not necessarily because a real existential threat exists but because the issue is presented as such a threat’ (see also: Balzacq 2005 : 181). This **is problematic because the audience must accept this** presentation before **the issue can be regarded as securitized** (Buzan et al. 1998 : 25). Buzan ( 1997 : 27) has moreover written that securitization ‘is constituted by the intersubjective establishment of an existential threat with a saliency sufﬁ cient to have substantial political effects’. **This**, however, is not a self-referential process and it **implies that** with the simple uttering of ‘security’**, the process of** securitization does not **come to an** end**. Securitization ‘moves’ must be understood as only** one part **of the securitization process**, as an attempt to securitize a certain issue. The CS acknowledges that for securitization to ‘work’, several conditions need to be fulﬁlled: ‘(1) the demand internal to **the speech act** of following the grammar of security, (2) the **social conditions** regarding the position of authority for the securitizing actor – that is, the relationship between speaker and audience and thereby the likelihood of the audience accepting the claims made in a securitizing attempt, **and** (3) **features of the alleged threats that either facilitate or impede securitization’** (Buzan et al. 1998 : 33; Wæver 2000 : 252–5; see also: Buzan and Wæver 2003 : 71–4). 15 Nevertheless, critics have contended that the CS has not worked on the facilitating conditions as differentiatedly and intensively as might be necessary (see e.g. Stritzel 2007 ). Generally, they point out the need to better ‘embed’ securitization in a more process-like and a more ‘interactive’, audience-related set of conditions (see: Balzacq 2005 ; 2011 : 27; McDonald 2008 ; Williams 2011 ). In order to understand how securitization works and how it contributes to the transcending of a given normative setting, one has to contextualize the use of language, i.e. a) take into account the cultural context into which this use of language is embedded, and b) look at the very particular way a securitizing actor makes use of language. With respect to the ﬁ rst point, Balzacq ( 2005 : 172) puts forward the argument that **‘securitization is better understood as a** strategic (**pragmatic**) **practice that occurs within**, and as part of, a conﬁguration of **circumstances**, including the context, the psycho-cultural disposition of the audience, and the power that both speaker and listener bring to the interaction’ (see also: Leonard and Kaunert 2011 ). McDonald ( 2008 : 573) also underlines this when he argues that one has to keep in mind that ‘those interested in the construction of security must pay attention to the social, political and historical contexts in which particular discourses of security (even those deﬁ ned narrowly in terms of the designation and articulation of threat) become possible’. One could object, however, that governmental actors, especially when they are part of the security establishment, unremittingly make securitizing moves because it is part of their business to do so. Most probably, they often do not really care whether each single act is actually successful. Be that as it may, the debate about the contexts and ‘facilitating conditions’ of securitization is important even in such a case, because securitizing actors must always take into account the cultural contexts and conditions in order to maintain the chance of their ‘securitizing moves’ becoming successful (see: McDonald 2008 ; Balzacq 2005 , 2011 ; Stritzel 2007 ). Moreover, **a securitizing actor** not only needs to consider the respective discourse or context, but also **has to frame the arguments in a way that they ﬁnd resonance with the audience**. This is in accordance with Balzacq’s ( 2005 : 184) observation that ‘**the success of securitization is highly contingent upon the securitizing actor’s ability to identify with the audience**’s feelings, needs, and interests’, and that ‘the speaker has to tune his/her language to the audience’s experience’ (see also: McDonald 2008 : 564; Balzacq 2011 : 9). In order to be successful, the speaker must use the appropriate language and heuristic artifacts that ‘facilitate the mobilization of the audience – analogies, metaphors, metonymies, emotions, stereotypes’ (Balzacq 2005 : 173; see also 2011 : 9). Therefore, the speaker has to skillfully employ language that resonates with the audience. This is even more important where the ideas, practices or measures to be legitimized extend to issues considered taboo. Norm challengers even have to anticipate that attempts to bring an established norm into question may, in the end, lead to its reafﬁ rmation. In other words, it is not only what is said that is important but also the manner in which the securitizing actor makes the case for an issue, his ‘capacity to use appropriate words and cogent frames of reference in a given context’ (Balzacq 2005 : 190, 192; see also 2011 : 14). This again points to the importance of the use of frames in order to structure various properties of an issue under the label ‘security threat’. As Vultee ( 2011 : 79) has put it: ‘[S]ecuritization is a form of framing that highlights the existential threat of an issue.’ Buzan et al. ( 1998 : 23) obviously had this in mind when they wrote that ‘“[s]ecurity” is the move that takes politics beyond the established rules of the game and frames the issue either as a special kind of politics or as above politics.’ However, the CS has not elaborated much on the framing issue. **Securitization theory is** also **underspeciﬁed** in this regard. Most critics, although pointing to the necessity of analyzing pragmatic aspects such as the ‘wording’, the concrete use of language in securitization, have not had recourse to framing theory, at least not explicitly. This comes as a surprise, as some researchers have argued for the use of framing theory for setting the threat agenda. Eriksson and Noreen ( 2002 ) for example contend that categorizing something as a ‘security threat’ (or ‘securitization’) is a form of ‘threat framing’. Based on the assumption that political speech is supposed to ‘convince’, applying framing theory appears useful; in addition, we can make the empirical observation that such framing methods, which are supposed to convince and persuade, are indeed being used in practice (see below).

