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Economists Outside the Bubble
Antitrust Interview with Russ Roberts and Glen Weyl

by Michael Lindsay and Christine Meyer

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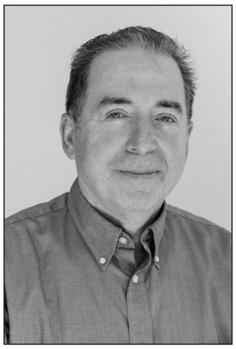

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MICHAEL LINDSAY: This issue of Antitrust continues our ongoing examination of the future of antitrust law. Sometimes looking forward requires taking a step backward or outward to get a better view and to get a different perspective on the antitrust enterprise and its institutions. We have asked two distinguished economists and public intellectuals to talk with us today: Russ Roberts and Glen Weyl. Glen and Russ, welcome.

RUSS ROBERTS: A pleasure to be here with you, Michael.

GLEN WEYL: Ditto.

MICHAEL LINDSAY: Let's begin with something that I think we will all agree on: Competitive markets are generally a good thing and artificial restraints—or at least naked restraints, such as horizontal price fixing—are a bad thing. Agreed?

GLEN WEYL: I think that if you ask a question like "Is it good to clean your basement" in the context of describing the maintenance of your whole house, obviously the answer would be something like "Yes." But is that most of what is going on? Is that the fundamental principle of keeping a house clean? That is not the first thing that I would describe.

In the very limited set of contexts where it is reasonable to think that economic activity is well described by decreasing returns and the standard things that go into thinking about a market, of course you want competitive markets and lack of artificial restraints and so forth.

But I think that the things that actually drive prosperity forward are not primarily that. The things that drive prosperity forward are transformative innovation that creates new ways of people connecting to each other and brings new forms of markets into existence, and the conditions that create those are not well captured by anything like "competitive markets" or lack of artificial restraints. Most of what determines economic growth is how we deal with situations like that most effectively, not the residual—that is, the competitive part of the economy.

So yes, in some limited ways I would agree, but on the other hand, I just don't think that is a good way of starting how we think about the issues in antitrust.

MICHAEL LINDSAY: Russ, why don't you respond to that and then we'll come back and ask Glen to expand on it.

RUSS ROBERTS: It's interesting. You started off with a question that you just assumed both of us would go "Well, of course," and then we'd get to the real stuff.

I think both of us are a little bit uncomfortable with this, what I would call stylized, description of markets. I think I'm a little older than Glen—actually I know I'm a little bit older than Glen. When I went to graduate school, that was not a good way to talk about competition, so there was a sort of extreme version in how it was discussed that clearly doesn't exist—perfect information, homogeneous products, and so on. That model of how to think about how consumers and producers interact is a pretty sterile one. At one extreme we've got an infinite number of producers and prices are driven down to the lowest level of cost consistent with zero economic profit, and at the other end, there's a monopolist.

Of course, the real world is almost always somewhere in between those two points. The way economists talked about this for a long time—I don't think made a lot of sense. Most of us understand that you can have a reasonable amount of competition with a small number of firms; you don't need an infinite number of firms; you don't need perfect competition; you don't need perfect information; you don't need a totally homogeneous product. As I think Glen would agree, a lot of the competition takes place over what your product is going to be and trying to decide what you should produce. In the textbook, it's all just a question of how many, which is a really bizarre world.

So in that extreme view, the way the textbooks talked about it then—and I think they still do to some extent—was: "Well, competition is the goal because consumers do great there, and monopoly is to be avoided because it's really awful because monopolies exploit consumers." And then you have this awkward question: "Well, since we don't have perfect competition, and we don't usually have one seller (unless the government has mandated it), how do we think about that? Is it the number of firms that count? Is it the barriers to entry that we might be able to estimate or think about?" I don't think economists for the last sixty or eighty years have had good answers to those questions.

There was a huge industry, for a long time on so-called concentration, which is sort of again assuming that this whole thing was a continuum and you either had one firm or an infinite number and the closer you got to one the worse it was. I think that was just desperately driven by the fact that we don't have a real measure of how competitive a market really is. Do you agree with that, Glen?

GLEN WEYL: Yes and no. I agree in the sense that the wrinkles that you're adding are real wrinkles, Russ, but I might see it a little bit differently: I'm not sure that competition is even really the way I imagine the set of goals—or at least not the simplest notion of competition—because fundamentally what I think we want is progress.

What we want is delivering value to the participants in the economic system, and the way that we do that is through increasing returns phenomena. Decreasing returns phenomena are sterile, they're static, they're about squeezing the last bit out of the orange—and of course don't get me wrong: it's better to squeeze the last bit out of the orange than it is to leave a bunch sitting there and throw it away. But much more productive than that is creating a new variety of orange, planting new orange trees, right?

So the real questions to me are how do we make that happen? What are the dynamics that enable us to be more generative? Not primarily whether, in existing markets, we are managing to get the last drop of value out.

And it's not just being generative; it's being accountable. Are we being generative in a way that is actually delivering value to people, or are we doing it in a way that is destroying more than it is creating? We need creative destruction, but if you have the Revolution in France, that's not very creative destruction; that's more destructive than it is creative.

So the question is: Are we actually managing to push things forward in a positive direction? That's a much more important and interesting question to me than the question of: Do we maximally efficiently allocate the scarcity that is created by the existing economic environment?

MICHAEL LINDSAY: I take it that although both of you think there are some fundamental issues with the way our current antitrust institutions think about market analysis and competition, you would agree that, all else being equal, we do not want competitors getting together and fixing prices at which they resell their products. Do we have agreement on that?

