

Research on the Mechanism of Anti-Monopoly in China's Internet Industry

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Abstract

With the development of a new generation of information technology, China's Internet industry has experienced a stage of rapid development. The convenient and efficient Internet model and the digital economy based on Internet platforms have changed people's production, lifestyle and consumption habits, and also made large Internet platforms have massive users and data. On the one hand, the integration and use of big data promotes the development of platform economy and digital economy, saves the transaction costs of operators and users,[1] the scale effect and sharing effect brought by the platform economy, attracts a large number of users and improves the efficiency of supply and demand docking and matching. [2] On the other hand, Internet companies use virtual two-sided markets,[3] through big data analysis, algorithms, artificial intelligence matching, etc.[4].Information technology means, precision marketing and price discrimination, as far as possible to squeeze the surplus value of consumers. Based on the current situation of monopolistic behavior of large Internet enterprises, this paper deeply studies and analyzes the nature and harm of monopoly behavior of Internet enterprises, and explores the fundamental purpose of anti-monopoly and the anti-monopoly mechanism of the Internet industry from the perspective of demand elasticity, social welfare and distribution, which can provide reference for the decision-making of relevant departments and help promote the healthy and sustainable development of China's digital economy.

Keywords

Internet Industry; Platform Economy; Digital Economy; Anti-Monopoly Mechanisms; Elasticity of Demand; Price Discrimination.

1. Introduction

In recent years, Internet enterprises can also implement monopolistic behaviors such as "choosing one of the two" through data control, which damages the overall efficiency of society and distorts market competition. In the global market, the negative impact of the monopolistic behavior of the Internet platform economy has been reflected in all countries, and the harm to the development of China's socialist market economy is even more obvious. With the continuous expansion of the digital economy, major Internet companies in the global market are facing anti-monopoly scrutiny. Opposing the monopolistic behavior of the Internet industry is a major issue that cannot be avoided at present, we must not only prevent the disorderly expansion of capital, but also give play to the positive role of capital as a factor of production; It is necessary to strengthen the supervision of the Internet platform economy and increase the intensity of anti-monopoly, and actively promote the healthy and sustainable development of the platform economy and digital economy. Therefore, the study of the essence, fundamental purpose and anti-monopoly mechanism of anti-monopoly in the Internet industry is a proposition of the times before the academic community, and it cannot be delayed.

2. Analysis of the monopoly phenomenon in the Internet industry

2.1. The reasons for monopolistic conduct in the Internet industry

Compared with traditional enterprises, Internet enterprises have obvious particularities. First of all, the R&D and innovation costs of Internet enterprises in the early stage are high, and the R&D results still need higher costs to open up the market after entering the market as new products to obtain consumer recognition. Therefore, most Internet companies have serious losses in the early stage of operation and need a large amount of financing to "burn money". Secondly, the product innovation of Internet enterprises is more difficult, but the replicability is very strong, so when the new product is recognized by the market, a large number of almost homogeneous products will quickly appear in the market, thus forming high-intensity competition. "Bike sharing" is a very typical case. Under the high-intensity market competition, the bargaining power of enterprises is relatively low, and the bargaining power is mainly in the hands of consumers. However, with the survival of the fittest in the competition, the concentration of the market will continue to increase, the market share will gradually be concentrated in the hands of the leading enterprises in the industry, and the bargaining power will gradually be transferred to these head enterprises. Therefore, in order to expand market share in the competition, obtain bargaining power and improve profit margins, most Internet companies basically adopt such a business model: first, use below-market pricing or subsidies and other forms of "burning money" to obtain user groups and quickly occupy the market; Then, continue to "burn money" subsidies to cultivate user stickiness, develop user habits, and continuously expand the scale to obtain a larger market share; Finally, according to the scale of the market share, exert its own higher bargaining power, increase the price and achieve a larger profit margin. From the perspective of economic market structure and profit maximization, the particularity of the Internet industry has potentially incentivized Internet companies to seek a monopoly market position.

2.2. The Realistic Possibility of Monopoly in the Internet Industry

The particularity of the Internet industry makes it possible for Internet enterprises to achieve monopoly. As mentioned earlier, Internet companies often go through a highly competitive stage after innovation, because homogeneous products are highly fungible, so if a company is priced low, it is possible to win a large (almost all) market share. Under such conditions, when there are enterprises in the industry that use the low-price expansion model, the enterprises that do not use or whose capital cannot support their use of this "burning money" model will gradually lose the market. In addition, these companies also face high cost pressure in the early stage of entrepreneurship, and can only choose to exit the market after losing a large amount of market share. This is very different from traditional industries, which can remain in the market by controlling costs or enhancing product heterogeneity. Therefore, after the high-intensity competition in the Internet industry, the few enterprises remaining in the market naturally occupy the vast majority of the market share, and then gradually realize the monopoly of the industry. Although the Internet economy has a large initial investment cost, it has the characteristics of diminishing marginal cost or even zero, so the profits in the later stage are considerable.

3. Analysis of the essence and mechanism of anti-monopoly in the Internet industry

It is necessary to put "anti-monopoly" in the early stage of industry development. While giving full play to the advantages of "Internet +", we must pay attention to avoiding irrational and brutal expansion in the industry. The market supervision department may cooperate with the market price department to promptly discover whether there is malicious competition through

price in the industry. Market supervision authorities can refer to the comparable prices of similar products at that time to formulate price guidance and supervision standards. In addition, market supervision departments should focus on the expansion of "burning money" preferential subsidies and acquiring users at low prices, and once discovered, they should promptly and resolutely stop it. In particular, when the concentration of the industry increases to a certain extent, the market supervision department should remain vigilant and take measures as soon as possible, establish and improve the anti-monopoly mechanism, strengthen law enforcement, and some necessary supervision and management measures must be introduced in a timely manner at the early stage of industry development, especially in the field involving people's livelihood, so as to prevent problems before they occur.