### DA Politics

#### Not possible aff to be tied to drain PC – courts are insulated

Keith E. **Whittington 5**, Cromwell Professor of Politics – Princeton University, ““Interpose Your Friendly Hand”: Political Supports for the Exercise of Judicial Review by the United States Supreme Court”, American Political Science Review, 99(4), November, p. 585, 591-592

Political leaders in such a situation will have reason to support or, at minimum, tolerate the active exercise of judicial review. In the American context, the presidency is a particularly useful site for locating such behavior. The Constitution gives the president a powerful role in selecting and speaking to federal judges. As national party leaders, presidents and presidential candidates are both conscious of the fragmented nature of American political parties and sensitive to policy goals that will not be shared by all of the president’s putative partisan allies in Congress. We would expect political support for judicial review to make itself apparent in any of four fields of activity: (1) in the selection of “activist” judges, (2) in the encouragement of specific judicial action consistent with the political needs of coalition leaders, (3) in the **congenial reception** of judicial action after it has been taken, and (4) in the public expression of generalized support for judicial supremacy in the articulation of constitutional commitments. Although it might sometimes be the case that judges and elected officials **act in** more-or-less **explicit** **concert** to shift the politically appropriate decisions into the judicial arena for resolution, it is also the case that judges might act independently of elected officials but nonetheless in ways that elected officials find congenial to their own interests and are **willing** and able **to accommodate**. Although Attorney General Richard Olney and perhaps President Grover Cleveland thought the 1894 federal income tax was politically unwise and socially unjust, they did not necessarily therefore think judicial intervention was appropriate in the case considered in more detail later (Eggert 1974, 101– 14). If a majority of the justices and Cleveland-allies in and around the administration had more serious doubts about the constitutionality of the tax, however, the White House would hardly feel aggrieved. We should be equally interested in how judges might exploit the political space open to them to render **controversial decisions** and in how elected officials might anticipate the utility of future acts of judicial review to their own interests.¶ [CONTINUES]¶ There are some issues that politicians cannot easily handle. For individual legislators, their constituents may be sharply divided on a given issue or overwhelmingly hostile to a policy that the legislator would nonetheless like to see adopted. Party leaders, including presidents and legislative leaders, must similarly sometimes manage deeply divided or cross-pressured coalitions. When faced with such issues, elected officials may actively seek to turn over controversial political questions to the courts so as to **circumvent a paralyzed legislature** and **avoid the political fallout** that would come with taking direct action themselves. As Mark Graber (1993) has detailed in cases such as slavery and abortion, elected officials may prefer judicial resolution of disruptive political issues to direct legislative action, especially when the courts are believed to be sympathetic to the politician’s own substantive preferences but even when the attitude of the courts is uncertain or unfavorable (see also, Lovell 2003). Even when politicians do not invite judicial intervention, strategically minded courts will take into account not only the policy preferences of well-positioned policymakers but also the willingness of those potential policymakers to act if doing so means that they must assume responsibility for policy outcomes. For cross-pressured politicians and coalition leaders, **shifting blame** for controversial decisions to the Court and obscuring their own relationship to those decisions may preserve electoral support and coalition unity without threatening active judicial review (Arnold 1990; Fiorina 1986; Weaver 1986). The conditions for the exercise of judicial review may be relatively favorable when judicial invalidations of legislative policy can be managed to the electoral benefit of most legislators. In the cases considered previously, fractious coalitions produced legislation that presidents and party leaders deplored but were unwilling to block. Divisions within the governing coalition can also prevent legislative action that political leaders want taken, as illustrated in the following case.

#### Manchin ruins any climate provisions – 0 chance they can solve their impact

Goodell 10/1 – Jeff Goodell is an American author and contributing editor to Rolling Stone magazine. Goodell's writings are known for a focus on energy and environmental issues.

Jeff Goodell, October 1 2021, “Joe Manchin Just Cooked the Planet,” The Rolling Stone, https://www.rollingstone.com/politics/political-commentary/joe-manchin-reconcilation-bill-big-coal-1235597/

West Virginia Sen. [Joe Manchin](https://www.rollingstone.com/t/joe-manchin/) just cooked the planet. I don’t mean that in a metaphorical sense. I mean that literally. Unless Manchin changes his negotiating position dramatically in the near future, he will be remembered as the man who, when the moment of decision came, chose to condemn virtually every living creature on Earth to a hellish future of suffering, hardship, and death.