GLEN WEYL: What is the role of antitrust in my mind? It's fundamentally about democracy. It's about making centers of power accountable to the people over whom they have power, and having competitors get together and set prices is a way of them assembling more power. Now, if that power is used in the same sort of pure shareholder-serving way as we imagined before, then I would say that's definitely undesirable and we want to stop that.

On the other hand, there are definitely cases of rivals getting together in ways that can actually make them more accountable on net than they were beforehand. An example of something in that type of a direction would be an industry consortium that participates in sectoral collective bargaining with workers, and there are examples of that happening. That might actually make things more accountable to stakeholders, at least in some circumstances.

All else equal, where "all else" includes the stakeholders that the companies are accountable to being equal, I would tend to agree. But I think that you have to make sure that you remember that the point of competition in my mind is accountability to your stakeholders, and that that's achievable both through voice and exit. If you hold the voice constant, yes reducing exit options is bad, but if it can serve as a way to empower voice, then I have a very different attitude towards it.

RUSS ROBERTS: I want to riff on that a little bit. I like the way Glen mentioned the word "democratic," actually not a word I would have used—and normally that invokes some kind of voting mechanism in the minds of most people, but I don't think that's what he meant. I think of competition—and I'll say something in a minute about antitrust policy—as being the thing that protects consumers or workers from the profit motive. Profit motive is a fantastically powerful thing that can be constrained in many different ways.

One of the ways to constrain it is by competition. So if I'm a firm and I want to make more money than less, I have an incentive often to raise my price; but if it means I am going to lose too many customers, that deters me. The whole idea of a market system—on paper and I think often in practice—is that we don't need top-down supervision of that setting of prices because competition induces firms to serve its customers well.

We are going to talk, I assume, about some of the challenges of that model in the social networks that we are increasingly enmeshed in on the Internet and the decreasing returns to scale—the sort of old-fashioned economy of 1950 of steel and textiles and restaurants and so on. The joke used to be when AT&T had a monopoly: "We're AT&T, we don't care, we don't have to." Competition is what encourages "you have to."

I'm going to quote Walter Williams, my former colleague at George Mason, who I've quoted a number of times on EconTalk. "Here's my relationship with my grocery: I don't tell them when I'm coming, I don't tell them what I want to buy, I don't tell them how much of any items I want, but if I show up and they don't have what I want, I fire them." Of course, if there aren't any alternatives, you can't fire them; you just have to be disappointed that day and hope it's better the next day.

The value of competition is to induce a wide range of care for the customer beyond just pricing, but all kinds of dimensions: choice, quality, the pleasantness of the store, or the pleasantness of the people who work there. The ideal is that there are attributes in many markets where that is sufficient, the competition is sufficient to generate that care on the part of firms. Basically, the interests of the consumer and the firm are aligned.

That isn't always true, and it's particularly not true when there isn't much competition. So I think the argument in favor of antitrust enforcement and antitrust monitoring is to make sure of two things: One is to reduce the incentive you were talking about, Michael, when you opened up the second question, to make sure that there is no ability of firms to collude; but even more generally, that there is enough alternative provision of the goods that people care about so that they are protected.

I think the real question is whether collusion is really effectively possible, whether it is possible to constrain prices. My favorite example is the Organization of the Petroleum Exporting Countries (OPEC). OPEC in theory was a cartel—I don't think it's much of a cartel anymore—which is a perfect example of what we are talking about. A lot of people thought it was horrifying that national oil producers, like Saudi Arabia, Venezuela, and others, could get together, set prices across the board, and thereby pick a higher price than would result from market competition.

But in fact those agreements were not really enforceable. Everybody had an incentive to cheat on the agreement—except Saudi Arabia because at the time Saudi Arabia was by far the lowest-cost producer and they very much wanted to try to reduce the ability of other producers to take advantage of them, which is what typically would happen: An agreement would be reached in this collusive environment, Saudi Arabia would thank everyone, they would leave, they would run out and try to produce more and sell it at a little lower price. Saudi Arabia, to maintain the price that was established, would have to cut back more than the rest of them because they were such a large dog wagging a very small tail. That cartel was really not much of a cartel. It looked like a cartel. There are many examples of this.

Of course, on the flip side there are examples where people get together, and sometimes it's explicit and sometimes it's just sort of an understanding that you don't try too hard to compete among a small number of competitors.

To me the most interesting question then is: Now what? Let's say we agree with this. Let's say we accept the reality that there is an incentive to collude, there is an incentive to be lazy and to rely on informal norms even outside of explicit collusion. Are there policies that typically the federal government can follow that will make it better? That's the harder question for me.

In theory, in an economist world they're really good at describing what can make things better. Whether that actually makes it better in practice is a little trickier.

MICHAEL LINDSAY: Let's get one other fundamental point out toward the front of this conversation. In July 2021 the U.S. Federal Trade Commission voted to remove language that obligated it to be guided by "the promotion of consumer welfare" when determining which antitrust lawsuits to bring.

Now, Russ, you've referred mostly to customers and consumers as being the persons that we are trying to protect, but you also made one reference to workers. Glen, you talked more generally about stakeholders. Who is it that we ought to be concerned about protecting through the antitrust laws?

GLEN WEYL: Anyone that a firm has power over. Fundamentally, I think one of the most basic principles of democracy is what you can call self-government. What does self-government mean generally? It says: If Entity A has power over Entity B, Entity B should have equal and opposite power over Entity A. If the government has power over the people, the government must be of the people, by the people, and for the people.

I think that fundamentally the same principle should apply in antitrust. When an entity gains market power—or perhaps even power that's not perfectly described by market power but I think antitrust is best geared to thinking about more traditional market power—whenever they gain market power over any counterparty, the antitrust laws are there to ensure that that counterparty has countervailing offsetting power against that firm.

