Funding the Future

Google: enclosing the commons

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As the FT has noted in an email this morning:

[Google has] launched a radical corporate restructuring aimed at accelerating its transformation from a search and advertising company into a conglomerate with stakes in some of the most promising long-term tech markets. In an interview with the FT last year, co-founder Larry Page said he saw Google becoming more like Warren Buffett's Berkshire Hathaway, making bets in a series of unrelated markets.

How benign it all seems when printed on the pages of the Pink'Un, but what's the reality? That, of course, is somewhat different.

The reality is that Google is a natural monopoly in the age of IT. That monopoly exists solely because of the state granted privilege endowed by patent law, in particular. These now permit it to collect the most phenomenal income in excess of any costs, with the income being determined by it pretty much at will since it is impossible to argue that market forces really operate within its advertising space. This monopoly pricing then creates what an economist would call a rent in the form of excess profits that it now intends to use to spread its tentacles where it will. No doubt its untaxed offshore funds will help it do just that: in fact they may drive the policy.

This is not benign.

Nor is it to be passively accepted.

This is either indication of action being needed to preserve markets, which is the rearguard action the EU is taking, or of need to reform patent law to prevent this abuse arising, which no one seems willing to do, or it makes the very strong case for an excess profits tax to be charged in such cases just at the time the UK is driving a race to the bottom in such rates.

However looked at this is Google's equivalent of building the fences that enclosed the commons in 18th century England so that rents could be extracted from those who previously had the opportunity to use the land by right. And just a enclosure required a reaction, so does the behaviour of IT monopolists do the same.