Quite a legacy. But he has earned it.

Last night, during the insane and at times comical negotiations over President Biden’s [infrastructure](https://www.rollingstone.com/t/infrastructure/) bill and his $3.5 trillion Build Back Better agenda (aka the reconciliation bill), Manchin let it be known that he was not going to vote for any measure above $1.5 trillion. And because Democrats can’t afford to lose a single vote in the Senate, if Manchin won’t vote for it, the reconciliation bill won’t pass.

The $3.5 trillion reconciliation bill includes a long list of programs and tax reforms that will help reduce poverty and improve the social safety net, such as universal child tax credit, universal pre-K, free community college, and an expansion of Medicare. But it is also the primary vehicle for President Biden’s ambitious climate action agenda, including cuts in subsidies for the fossil fuel industry, and, most importantly, the Clean Energy Performance Package (CEPP), which is a clean energy standard that incentivizes power companies to shift away from fossil fuels.

From a climate point of view, the importance of these climate policy measures is impossible to overstate. In order to have a decent chance at maintaining a habitable planet, scientists agree that the world needs to zero out carbon pollution by 2050. And to have any shot at that, we have to start moving now. Every year, every month, every hour of delay makes that goal more difficult to achieve, and increases the risks of accelerated climate chaos that will make this past summer of hellish wildfires, storms, and droughts look like the good old days.

The zero carbon by 2050 goal is not a political slogan or environmentalist’s dream. It is what the best scientists in the world are telling us we need to do to avert climate catastrophe. It is also the basis for Biden’s goal of a 100 percent clean energy grid by 2035, and a 50 percent reduction in CO2 pollution by 2030. For Biden, taking strong action on climate is not just important in itself. It is also key to giving the U.S. climate negotiators something to bring to the table at the upcoming Glasgow climate talks, which begin on October 31st. After President Trump pulled the U.S. out of the Paris climate deal, the rest of the world has looked at the U.S. with distrust. Passage of strong climate measures in Congress before the Glasgow meeting would not only rehabilitate America’s standing as a nation that takes its contribution to solving the [climate crisis](https://www.rollingstone.com/t/climate-crisis/) seriously, but give U.S. negotiators leverage to push other nations to take action.

For Biden, and for the world, it all rests on the ability to get the reconciliation bill through Congress. With Republicans not willing to do anything, this was the only chance they had to get climate policy through. It was a gamble, but it was a gamble they had to take.

But Manchin is fucking it all up. To him, climate is a tomorrow problem. As he [said](https://slate.com/news-and-politics/2021/09/manchin-trillion-spending-plan-sanders.html) recently on CNN’s State of the Union: “What’s the urgency?”

Manchin is one of a small group of centrist Democrats who pretend to be motivated by fiscal restraint. They have pitched themselves as the sober adults in the room full of crazy Socialist progressives who are spending like drunken sailors on government programs. Manchin says he can only support $1.5 trillion, that is the number that he believes is responsible, and he won’t go beyond that. “I’m at $1.5 trillion — I think $1.5 trillion does exactly the necessary things we need to do,” he [said](https://www.nytimes.com/2021/09/30/us/politics/manchin-biden-agenda.html).

Yes, $1.5 trillion is a big number. And yeah, this is politics, you take the best deal you can get and move on. Half a loaf is better than no loaf.

But the problem is, it’s not close to what we need on climate. The policy specifics of the reconciliation bill are not yet clear, but what is clear is that Manchin won’t go along with anything that hurts the coal industry, including a reduction of the massive fossil fuel subsidies lavished on Big Oil and Big Coal. And if the clean energy standard is included (which is not at all clear at this point), Manchin will be sure it is weakened to the point of being ineffectual.

#### Warming doesn’t trigger extinction

IBD 18 [Investors Business Daily, Citing Study from Peer reviewed journal by Lewis and Curry, “Here's One Global Warming Study Nobody Wants You To See”, 4/25/18, https://www.investors.com/politics/editorials/global-warming-computer-models-co2-emissions/]

Settled Science: A new study published in a peer-reviewed journal finds that climate models exaggerate the global warming from CO2 emissions by as much as 45%.

MARKED

If these findings hold true, it's huge news. No wonder the mainstream press is ignoring it.

In the study, authors Nic Lewis and Judith Curry looked at actual temperature records and compared them with climate change computer models. What they found is that the planet has shown itself to be far less sensitive to increases in CO2 than the climate models say. As a result, they say, the planet will warm less than the models predict, even if we continue pumping CO2 into the atmosphere.

As Lewis explains: "Our results imply that, for any future emissions scenario, future warming is likely to be substantially lower than the central computer model-simulated level projected by the (United Nations Intergovernmental Panel on Climate Change), and highly unlikely to exceed that level.