Now, one form of such power is exit, and Russ just eloquently described how that works. Another power is voice. I think voice and exit need to be used more completely and complementarily as solutions rather than us thinking that they exist in isolation from one another.

RUSS ROBERTS: Glen, what do you mean by "voice" in this setting? Exit means you don't buy from them; I can decide to leave and buy from someone else. What do you mean by "voice" in that setting? I don't understand that.

GLEN WEYL: Voice means ability to determine policies of the firm collectively. It could be representation on the board, it could be countervailing bargaining power, it could be the existence of formal input mechanisms to which the firm has to be attentive.

Facebook proposed a few years back—and in fact this was part of Dina Srinivasan's case against them—user referenda on sensitive policy decisions, which was then rolled back once they made some acquisitions.

I think there's a variety of voice mechanisms. I spend a lot of my time working on voice mechanisms in fact. I think voice can be as important as exit and I think in fact they complement each other often in a variety of ways.

RUSS ROBERTS: I would just ask you, Glen, to expand on one phrase that you said in there when you said antitrust laws are there to be a countervailing force against an asymmetry in power.

I would just comment that that's what you'd like them to be. It's not what they are possibly. I think that the challenge of any conversation like this is that historically antitrust laws have done, I think, two things.

One thing they have done is unseen: They create an incentive not to misbehave, as economists would define misbehavior. So the fact that we don't see the misbehavior can fool you into thinking that we don't need the antitrust laws because obviously firms don't generally collude—which I don't think they do, but that could be because there are antitrust laws. So I don't think it's very hard to understand thoughtfully and be clear empirically on that.

But the other part is the idea that Michael talked about, that the idea originally was to protect consumers from rapacious behavior, and that's a slightly more colorful version of what Glen said.

But then there's the question of whether that's actually what they have done. I think empirically it's a very mixed bag as to what the antitrust legislation has actually accomplished in practice.

The first thing I'd say is it's kind of hard to figure that out because a lot of it is unseen, so I want to be fair to that piece of the argument.

But the other part is that I think economists for a long time have argued—and Glen is giving a richer version of this than historically has been the case—that the goal of these laws should be to protect consumers because firms getting hurt can just go and reassemble themselves; if a firm goes bankrupt, it's not a death; there might be a transition period that's challenging—economists often admit that, not easily, but they will if you press them—but there's no tragedy when a firm goes out of business in the general sense of the word. Whereas there is a tragedy if consumers are exploited and have to pay higher prices and have a lower standard of living than they otherwise would.

But my claim is that the empirical evidence of whether this is what antitrust laws actually accomplish is a much more complicated challenge because often those laws have protected other firms from competition. They have ensconced players in positions of market power. They have raised the cost of entry. They have effectively—and this is regulation generally, not antitrust—so what regulation and antitrust claim to do, or what economists would like them to do, are not what they actually do.

I believe we have to confront this, we have to think about whether that's the case or not, in which case what role are economists actually playing when we invoke these principles? I don't know. Do you agree with that, Glen?

GLEN WEYL: The first thing I would say is you'll notice in what I said—and this is in response to Michael's earlier point—I don't view consumers as the main target here necessarily. I mean they could be an important target, but I don't think there's any special thing about the role of a consumer. And I don't think again, if you want to go into the antitrust law historically, that there was a special role for consumers in the inception of the antitrust laws nor in the major reforms at least until the 1950s.

The primary focus, I believe, was always on power and counterparties and control. So I think a business that's on the other side of a transaction can just as much be a disempowered party. I don't think there's a lot of distinction between, say, a small producer of milk—or to take the example of my employer, some of the OEMs that we deal with—and consumers. There are a variety of counterparties that are disempowered within a broader ecosystem, and workers might be leading among them.

So I don't view consumers as being in a privileged place. I believe that the principles are fundamentally about power and ensuring accountability of power, not about consumers in particular.

MICHAEL LINDSAY: Glen, it sounds though like you are talking about what is at least a triangular, if not multi-angular, system. It is easy for a court to understand the direction "promote consumer welfare as the goal of antitrust law." You are saying, "No, that should not be the goal of antitrust law, or at least not the exclusive goal; we should be protecting or promoting the interests of other stakeholders as well—workers is an example you have given." What if the interests of consumers and workers conflict? How is a court supposed to determine which interest it should tend to promote?

GLEN WEYL: First of all, I don't think the goal of the antitrust laws is to promote someone's interest. That's nowhere in the antitrust laws. That's just not what they talk about.

I challenge anyone to find any statement from before the era when economists became dominant in influencing antitrust that makes any mention of things like "interests." That's not the language in which laws are written. They are written in a language of power, it's about addressing asymmetries of power, it's not fundamentally about protecting anyone's interest.

Now, their interests are promoted by addressing asymmetries of power, just like I believe that the Constitution of the United States aims to establish the public welfare and so forth. But the principles of the Constitution are not the Preamble of the Constitution. The principles of the Constitution are about checks and balances, and I think that is fundamentally the goal of antitrust as well, to create appropriate checks and balances. I think that should be the anchoring principle, not the principle of promoting someone's interests over someone else's interests.

MICHAEL LINDSAY: Let's turn to another subject. You mentioned, Russ, that the stated goals of antitrust may be one thing but that their goals may not have worked out that way in practice. Can you expand upon that topic? For example, we've built up in this country a set of antitrust institutions, a mixture of federal/state enforcement agencies, private plaintiffs, and of course the judicial system. Is that too much? Too little? Is it the right mix? Does it create the right incentives for enforcement?

RUSS ROBERTS: Well, obviously not. That would be a standard that no web of interlocking institutions should be held accountable to. I think the challenge has always been a couple of things.

First, as regulatory burden climbs, new entrants find it much harder to enter. To come back to the framework that I think I'm more comfortable talking about than Glen, if you make competition difficult, I don't think that's a good thing.

