OPEN MARKETS OUTLOOK

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WE'RE NOT IN THE MONEY, SAY SUPERMARKET SUPPLIERS

Will the failed supermarket merger have an adverse impact on their suppliers?

The rejection by UK regulators of the proposed merger between two supermarket giants Sainsbury's and Asda is a profoundly hopeful moment in the development of the monopolies issue in the UK.

Of course, the chances of the merger going through were hardly helped when the Sainsbury's chief executive Mike Coupe was filmed singing 'We're in the money' while waiting to be interviewed about it last year. He and his colleagues would have been in the money as a result – less so the rest of us.

As it is, the bills for the failed merger bid will lead to even longer waits for suppliers to be paid, say some suppliers. The two retailers will look to save on costs by paying their bills even later, claimed Conrad Ford, chief executive of business finance comparison business Funding Options.

Average time it takes for big supermarkets to pay their bills: 40 days

His suggestion came as UK supermarkets continued to increase the amount of time taken to pay their suppliers – 40 days, up from 38 reported by Companies House in the previous year: up 18 per cent since 2013, when it stood at 34 days.

The increased delay was despite initiatives from the government to reduce the amount of time big businesses took to pay their suppliers, such as the Prompt Payment Code. But this was not actively enforced, which meant that the task was left to the Groceries Code Adjudicator to make sure the retailers it regulated treated their suppliers fairly.

This is, after all, interest-free credit that isn't available to their smaller competitors.

What we find hard to understand is why the competition regulator fails to see that this sort of behaviour is evidence that the groceries market remains too concentrated even now.

BANKERS SHOULD HAVE STRICT LIABILITY FOR FAILURES

"The system is designed by the banks to fail..."

The Basel system of bank liquidity regulation is not just prone to failure but designed to fail, says the Durham economics professor Kevin Dowd.

"The system is designed by the banks to fail and the regulators are too weak and too captured to resist them,"

he wrote in an Adam Smith Institute pamphlet "*What a Capital Idea! How to make Britain's banks more competitive, innovative, and safer*".

Dowd is particularly critical of the Bank of England, especially after its four-year battle to keep its minutes secret after the banking crash.

Dowd writes:

> "They paint a picture of an incompetent and self-serving public agency with an inadequate governance structure."
>
> "They depict the Bank as a hierarchical organisation run by a tyrannical CEO. Its executive had an exaggerated idea of its own capabilities and its discussions were permeated by complacency and groupthink; dissent was heavily discouraged; and there was a pathological obsession with control and secrecy."

He proposes replacing some of the burden of ineffective regulation by returning the risk to the banks' managers, as put forward by a Private Member's Bill put to Parliament on 29 February 2012 by Steve Baker MP –

"Strict liability means that no fault would have to be demonstrated for those assets to be forfeit: if it happened on your watch, then it's your problem..."

> "to minimise moral hazards within banking by making those who make or preside over risk-taking as liable as possible for the consequences of that risk-taking, and it sought to achieve that objective by enforcing unlimited and strict personal liability on directors of financial institutions. Unlimited liability means that directors' personal assets would be at risk, and strict liability means that no fault would have to be demonstrated for those assets to be forfeit: if it happened on your watch, then it's your problem."

Poor regulation of banks prevents competition by smaller competitors.

Dowd's four principles to guide banking reform:

- Don't use regulatory tools that rely on forecasts or projections, because their track record demonstrates that central bank forecasts or projections cannot be relied upon.
- Minimise reliance on regulatory judgment, because that judgment has repeatedly proven to be highly unreliable.
- Maximise reliance on incentives and capital.
- Rely on the past experience of systems that have good track records.

DOES MONOPOLY LEAD TO TYRANNY? PROBABLY

Has conventional economics "actually delivered a semi-privatised authoritarianism more oppressive than the system it replaced..."

The problem with the prevailing system of economic thought, that promises to save us from dehumanising bureaucracy – and to allow autonomy and creativity to flourish – has actually delivered a semi-privatised authoritarianism more oppressive than the system it replaced.

So said the Guardian columnist George Monbiot, arguing the traditional position against monopoly that unregulated capitalism leads to a kind of slavery – he mentions new technologies that monitor the keystrokes, moods and movements of employees, seen most obviously in the monopolistic tech sector.

"Such instruments of control crush autonomy and creativity," he writes. *"It is true that the Soviet bureaucracy von Mises rightly denounced reduced its workers to subjugated drones. But the system his disciples have created is heading the same way."*

AMAZON ATTEMPTS TO GRAB US GOVERNMENT SPENDING

The US government is said to be the single largest purchaser of consumer goods in the world, with more than 21 million employees. Perhaps it is hardly surprising that Amazon wants to take a cut on all of it.

The Governing Institute, a Washington-based think tank that studies government spending, estimates that US city and state agencies spend close to $3.25 trillion annually. Two years ago, Amazon signed a deal with the co-operative purchasing group US Communities - its first foray into the government procurement market.

It would mean collecting fees on chunk of the $500bn a year market…

Amazon now wants to be the vendor of choice for the federal government as well, which would allow them to collect fees on the up to $500 billion spent annually on federal procurement. See report on Vox website.

This shift in government purchasing is having devastating effects on small-business owners like Gayle Shanks, who runs an Arizona book shop called Changing Hands. The city and the school district had been a reliable customer, buying thousands of dollars in library books, toys, and other items every year. Not now.

> "Because of Amazon entire industries are dissolving. At a certain point, we have to ask ourselves, how big are we going to let Amazon get?"
>
> **Gayle Shanks**
>
> who successfully pushed her local authority last year to stop buying from the company

According to a report released last year by the Institute for Local Self-Reliance, this means agencies are likely paying more for supplies — up to 10 per cent for some of the agencies it studied — than they would have under the terms of previous US Communities contracts.

IS FINE A BARGAIN FOR FACEBOOK?

They are "handing out speeding tickets to companies profiting off breaking the law!"

Two cross-party US senators have issued a strongly-worded demand to the Federal Trade Commission (FTC) yesterday regarding its investigation into Facebook urging the Commission "to move to compel sweeping changes to end the social network's pattern of misuse and abuse of personal data."

The letter blasted the FTC's rumoured $3-5 billion dollar fine as "a bargain" for Facebook and compared the FTC to traffic police *"handing out speeding tickets to companies profiting off breaking the law,"* warning that *"Facebook and others will continue to push the boundaries."*

The two senators stated that *"fines alone are insufficient"* and recommended *"far-reaching reforms"* such as:

- long-term limits on Facebook's collection and use of personal information
- setting rules… on what Facebook can do with consumers' private information
- imposing tough accountability measures and penalties for individual executives and management responsible for the violations of the consent order and for privacy failures.

The Federal Trade Commission should do its damn job

"Senator Blumenthal and Senator Hawley make a simple and compelling point. The Federal Trade Commission should do its damn job." said Open Markets fellow Matt Stoller.

"When Chairman Joe Simons was appointed, I had hoped he would break with the failed legacy of the Obama administration and end the monopolisation in our markets. He hasn't. If this settlement is anything like it's been rumoured, Congress should step in, investigate the failed FTC, and if necessary, move funding to state-level enforcers who are acting."