How much lower? Lewis and Curry say that their findings show temperature increases will be 30%-45% lower than the climate models say. If they are right, then there's little to worry about, even if we don't drastically reduce CO2 emissions.

The planet will warm from human activity, but not nearly enough to cause the sort of end-of-the-world calamities we keep hearing about. In fact, the resulting warming would be below the target set at the Paris agreement.

This would be tremendously good news.

The fact that the Lewis and Curry study appears in the peer-reviewed American Meteorological Society's Journal of Climate lends credibility to their findings. This is the same journal, after all, that recently published widely covered studies saying the Sahara has been growing and the climate boundary in central U.S. has shifted 140 miles to the east because of global warming.

The Lewis and Curry findings come after another study, published in the prestigious journal Nature, that found the long-held view that a doubling of CO2 would boost global temperatures as much as 4.5 degrees Celsius was wrong**.** The most temperatures would likely climb is 3.4 degrees.

It also follows a study published in Science, which found that rocks contain vast amounts of nitrogen that plants could use to grow and absorb more CO2, potentially offsetting at least some of the effects of CO2 emissions and reducing future temperature increases.

#### Even if everyone stopped all emissions today it wouldn’t solve warming

**Cascio 19** [Jamais Cascio is a professional futurist who has been exploring the intersection of environmental, technological, and cultural change for 25 years. Selected by Foreign Policy magazine as one of their Top 100 Global Thinkers in 2009, Cascio specializes in plausible scenarios of the future. He is a Distinguished Fellow at the Institute for the Future, where he works on a wide array of projects. Cascio’s written work has appeared in both academic and popular journals and collections. “The apocalypse: It’s not the end of the world”, BULLETIN OF THE ATOMIC SCIENTISTS 2019, VOL. 75, NO. 6, 269–272, Taylor and Francis]

There’s a 25- to 50-year lag between the emission of atmospheric carbon and its persistent impact on temperature. This means the environmental disruption attributable to global warming we’re seeing now is the result of carbon emissions up through the 1980s.

MARKED

It also means we could cut off all carbon emissions today, globally, and still see another generation of warming. Beyond the environmental, economic, and human consequences, imagine the political impact of taking bold action that produces no observable benefits for 20 years, or even longer.

## 1AR

### Conduct

#### Dangerous nuclear build up now absent sanctions relief.

**Tirone 21** --- Bloomberg Reporter with a focus on Iran and Energy.

Jonathan, 9-7-2021, "Iran’s New Government Signals No Let Up in Atomic Escalation," Bloomberg, https://www.bloomberg.com/news/articles/2021-09-07/iran-s-new-government-signals-no-let-up-in-nuclear-escalation

Iran’s new government continued to dramatically increase production of highly-enriched uranium while failing to resume full cooperation with international monitors, signaling a new round of escalation awaits officials when they convene this month to discuss the country’s atomic program.

International Atomic Energy Agency inspectors reported Tuesday that the Islamic Republic increased its stockpile of uranium enriched close to the levels needed for weapons and was expanding its production capacity. It also continued to restrict monitoring of facilities and an investigation into allegedly undeclared activities.

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“The agency’s confidence that it can maintain continuity of knowledge is declining over time and has now significantly further declined,” the IAEA warned. “This confidence will continue to decline unless the situation is immediately rectified by Iran.”

The reports are likely to renew pressure on international envoys to the IAEA to formally censure Iran when they meet Sept. 13 in Vienna. A resolution condemning Iran’s nuclear activities and lack of cooperation could eventually end up at the United Nations Security Council.

Iranian officials have warned that such a move could dim the prospects for broader talks designed to resurrect a 2015 deal, known as the JCPOA, with world powers. The agreement reined in Iran’s nuclear activities in exchange for sanctions relief until the Trump administration withdrew and reimposed penalties, and Iran retaliated by breaking limits on its enrichment.

Negotiations to restore the pact, also held in Vienna, halted earlier this year as Iran prepared to elect a new president, and are yet to resume. In the meantime, Tehran has been racing ahead with its atomic activities while securing the economic support of China and Russia.

Robert Malley, the U.S. special envoy to the Iran talks, will be meeting counterparts in Moscow and Paris this week to try to “quickly reach and implement an understanding on a mutual return to compliance” with the Iran nuclear deal, known as the JCPOA, the State Department announced Tuesday.

Some analysts and diplomats expect Raisi to try to use Iran’s nuclear advances to wring wider sanctions relief from Washington. A deal could unleash a surge in Iranian oil exports and calm Gulf tensions.

Iran’s stockpile of highly-enriched uranium rose fourfold to 10 kilograms (22.1 pounds) over the last three months while its inventory of material enriched to 20% rose by about a third to 84.3 kilograms. The overall stockpile fell as Iranian engineers shifted low-enriched inventory into feeds intended to produce material at higher levels of purity, according to the agency.