The challenge is to do that in a way that you can regulate without imposing that size advantage to large firms. Large firms find it much easier to comply with various regulations because they can spread those costs across many, many more units. They can have a special division that complies with antitrust laws, and they can have a special division within their firm that complies with all kinds of regulations.

I won't quote them, but I have talked to practitioners in the business side of things—and Glen may have also—where they explain that, "We need these regulations, they're really important," and I'm thinking, "Well, yeah, because they give you an enormous competitive advantage over your competitors and potential competitors, and that's not a good thing." So I think there is always a tension between regulation and _______ that, even when it's well intentioned, does certainly privilege existing large firms.

Just to take a small example, we have two competitors in the U.S. political market that have a pretty big market share, the Republicans and the Democrats. There are other parties—there's the Green Party, the Libertarian Party, the Socialist Workers Party, a handful of other small players—pretty insignificant electorally almost every time, for many, many decades now.

Is that good or bad? Well, there's actually some good things about it potentially, but we know what the bad things are, which is the two major parties are not so innovative, and they kind of like the status quo because it's good for them. And, strangely enough, those two major parties decide how hard it is to be a new party. They run the whole set of rules. Their natural incentive is to keep out competitors.

So you could argue that under certain circumstances those regulations to starting a new party, getting on the ballot, should be difficult, that it makes some sense, but it's weird that those two parties have a say in how that is enforced and run .

It's a little like a certificate of need. In many states, thirty-something states I think, in the United States, to open a hospital you have to show that it's necessary. Well, that seems like a reasonable idea. Of course, the people who decide whether it's necessary are existing hospitals. Strangely enough, they often think We have plenty.

When economists do what might be called "blackboard economics" about how this or that regulation or this restriction on merging or colluding in various ways, you can obviously make a case that those are good laws. I think the question is: In practice, are they actually structured in ways that serve consumers' interests, for example?

I disagree a little bit with Glen. I do think there is at least an attempt to pay lip service to that goal, and I think you could make the case that you shouldn't treat all stakeholders equally because of the complexity that you alluded to, Michael. I just think if you want to make the world a better place, as opposed to pretending that you are making the world a better place, you have to be very sensitive to these questions about whether regulations do what we hope they do versus what they actually do.

I'm not just talking about the law of unintended consequences here, by the way, because I think there's something worse here: for a lot of American history, regulatory structures, particularly in the antitrust area, literally just all they did was privilege existing competitors rather than do anything for consumers. In fact, they hurt consumers.

The airline regulations are an obvious example. We essentially created a cartel—not antitrust legislation per se, but the Civil Aeronautics Board (CAB) was basically making it hard for new airlines to start. Airlines still competed. They gave you really nice seats and good food. The irony of all this is when the airline industry was deregulated, the food got worse, the seats got smaller, and the prices plummeted. A lot of people, depending on whether you were a "half-full/half-empty" kind of person, could pick one group of that stuff and complain or champion what had happened.

I don't think there was any doubt that well-intentioned—or at least on paper well-intentioned—regulation often has abused to make firms richer.

MICHAEL LINDSAY: Russ, what you've just given is an example of regulation replacing competition, and you noted that firms nevertheless find a way to compete on amenities, for example, or on flight frequency.

RUSS ROBERTS: Correct. But I don't think those aren't the ones that consumers cared about—there's an argument on the other side—but the argument I'm making here is that that was the wrong kind of competition but it was the best they could do under the circumstances. Consumers really cared about prices.

Part of the argument for that being true is that not too many airlines have started up since then that offer fabulous food and really comfortable seats. Yes, there is first class, but it's not the bulk of consumers who want that luxurious experience. The airline regulation of the past created that, and that was not consumer-friendly, except for the few who love really wide seats and really good food and higher prices.

MICHAEL LINDSAY: Glen, what about you? Do you agree with Russ that we don't have the perfect set of institutions?

GLEN WEYL: I can go out on a limb.

I would go further than Russ on that. My general view is that there's kind of an imaginary in economics that there's some "right" set of institutions that then foster technological innovation, which is unending. That's like the basic economic imaginary.

I think that's totally missing the point. I think you could completely flip that around and say that we need as much innovation in the set of social institutions that we have as we need in the technologies that we employ.

There's something called a Pareto frontier—the set of all variations from the status quo where you can improve the position of at least one stakeholder without degrading the position of any other. I don't think of us being like "Are we at 90 percent of the Pareto frontier or are we at 99?" The question is more "How many orders of magnitude below the Pareto frontier are we—like five, six, seven?" That's how I think about it.

I think that we can have just as profound transformation and innovation in how we organize our societies as we can in our technology. So to me it's not even a remotely interesting question "Do we have the perfect set of institutions?" The question is "What are the experiments that we need to be doing to get to the next set of profoundly better institutions that will then set us up to move to the next set beyond that?" That's how I think about it.

CHRISTINE MEYER: Let me jump in then, if I could. As you both said, you both agree that the institutions today have their downside, but from a practical perspective, if we are actually thinking about perhaps advising policymakers, what's the one tweak—the one experiment if you will, Glen, as you put it—that would at least move us in the right direction towards more efficiency, a better antitrust system that is actually going to foster innovation and the other goals that we want to foster?

GLEN WEYL: Russ?

RUSS ROBERTS: I'll make a brief answer and then I'll let Glen take the rest of the time because I know Glen has a much more-fleshed-out set of thoughts on this than I do, which I salute, even though I don't agree with him.

If I had to sum up what I think would make this move in the right direction, it is to rely more on letting people ask for forgiveness rather than permission. I think there are too many barriers to innovation.