The country possesses more than enough supply of the material for several weapons if it made the decision to go for a bomb. Iran has always maintained its atomic program is for peaceful purposes.

The IAEA’s two-year probe into the source of uranium particles detected at undeclared sites in Iran also failed to make headway.

### States

#### CP creates mass uncertainty that stops businesses in their tracks

HLR, Harvard Law Review Note, Antitrust Federalism, Preemption, and Judge-Made Law, June 10, 2020, 133 Harv. L. Rev. 2557

Closely related to the patchwork regime problem is the one-state dominator problem: because national firms may not always be able to maintain different business practices in each state, firms could be forced to follow the law of whichever state has the strictest antitrust policy nationwide. For example, a single state could use its own antitrust laws to “challenge the largest nationwide transactions so long as it can show that the state itself, its citizens, or its economy is affected in a way that provides standing.”44 If a nationwide merger is illegal under one state’s laws, it may not be worth it for the firm to restructure the transaction in order to merge in all but one jurisdiction. This reality could allow for the state with the strictest antitrust policy to dominate the policy decisions of every other state and of the federal government.45

The one-state dominator problem is exacerbated by unrecognized interstate externalities: in making its antitrust laws, a state is not forced to consider the harm or benefit to businesses based outside of its borders. 46 These uninternalized externalities make it more likely that a state will overregulate. The laboratory-of-democracy defenses to the patchwork regime problem, with their variety-is-the-spice-of-life flair, fail to explain why an individual state’s antitrust regime should be allowed to dominate the policy of the entire nation.

#### Differing state enforcement strategies undermine tech sector transactions specifically—lasting uncertainty, predictable legal regime key

Huddleston, JD, Director of Technology and Innovation Policy, American Action Forum, ‘20

(Jennifer, “Antitrust Actions Beyond the Federal Government: The Potential Impact of State and Private Litigation,” December 18, <https://www.americanactionforum.org/print/?url=https://www.americanactionforum.org/insight/antitrust-actions-beyond-the-federal-government-the-potential-impact-of-state-and-private-litigation/>)

States are once again taking an aggressive view on antitrust in the tech industry, but the divergence in arguments could lead to more confusion and disruption in an industry that has provided consumers with beneficial and free services. Currently, the attorneys general of many states disagree with one another and the federal government regarding the nature of anticompetitive behavior and consumer harm by the tech giants’ actions. As we are starting to see with the new claim led by Texas Attorney General Ken Paxton, this split is likely to result separate cases with different theories of antitrust that seek not to apply current standards but embrace more expansive policy uses of this powerful tool. Often the animus behind these claims is not clear evidence of anticompetitive behavior but a desire to solve other concerns regarding tech policy, such as data privacy or alleged anti-conservative bias. This desire to solve non-competition-related issues could give rise to divergent theories of antitrust action that are incompatible with one another and not based in the traditional elements of consumer welfare and competition policy.

With a growing number of likely divergent claims, the current tech antitrust battles could continue for some time and lead to more confusion around the application of antitrust to this dynamic sector of economy. This may appear to be a short term problem, but uncertainty around the application of competition policy could impact numerous sectors of the economy. Regulators already appear to be increasing scrutiny of acquisitions related to the technology sector well-beyond the tech giants. Multiple court cases with a wide-range of theories that do not follow traditional antitrust applications could further the uncertainty or thought that previously justified actions might be subject to greater scrutiny. If a court chooses to embrace the creative and expansive theories at the center of these state-led cases, it could set precedent that changes the application of antitrust law in the future not only for the technology industry, but in many other areas of the economy as well. Regardless of the impact of these cases—and there is reason to think that these antitrust actions would not remedy the underlying policy concerns—the uncertainty and broad reach created by these competing state cases would likely stifle economic growth and innovation.

### Politics

#### Doesn’t solve climate – Manchin will water it down

Sobcyz 10/1/2021 – reporter at E&E News

Nick Sobcyz, “Dem divisions, Manchin demands highlight climate Struggles” <https://www.eenews.net/articles/dem-divisions-manchin-demands-highlight-climate-struggles/>

Democratic infighting on Capitol Hill this week underscores how difficult it will be to get the biggest climate bill in U.S. history across the finish line.

Climate policy has emerged as one of the toughest challenges in striking a deal on Democrats’ reconciliation package, with a chasm between Energy and Natural Resources Chair Joe Manchin (D-W.Va.) and much of the rest of the party.

That divide crystallized yesterday after POLITICO reported a July 28 memo signed by Manchin and Senate Majority Leader Chuck Schumer (D-N.Y.) specifying a $1.5 trillion top line for reconciliation — much lower than House Democrats’ $3.5trillion package — and the inclusion of natural gas, coal and carbon capture in clean energy tax policies (Greenwire, Sept. 30).

Manchin’s stance is threatening to derail the proposed Clean Electricity Performance Program (CEPP) that would likely be central to meeting President Biden’s emissions goals, frustrating Democrats who see reconciliation as one of the last chances to address climate change before it’s too late.

“It's not anything that you can really negotiate away,” Select Committee on the Climate Crisis Chair Kathy Castor (D-Fla.) said in an interview yesterday. “We either follow the science, or we condemn ourselves to higher costs and more catastrophes.”

The leaked document, which Manchin confirmed to reporters yesterday, inserted another twist into the ongoing fight in the House over the bipartisan infrastructure bill. It was initially scheduled for a vote yesterday, but progressives planned to sink it without a deal with Manchin and fellow moderate Sen. Kyrsten Sinema (D-Ariz.) on reconciliation. The vote was delayed after talks that dragged into yesterday evening.

The document includes several climate-related stipulations, namely that Manchin’s committee be charged with writing any clean energy standard and that if clean energy tax breaks are extended, fossil fuel tax benefits should be preserved.

Climate spending, it says, should be “fuel neutral,” and carbon capture and storage should allow natural gas and coal to “feasibly qualify” for energy tax policies. Manchin is also doubling down on his concerns with the CEPP, which he laid out in detail this week during an Energy and Natural Resources hearing (Greenwire, Sept. 28).

“I am just not for giving public companies, who have shareholders, public dollars for free when I know they’re going to be very profitable at the end whatever we do,” Manchin told reporters outside the Capitol yesterday.

“I'd love to have carbon capture, but we don't have the technology because we really haven't gotten to that point,” Manchin added. “And it's so darn expensive that it makes it almost impossible.”

But House Democrats scoffed at the idea that coal and natural gas would get a place in a climate policy, even if some acknowledged a potential role for carbon capture.

“To those of us in the real world, coal and natural gas are not clean. They're just not,” Rep. Jared Huffman (D-Calif.) told reporters. “So let's stop pretending, and let's get real.”

Castor similarly said, “That’s not clean energy,” when asked about the role of natural gas and coal. “You could include carbon capture with guard rails that you're still meeting the clean energy goals, that you're reducing carbon pollution and greenhouse gas pollution,” she added.

The House reconciliation bill, as currently written, includes $150 billion for the CEPP, essentially a clean energy standard redesigned to fit the budget process, and billions more for electric vehicles, the grid and a federal green bank.

The CEPP would offer grants to power providers that increase their share of clean generation by 4 percent each year and fine those that do not. The emissions threshold for what qualifies as clean power would be 0.1 metric ton of carbon dioxide equivalent per megawatt-hour, ruling out natural gas and coal without carbon capture.

That structure could change as negotiations with Manchin continue, Rep. Paul Tonko (D-N.Y.), who chairs the House Energy and Commerce Subcommittee on Environment and Climate Change, said this week. "But I want to keep it as strong as possible," Tonko said.

Sen. Tina Smith (D-Minn.), one of the program’s architects, and other Democratic senators have been lobbying Manchin on the CEPP for weeks. Smith said she and Manchin “continue to have conversations” about the CEPP, but she also warned that negotiations would ultimately have to please all 50 members of the Senate Democratic caucus.

“I just keep reinforcing to everybody that we have to come up with an agreement that 50 senators can agree with, not just one or two,” Smith said yesterday. “I'm looking for strong climate provisions across the board,” she added.

Another key negotiator with Manchin is Finance Chair Ron Wyden (D-Ore.), who is pushing a broad clean energy tax plan that includes a repeal of fossil fuel subsidies. Wyden said yesterday that he and the West Virginia Democrat are “having a number of conversations with respect to energy issues.”

For House progressives, the CEPP and other climate provisions will likely be key to their support for whatever agreement leadership can strike with Manchin and Sinema, but it remains unclear where, exactly, they would draw a line.

For the most part, they’ve left the door open to changes in overall spending, means testing for electric vehicle tax credits and even potentially shortening the duration of funding for some programs to bring down the top line.

“I've got to get the things that are critical for clean energy and climate, and there can't be funny business,” Huffman said.

In the Senate, Manchin’s colleagues have refrained from chiding him publicly as negotiations continue. That’s not to mention Sinema, who has been more publicly opaque about her negotiating position and who issued a statement yesterday saying she would “not support a bill costing $3.5 trillion.”

But Sen. Martin Heinrich (D-N.M.), a member of ENR who has been pushing for the CEPP, quoted a 2009 op-ed by the late West Virginia Democratic Sen. Robert Byrd in a tweet yesterday.

"To be part of any solution, one must first acknowledge a problem. To deny the mounting science of climate change is to stick our heads in the sand and say deal me out,” Byrd wrote as lawmakers debated the Waxman-Markey cap-and-trade bill.

“West Virginia would be much smarter to stay at the table."