Glen, I disagree with you in a meta interesting way—we'll talk about it another time—on the institutional innovation you're talking about, I think it's a fascinating way to think about it, but I think there are sufficient barriers to innovation in the product field today.

I accept your point that we could be five orders of magnitude below where we could be overall if we had a better set of institution rules. I still think there's plenty of low-hanging fruit in the more traditional ways of thinking about this.

I think Uber and Airbnb are just two incredible examples. I'm in Israel right now. Uber is against the law here. Here's one of the most innovative countries in the world, and there are some incredible things here. I've been here two months now, and there are some gloriously creative, innovative things here in day-to-day life. Uber's not one of them.

As a result, it's much harder to get around without a car than it is in the United States. And that's a shame. I could make a justification for that restriction, but I would argue that's a mistake.

I think a similar related challenge here is not directly related to antitrust, but it takes a long time to get a building permit. People say it's seven or eight years. You know that will slow things down. And yet there's building everywhere. From the Airbnb that we just moved out of, I could see twelve different cranes on the horizon, and I can only see about two-thirds of the horizon. I mean it's unbelievable what's going on here. But there would be a lot more if they didn't make it so hard.

I think there's a lot of that going on in different parts of the economy—not just in Israel obviously, but in every country in the world—where entrenched competitors protect themselves from competition. Sometimes there's a good argument for that, good even for people besides the entrenched competitors, but a lot of times that's just what it is.

Even though I'm anxious to hear what Glen's step in the right direction is, I still think there's plenty to be done in the simpler space of products and services.

GLEN WEYL: Let me start by—maybe the most forceful time in this conversation—disagreeing with Russ, and then I'll come to my particular proposals.

I think the framing that we need to allow more sort of natural market competition and innovation (holding fixed our governance institutions) is deeply mistaken, won't work, and actually is dangerous because I think we've gotten to a point where our governance institutions lag so far behind our technologies that on net our technologies are creating more danger and chaos than they are creating progress.

I think there are great progressive examples, but I think there is so much harm that is being done to everything, from the social fabric to our ability to make people productive and employ them, by the direction that technology is taking us that the attitude of "accelerate that" will probably lead to more existential risk than it will lead to social progress.

My view is that if you don't have a parallel improvement in social institutions and in technology, you will end up being the slave of your technology rather than its master.

Albert Einstein—another person deeply connected to Jerusalem, Russ, as you know—once said that "If the organizing power of man had advanced as much as our tools have, we would all have carefree and happy lives, but that as it is, we have handed razor blades to three-year-old children." I think that comes close to capturing my view.

I think the right way to solve that, hopefully, is not to restrain the growth of technology—being a technologist, I would be very disappointed by that—but I would rather do that than allow for this imbalance.

I think we need the time and the space to become wiser, and I hope we can accelerate that process of wisdom, but I'd rather slow down technology to wait for the wisdom than I would to allow technology to advance without that wisdom accompanying it.

In terms of concrete proposals, the number one proposal that I would make is to incorporate what I would call "stakeholder remedies" into the process of antitrust.

I'd like to see many fewer checks on scale and many more changes to accountability structures.

I'd like to see a merger of the ESG-type movement and the antitrust movement.

RUSS ROBERTS: What's ESG?

GLEN WEYL: Environmental, social and governance, or purpose-driven corporations.

I would like to see a much more common remedy rather than blocking a merger or breaking up a company-to-be to force representation of the interests of other parties. That would be the one direction that I'm most excited about.

But one that's much more near-term, which has already been incorporated, is the systematic accounting for non-consumer stakeholders to the extent that market power disadvantages them.

CHRISTINE MEYER: Let me dig down just a little bit more. Glen, you've talked a lot about innovation and touched on High Tech, but, Russ, when you were talking about some of your deregulation points—for example, building permits and such—that are more what I would consider in the standard old-line economy, not the new information economy.

What do we do about some of these big technology companies that by virtue of data don't even have the prices, at least for consumers, in the normal way? Even our standard metric doesn't work.

RUSS ROBERTS: I agree.

CHRISTINE MEYER: So how do you think about this, Russ, from your perspective? Are there some tweaks that mirror what you were talking about in the old-line industries that are going to port over to High Tech?

And, Glen, how do you take what you were talking about in terms of stakeholder decisions and the breadth of stakeholders and apply it to High Tech?

RUSS ROBERTS: Even though I sort of suggested in my particular way of talking about it that standard antitrust nomenclature and ways of thinking are not always so reliable because we don't always implement them the way economists would normally think, I'm going to try to head somewhat in that direction.

I'll take Twitter as an example. I happen to pretty much love it, partly because I spend more time on Twitter than any other social media platform. Now that I'm President of Shalem College, my Twitter usage is down dramatically—maybe my wife thinks I'm a better person as a result, but I don't know—but I used to spend a reasonably large amount of time on it, a mixture of entertainment and education, as I really find it a useful and entertaining place.

It's full of course of lies, dishonesty, deception, manipulation. So the question is: Should we do something about that? I think somebody was tweeting the other day that Twitter decided that the Taliban will be able to still tweet as long as they stay somewhat—I forget what the example was. Somebody pointed out that the last president of the United States was thrown off some of these platforms. So it's like "That's interesting." How should we feel about the choices that these very powerful—to use Glen's language—companies make?

Christine, you're 100 percent right, it is a very weird thing for most economists that this is not the usual "oh, there's only a handful of them, so they exploit us by charging us high prices." They are inevitably giving it away in the sense of not charging us out-of-pocket.

We do pay a price of course as users of the service in the form of higher prices for the products that the people on these platforms sell, and the rents and other resources they extract from fellow competitors or other providers of similar services.