Byrd, Heinrich said, “was onto something.”

#### Machin is a modern day coal baron – he’s paid off to guarantee reconciliation can never solve climate change

Goodell 10/1 – Jeff Goodell is an American author and contributing editor to Rolling Stone magazine. Goodell's writings are known for a focus on energy and environmental issues.

Jeff Goodell, October 1 2021, “Joe Manchin Just Cooked the Planet,” The Rolling Stone, https://www.rollingstone.com/politics/political-commentary/joe-manchin-reconcilation-bill-big-coal-1235597/

All in all, at a time when the world is looking to the U.S. to take bold action on climate and show some leadership, Manchin will be sure that what emerged from all this is, at best, some weak tea of climate policy that might not look like outright denial or dismissal but will do little to solve the problem. And, more importantly, that will do nothing to hasten the end of fossil fuels. As he put it in[this memo](https://static.politico.com/1e/ef/159cabd547868585f9b1a8f06388/july-28-2021.pdf) outlining his negotiating position on the reconciliation bill, he made clear he wants assurances that nothing in the bill would get in the way of the production and burning of fossil fuels.

 For anyone who cares about the future of life on this planet, Manchin’s moves are willfully destructive for a number of reasons.

First, his pretense toward fiscal sanity is absurd posturing. In a [statement](https://www.manchin.senate.gov/newsroom/press-releases/manchin-statement-on-infrastructure-and-reconcilliation-negotiations), he decried “the brutal fiscal reality” the nation faces as reason for his opposition. The $3.5 trillion, which is spread out over 10 years, is about 1.2 percent of GDP. How brutal is that? Especially when you consider that Manchin [voted](https://theweek.com/democrats/1005529/joe-manchin-whines-about-35-trillion-but-he-spent-91-trillion-on-defense) for every military budget in the last decade, which cost $9.1 trillion, without ever once whining about any brutal fiscal reality. As MSNBC’s Chis Hayes [tweeted](https://twitter.com/chrislhayes/status/1443324938853699586?s=20): “THERE IS NO BRUTAL FISCAL REALITY THE NATION FACES; IT IS ENTIRELY MADE UP.”

And the price of inaction on climate is a lot more than the price of action. It’s not just the tens of billions of dollars or so spent every year recovering from natural disasters. It’s also the price of the priceless: How do you put a dollar value on the extinction of monarch butterflies? How do you put a price tag on the [600 Americans](https://www.nytimes.com/interactive/2021/08/11/climate/deaths-pacific-northwest-heat-wave.html) who died during the heat wave that hit the Pacific Northwest last summer? How do you run the numbers for a vanishing Arctic? As climate journalist Amy Westervelt [put it](https://twitter.com/amywestervelt/status/1443770499633491972?s=20) with characteristic aplomb: “The change these motherfuckers are signing us up for is so many times more radical than any climate policy ever proposed.”

You can argue that the real action on climate happens at the local level. Or that the astounding decline in clean energy prices will drive the revolution. But without a big push from government, it won’t happen fast enough, nor will the deep injustices of climate chaos be addressed in any meaningful way.

Second, Manchin is obviously a tool of the fossil fuel industry, which has poured millions of dollars into lobbying and ads to kill the reconciliation bill. The American Petroleum Institute, the industry’s biggest trade group, is [running ads](https://www.nytimes.com/2021/09/30/climate/api-exxon-biden-climate-bill.html) that celebrate Manchin for his opposition to the plan. Manchin has received more campaign donations from the oil, coal and gas industries than any other senator. “Help us thank Senator Joe Manchin,” reads one recent ad, “for being a champion of American made energy.” In fact, Manchin is, as journalist Mark Hertsgaard [points](https://www.theguardian.com/environment/2021/sep/30/joe-manchin-climate-coal-baron-stocks) out, “a modern day coal baron” himself, earning roughly half a million dollars a year in dividends from millions of dollars of coal stock he owns.

#### He’ll impose a ton of provisions that deck the bills ability to solve climate change

McPherson 9/30 – Experienced congressional reporter ready to dive into coverage of any political or policy debate.

Lindsey McPherson, September 30 2021, “Manchin throws wrench into budget, infrastructure talks,” Roll Call, https://www.rollcall.com/2021/09/30/manchin-throws-wrench-into-budget-infrastructure-talks/

Manchin signed a one-page memo more than two months ago saying his topline was $1.5 trillion. He and Schumer both signed the July 28 memo that included a list of Manchin’s spending and offset “conditions.” A Democratic aide confirmed the authenticity of the memo, which first reported by Politico.

The conditions Manchin mentioned include: means testing and “guardrails” on new family and health programs as well as “targeted spending caps” on existing programs; climate programs that are “fuel neutral,” with spending directed to “innovation, not elimination”; a ban on eliminating fossil fuel tax incentives if the measure included breaks for solar and wind; and ensuring no new funds approved in the measure could be spent until all COVID-19 relief money has been disbursed.

Manchin also listed tax conditions that he has talked about publicly: a 25 percent corporate rate with a 15 percent minimum tax on domestic income; a 39.6 percent top individual rate; and a maximum rate of 28 percent for capital gains, including the existing 3.8 percent tax on investment income.

#### Grid rids are resilient- their authors are hacks

Wagenseil 3/11/19[Paul Wagenseil, Senior Editor of security and privacy @ Tom’s Guide, Citing Selena Larson, intelligence analyst @ Dragos Cybersecurity Firm, “Hackers Can't Cause Crippling Blackouts, Expert Says”, https://www.tomsguide.com/us/blackout-hack-threat-rsa2019,news-29594.html]

SAN FRANCISCO — Don't believe the hype. Hackers cannot easily take down the North American electrical grid to cause massive blackouts, despite numerous news stories, magazine articles and books claiming that they can, a cybersecurity expert told the last week's RSA Conference.

"There are lots of misunderstandings about threats to the electric grid," said Selena Larson, an intelligence analyst at Maryland cybersecurity firm Dragos and a former CNN reporter. "The reality is that a destructive incident at one site would require highly tailored [malware] tools and operations, and would not effectively scale."

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That's because U.S. power plants use different makes and models of hardware and software, are often at least partly isolated from the internet and from each other, and have already undergone a fair degree of hardening against cyberattacks. There's very little chance that a single hacker or group of hackers could knock out the power across a large swath of North America at once.

Scary headlines

Those inconvenient facts haven't prevented journalists and writers from penning what Larson deemed needlessly alarming stories. One July 2018 opinion piece in The New York Times entitled "To Hackers, We're Bambi in the Woods" began with a nightmare scenario of an America thrown back to the Stone Age by a cyberattack that kills the power, stops the trains, empties bank accounts and opens literal floodgates.

Later that same month, The Wall Street Journal ran a story called "Russian Hackers Reach U.S. Utility Control Rooms, Homeland Security Officials Say," lending credence to the nightmare scenario. But it was incorrectly reported — it was based on old information that had been revisited in a DHS presentation.

Larson didn't mention "Lights Out: A Cyberattack, A Nation Unprepared, Surviving the Aftermath," a best-selling 2015 book by former ABC News anchor Ted Koppel.

"A well-designed attack on just one of the nation's three electric power grids could cripple much of our infrastructure — and in the age of cyberwarfare, a laptop has become the only necessary weapon," reads the jacket blurb following another apocalyptic scenario of a months-long blackout leading to societal collapse.

State-sponsored attacks

The truth is that Russian hackers do try to get into American power plants, but so far they've only seemed to be performing reconnaissance, Larson said. Destructive malware has infected the office networks of some power companies, but the companies weren't specifically targeted, and the malware didn't cross over into plant operations.

"A ransomware infection at the financial-services division of an electric utility doesn't automatically translate to a blackout," Larson said.

While most state-sponsored hacker groups targeting power plants and other industrial-control systems only gather information, two other have gone further, Larson said. Those were the Electrum group, which used malware dubbed CrashOverride to take down a Ukrainian power plant in 2016, and the Trisis group, which infected the safety systems at a Saudi petrochemical plant in 2017.

Both attacks have been attributed to Russian state-sponsored hackers, and the Saudi-plant attack led another presenter at RSA 2019 to conclude that cyberattacks would soon kill people, either deliberately or accidentally.

But as Dragos founder and CEO Robert M. Lee stated in a 2017 blog posting describing the CrashOverride malware, "the public must understand that the outages could be in hours or days, not weeks or months."

Lee said that Dragos had "high confidence" that the CrashOverride hackers were the same who had in fact targeted U.S. and European infrastructure companies in 2014. And CrashOverride contained modules to "delete files and processes off of the running systems" to sabotage computer systems.

Larson said, however, that the CrashOverride creators had spent months or years planning the attack, and that the malware was specifically designed for that power plant. The attacks couldn't easily scale across the world, or even across Ukraine.

Outlook

There are true cyberattack threats out there, Larson added. For example, the Russian NotPetya ransomware worm in June 2017 cost the Maersk shipping line an estimated $200 million, and FedEx an estimated $300 million. The North Korean WannaCry attack the previous month crippled hospital computer systems in Europe and North America.

But in terms of the North American power grid, small animals such as squirrels, cats and raccoons are a much larger threat than hackers, and have caused hundreds of localized blackouts, Larson said. That mundane detail doesn't sell books.

The public should be reassured, she added, that the North American power grid (there are in fact three grids) has always been engineered to limit both the duration and the geographic reach of blackouts, and that there's no single power switch that can turn it all off.

"The truth is that the North American electric grid is resilient and segmented," Larson said.