I think if you ask me, "Should we break up Google or should we break up Twitter, Apple?" I'm more eager to make it easier for new entrants in these areas by changing the rules of portability potentially.

I have some number of followers on Twitter. If I go to a competing platform, they are gone, I don't have them anymore, they don't know I've left, and all my tweets which I conceived of and wrote don't belong to me. Those are property rights.

We made a decision as to who owns the things that Twitter is profiting from, and we've decided it's Twitter. That might be the right way to think about it, but maybe there's a different way. Maybe Twitter should be forced, or at least make it harder for Twitter to keep me from taking my followers or my tweets with me. That's a legitimate question I think, and I would prefer that, as I think Glen would, to saying, "Twitter is just too powerful; we need to have a board to decide what is allowed to be said on Twitter" or "We need to have a board that decides how Twitter is run," which I think is more what Glen is pointing to.

I do think there is a role for traditional antitrust and thinking about barriers to entry and monopoly power, but I think somebody who is a monopolist for a short period of time is not so dangerous relative to someone who is a monopolist for a long period of time.

I think the worry—it may be irrational—is that these firms—Facebook, Apple, Amazon, Google, etc.—are going to be here for a long time because they have figured out a way to protect themselves from competitors using network effects. I don't know if that's true. I'm agnostic on that. But if that scares you, I think we should be thinking of more creative ways of restraining them than simply "breaking them up" or forcing them to do certain things from the top down.

CHRISTINE MEYER: Glen, I'll ask you to respond, but it sounds like you and Russ might at least agree on the portability issue, ease of competition, because that strikes me as putting more power in the hands of the users.

GLEN WEYL: I'm very sympathetic to versions of portability. Exactly what that means is a very rich topic, and I think Russ and I might have different or maybe even opposite views there—but I'm not sure—but I definitely think that's the right direction to be thinking.

One thing that's very encouraging, particularly on the Twitter front, is that Twitter has launched a fantastic project called Bluesky, and they chose an absolutely phenomenal leader for it, Jay Graber, and it is aiming to make a material difference along this dimension. So I am deeply encouraged by the direction that that stuff is heading and I think we need more of it.

RUSS ROBERTS: Can you tell us what Bluesky is, Glen?

GLEN WEYL: Bluesky is an initiative with a bunch of people from the blockchain decentralization space to try to create open protocols for social media that basically allow for things like portability. It's based on actual bottom-up innovation and open source software, but it is trying to do it in a more thoughtful, systematic, legitimate way.

Jay Graber wrote a phenomenal paper that I recommend to everyone called "The Twitter Bluesky Decentralized Ecosystems Report," which gives you a sense of what is already possible and what might become possible with the right type of investment. All this stuff has been happening with very little financial support of any kind. It all focuses on decentralization.

I think there is a really great opportunity in Twitter, but also a really great opportunity in some of these other areas of our economy, to do the hard work of building interoperable technical systems.

I think the economists would just say, "Oh, mandate interoperability." I think that's largely nonsense. I think that the work of creating interoperable standards is fundamental innovation that requires significant work and requires significant multi-sectoral investment in coordinated experimental ways because there are just fundamental issues of what need to be solved. In fact, those issues are at least as ambitious as the issues involved in even setting up Twitter in the first place, but I think that's what we should be focusing on.

I profoundly agree with Russ on that element, but I don't think it is primarily a matter of some kind of a mandate or regulation or rule. I think it is primarily an issue of mission-driven public-private partnership.

RUSS ROBERTS: That's really interesting. I might even agree with you, Glen. I do think that the very structure of the Internet is part of the problem. I don't fully understand it. I think you understand it a lot better than I do.

I think the piece I want to add is that I think academics and intellectuals have a much different view of the landscape than the average user.

Twitter happens to be a particularly small platform of the ones we've been talking about. I happen to like it, but it's not Facebook. I think if you asked intellectuals and academics "What is the danger of the Internet?", they would say there are two things. One is misinformation, which is part of what we have been talking about, the provision of misinformation. The second thing is loss of privacy, coupled with the platforms' ability to manipulate.

This comes back to our older conversations in antitrust, the ability to manipulate consumers about what products they see. There are really two things going on with the Internet. One is provision of information. The other is it's the world's biggest mall, and that mall is dominated by Amazon and Google mostly, and Facebook and Twitter a little bit along the way as ad providers, and most people really like the mall. We could debate whether they should.

The example I've given on EconTalk is your washing machine is not working and the repairman comes by. You notice when he comes in to fix your washing machine that he takes a lot of pictures of your house and the stuff in your house. You say, "What are you doing?" He says, "Oh, I'm going to tell some friends of mine what you buy and what you like to shop for. Is that okay?" You say, "Of course it's not okay. What are you doing in my house taking pictures?" He says, "Oh, I didn't tell you I'm not going to charge you for fixing the washing machine. You okay with that now?"

Most people say, "Well, that seems like a good deal, a free repair of my washing machine. And what are you going to do with the pictures? You're going to encourage people to sell me stuff that I actually want to buy?"

I'm a little bit uneasy about it, you might be very uneasy about it—I don't know—but I think most people think, This is a bargain. I like this.

I think the difficult question at least on the shopping side, the mall side, is that the people who are upset about it, scared about it, and nervous about it are not representative of the way the average person sees it. It's similar to the addiction part of the Internet and technology right now. I interview a lot of people who decry it, don't like the obsessive nature of the cellphone and so on. Most users think, Hey, this is my candy, and I like candy, leave me alone. I know it's working.

GLEN WEYL: I actually don't agree with that, to be honest with you. I have spent a lot of time studying your figures from inside one of the companies. I think that there's a fundamental issue, which is that people go to the brothel and then they want to go to church too. There is a reason that since the beginning of time people have had institutions that serve their temptations and institutions that restrain those temptations, and you can't treat the actions in one context divorced from the actions in the other context. The reason why we have things like churches is because people have long recognized how important it is for them to act with others to be true to the values that they want to hold.

I think there has been increasing research showing that when you give people access to technologies that enable them to enforce those commitments, the commitment-enabling technologies are very effective. I think things like churches are much more effective social institutions—but nonetheless even those technologies have a huge effect when you deploy them.

RUSS ROBERTS: I don't disagree with any of those things. Where do we disagree?

GLEN WEYL: The point is that I actually think that most people, if you survey them or if you ask them in a political frame or a collective action frame or a moral frame, don't want the candy, but if you ask them in a momentary consumer frame, of course they are eating it. We can see the candy leaving the jar as we speak, right?

I think it is one of the biggest mistakes to frame consumer choice with a consumer as the only meaningful signal of consumer voice.

RUSS ROBERTS: I like that.

GLEN WEYL: I'm sorry, Christine. I didn't answer your question, which was how I apply all the things I was saying to technology. The answer is that that is what I do every day. That's my job at Microsoft. Fundamentally, I think that technology offers us unparalleled opportunities to improve our governance institutions.

I think the number-one best example of that in the world is Taiwan. Taiwan has completely transformed the way that democracy operates and the way that they govern digital services available to them by harnessing technology in a public-private/multi-sectoral transformative way, where people are being driven towards consensus by thoughtfully designed digital tools made available by civil government/private sector partnerships.

I think that the technology world, if we had the right focus, if we had the right types of collaborations, could be an image to the rest of our society as to how a digital democracy is possible. Instead, it has become a cesspool of chaos combined with, behind the scenes, that orchestration of that chaos very top-down, centralized control.

That is a tragedy, and it is a tragedy I think that we are more capable in the tech sector than anywhere else of overcoming. But it requires the focus and the will and the interest in actually solving those problems rather than just sort of following the current unsustainable trajectory. I think the current trajectory will lead both to some kind of social collapse but also huge reactions against it by existing governmental authorities.

CHRISTINE MEYER: You actually anticipated my question, Glen, and that was going to be the role of government or social institutions in driving those incentives and those changes.

GLEN WEYL: Estonia is another fantastic example, Finland, New Zealand—these new young democracies that are on the border of authoritarian regimes often, and that therefore are fighting for their lives, those are the ones that I think we should look to as examples.

CHRISTINE MEYER: Let me then just ask a quick follow-up question to that, Glen: Is it realistic to look at small economies in sometimes dangerous parts of the world and use those as good models for the United States?

GLEN WEYL: All technology is about problems of scale. To me, a system that works effectively and is making life much better for 22 million people is much better of a precedent than is for example, an artificial intelligence system deployed by some small part of Google or whatever, which shows some cool results in some demo. Systems that actually work for real people have a lot greater chance of scaling than systems that are purely technical demonstrations, which is what a lot of our hopes for the future have been based on in some way.

CHRISTINE MEYER: Russ, let me ask you about something that you have spoken a lot about, and that is public choice theory. Can you explain what that is for our readers, and then how that relates to some of the questions that we have been discussing?

RUSS ROBERTS: It's actually surprisingly difficult to define. I'll tell you how I think about it, which is, first of all, that the politicians are human beings, that they don't have some higher level of ethical or moral calling, that they respond to incentives like the rest of us, and they are prone to favor things that favor them. It's a human thing. Just like we expect a firm that has a monopoly to be tempted to charge higher prices or reduce output, we worry about politicians who don't face competition, that they will do things that line their pockets rather than are good for people other than themselves.

That doesn't mean that all politicians are scoundrels or that they're all corrupt; it doesn't mean that at all. Many politicians of course are idealistic, and they are in that profession because they think they are trying to make the world a better place, but they are still prone to misbehavior, as we all are.

I think Milton Friedman said it very well. He said—I'm now paraphrasing—the goal isn't to get the best people into office; the goal is to get a system where the people in office will have an incentive to do the right thing.

That's the question: What are the rules of the game? What are the incentives that politicians face? What are the institutions that they live under?

Some are better than others, but basically the public choice approach tells you to be wary of presuming that politicians will do what serves the people, whatever that means. I like to point out that "serving the people" doesn't really have a meaningful definition because there are always conflicts between what different people want in almost every situation, and I think there is always a question and temptation to privilege the powerful.

To come full circle to what Glen was talking about earlier, many well-intentioned laws privilege the powerful, not the disempowered, and we want to be careful as economists not to become tools of the powerful while thinking that we are serving a larger coalition.

Power is dangerous. This is where Glen and I agree for sure. Power corrupts, and absolute power corrupts absolutely. I don't think there's any example in human history of an exception. There probably is one—but most of the time when leaders gain power, it doesn't turn out well, it turns out badly.

I think the public choice perspective says: Be careful about that. Be careful about centralizing power. Be careful about ensconcing privilege and power in a way that you think Oh, I'll be able to make sure that it doesn't get abused. It usually gets abused.

My favorite example of this came from a conversation that I had with Bruce Bueno de Mesquita, the political scientist who contrasted the two sides of King Leopold of Belgium. In the Congo he was responsible for the deaths of millions and the horror of the rape and the exploitation of the people there in pursuit of natural resources that he took.

Back home he was king, but they had a parliamentary system that restrained him. According to Bruce—and I think he's right—people think highly of what he did as king in Belgium, in the Congo not so much. The question that Bruce raised, which I thought was quite deep, was: Which one is the real King Leopold, the one in Belgium or the one in the Congo? The Congo was where he had kind of free rein, fewer constraints. That's kind of the real King Leopold there, and he was a wicked man.

Most of us in those situations don't behave well, most human beings struggle, so I'm really big on restraining power and not centralizing it, or centralizing it and then assuming it will turn out okay because we'll get the right people.

GLEN WEYL: Russ, the only counter-example I would give to you is I think that there are people who don't want power and whose whole focus when in power is on figuring out how to get rid of it as quickly as possible. Those are the people who you want in positions of power.

RUSS ROBERTS: Yes, if you can get them.

GLEN WEYL: Yes, they are very rare. But it ends up making all the difference. Think about George Washington. What is it that George Washington did best? He did some good stuff for the financial institutions. The number-one thing he did is he said, "I'm going to go and sit under my vine and fig tree."

RUSS ROBERTS: I couldn't agree more. An unusual man who served his country by not taking as much as he could. I agree.

GLEN WEYL: And Audrey Tang in Taiwan is another incredible example of this. She is the Digital Minister of Taiwan. She has a staff of like five people. She calls herself a "conservative anarchist." She is the most popular politician in the country, and she just doesn't exercise power. What she does is she convenes institutions that work towards consensus, and that consensus has a huge amount of legitimacy, and it moves the rest of the government. They have offered her hundreds of people to work for her. She refuses it. She doesn't want power. She wants legitimacy. That's the sort of person who you want in a position like that.

RUSS ROBERTS: That's a fantastic point, but I would add I think you said something quite deep when you said these are nascent democracies at some risk from nearby neighbors. That does induce a different kind of caution and care.

But it's also true that in the early days of many countries, there are idealistic people who make great sacrifices, who refused power in the name of the country they are trying to create. Of course Lenin would be the counterexample of that argument, which is a shame.

GLEN WEYL: There are many more counter-examples than there are examples, Russ, but there are occasional examples, and they lead to great things.

RUSS ROBERTS: I think it's fascinating how often there is an exceptional group of people at the founding of a country, and the subsequent leaders are often disappointing. I've always wondered whether that's just nostalgia or whether there's something really different about the beginning. I don't know.

GLEN WEYL: My guess is it's a selection effect, Russ, which is that there's actually tons of terrible founding leaders as well; it's just that those countries sort of go on to infamy and don't last for very long, or whatever, and the ones who set a great trajectory are the ones that last—

GLEN WEYL: There is one thing I wanted to say about public choice, which is I actually profoundly agree with one part of what Russ said.

RUSS ROBERTS: I'll take it.

GLEN WEYL: I profoundly agree that there is nothing special about the government or the state or whatever. We can't have some mystical entity that's up there that somehow has a different theory of it than the rest of society—that's crazy, and public choice pushes back against that really hard, and I think that is extremely valuable.

One thing that is limited—but it's not limited about public choice; it's really limited about all of economics—is the way that it models people in terms of primarily "self-interested behavior." I don't think anyone behaves that way. I don't think politicians behave that way, I don't think firms behave that way, and I don't think individuals behave that way.

I think people are motivated—like what makes us individuals is not our self-interest, but rather the way in which we are an intersection of a lot of different social interests, and that's true of politicians and it's true of individuals and so forth.

I completely agree we need a unified way of thinking about the public and private sectors, but I wouldn't necessarily ground that in the same theory of motivation that Russ articulated. I would ground it in a theory of motivation about what collective interests intersect to create your interest.

Fundamentally—and this actually goes against many of the things I have written, including my book—that the problem we are trying to solve is not aligning individual self-interest with the common good. There is no single common good, and there is no individual self-interest. There are different people who are part of different social groups, and to the extent that they are part of similar social groups, they are going to have little trouble cooperating with each other because their interests are aligned anyway, and when they are part of very different social groups they are going to have trouble.

So the real problem we face is not aligning self-interest with the common good, but cooperation across diversity. That's my view on public choice.

MICHAEL LINDSAY: Glen and Russ, we are at the end of our time, This, of course, is Antitrust magazine, and our conversation has been fascinating but somewhat more wide-ranging than just antitrust Would you like to offer one final comment to our readers as we collectively think through the future of antitrust and its institutions.

RUSS ROBERTS: I'll just say one thing, which is Joseph Schumpeter is under-appreciated. He's mostly forgotten. He is remembered only for the phrase "creative destruction." I think that's a shame. In his book Capitalism, Socialism, and Democracy he has a lot of interesting things to say about competition in the real world. I think it is easy to forget how it actually works, that it is extremely dynamic and takes place over time.

I think where Glen and I agree is asking, at any given point, whether this improvement of XYZ is going to be an improvement is really just the wrong way often to think about it. That "improvement" is part of a much larger dynamic process that you're trying to abstract from when you start talking about those kind of traditional antitrust considerations.

So I would just encourage readers to remember that IBM was the scary company of the past and then it turned out they weren't so scary; in fact, they almost went out of business. Then it was Microsoft—I'm glad they're employing Glen, I'm happy for that.—They're a successful company; they are not dominating the tech world.

Now the tech world is being dominated by a handful of companies. It may not be that way forever, but it feels like it will be, and that perspective is certainly not consistent with the history of competition. Maybe this time will be different, but I encourage readers to remember that the world is a very dynamic place.

GLEN WEYL: I would agree with Russ and flip what he said around, which is to say that the world is a very dynamic place and everything that we care about depends on how we accelerate the speed of that dynamism. That in my view is all about these issues of asymmetry of power and avoiding concentrations of power, and I think that voice and democracy are just as important to making that happen as are selection and exit.

MICHAEL LINDSAY: Glen and Russ, thank you both very much.

The conversation with Antitrust magazine inspired Russ Roberts and Glen Weyl to have a follow-up conversation at EconTalk. Readers can find that conversation at https://www.econtalk.org/glen-weyl-on-antitrust-capitalism-and-radical-reform/.