3.1. The essence of anti-monopoly in the Internet industry

The theoretical basis of traditional anti-monopoly is the loss of overall social efficiency caused by monopoly. The monopoly of the Internet industry has shown new characteristics due to the particularity of the Internet, so the "anti-monopoly" research should also be based on the new characteristics to carry out new analysis that keeps pace with the times. In traditional microeconomics, "first-level price discrimination" is just an abstract theory, which means that if manufacturers can occupy the advantage of information and fully grasp the consumer's preferences and other information, then it can be priced according to each quantity of consumer demand, and the price set is exactly the consumer's reservation price, that is, the highest willingness to pay price. The result of "first-degree price discrimination" is that manufacturers will capture all of the consumer's surplus. Therefore, in economic theory, information is valuable, and obtaining effective information comes at a cost. For society as a whole, although this behavior damages the welfare of consumers (complete loss of consumer surplus), it does not cause the loss of overall social efficiency caused by traditional monopolies. In the past, the theory of "first-level price discrimination" was difficult to realize in reality, because in reality, manufacturers could hardly fully obtain information such as consumers' real preferences and willingness to pay, so they could not achieve such pricing methods. However, with the rapid development of informatization and digitalization in the past ten years, especially with the popularity of Internet mobile terminals, various types of software (APP) based on mobile Internet application scenarios have developed rapidly, which makes consumers leave records of private information in the software every time they use the APP, such as purchase records, search frequency, browsing time, various preferences, habits, etc. With the continuous development of information technology and the transformation of consumption patterns to online electronic transactions, Internet platforms have obtained massive amounts of user data information. As a result, manufacturers are able to obtain a large amount of consumers' personal information at low cost, making "first-degree price discrimination" that previously existed only in theory possible, and it is rapidly becoming a reality. In addition, the rapid development of artificial intelligence in recent years has further promoted the realization of price discrimination. Internet companies can use big data analysis and various advanced algorithms to achieve price discrimination, so as to maximize their profit margins. The model of price discrimination by Internet companies using their data advantages is gradually "squeezing out" consumers' last drop of consumer surplus. Traditional economic theory holds that the practice of "first-level price discrimination" by enterprises will reduce or even eliminate the unnecessary loss (DWL), thereby improving the overall efficiency of society. This is the contradiction of monopoly in the Internet industry, and it is also the essential difference between the monopoly harm of the Internet industry and the monopoly harm of traditional industries. Anti-monopoly in the Internet industry is essentially aimed at the distribution of social welfare, rather than the loss of social efficiency caused by "opposing" traditional monopolies. On the one hand, we should encourage and affirm the contribution of Internet

enterprises to improving the efficiency of social operation by using their big data and information advantages.

It can be seen that the real purpose of anti-monopoly in the Internet industry is to let Internet enterprises return to the "right path" of using the advantages of technological innovation to improve social operation efficiency, rather than reverting to the "old road" without any technical content of low-price dumping hundreds of years ago to occupy the market and then raise prices sharply to obtain high profits. If Internet enterprises implement "first-level price discrimination" in the information age, they must also benefit consumers to compensate for the loss of consumer welfare. In addition, anti-monopoly in the Internet industry is for a wider range of consumers to have more suitable diversified choices, especially in the traditional demand-oriented consumption fields such as "clothing, food, housing and transportation" related to people's livelihood. There are obvious differences in consumer groups, young consumers like online consumption and are willing to pay for better after-sales services and convenience; However, most middle-aged and elderly consumer groups will not or are not accustomed to the Internet-based lifestyle, and prefer to consume in the traditional way.

3.2. Analysis of the mechanism of anti-monopoly in the Internet industry

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Regulate the behavior of large Internet enterprises, and formulate clear standards and codes of conduct for various types of identification. The establishment of a more specific system of conduct rules for internet enterprises shall be regulated, corresponding laws and regulations shall be established and completed, the use of user data and information by internet enterprises shall be regulated, and the standards for determining monopolistic conduct shall be clarified. Only with clear laws, regulations and rules can monopolistic behavior be curbed in a timely manner when it occurs, and corresponding penalties can be enforced in accordance with laws and regulations. For leading Internet enterprises with huge data, they should conduct normative verification of their behavior at any time, and once it is found that they use their data and information advantages to carry out monopolistic behavior, they should be stopped in time. Focus on the adequacy ratio of Internet enterprises' capital. Strengthen the establishment of a system of laws and regulations at the level of consumer protection, increase the identification of "illegal fundraising" and "fraud", and prevent Internet enterprises from exploiting loopholes in laws and regulations to carry out illegal and criminal acts that harm the interests of consumers, especially in industries involving people's livelihood. China's socialist market economy is an economy governed by law, and capital should be operated in accordance with the law, legally compliant.

4. Conclusions and outlook

First of all, Internet enterprises should give full play to their advantages in big data and information technology to contribute to improving the efficiency of social operation, and return to the track of scientific and technological innovation and optimization application. Internet enterprises should make use of their own scientific and technological advantages to expand the

"cake" of total social welfare in related fields, improve total factor productivity, and strengthen and optimize China's digital economy, so as to promote the progress of the overall society. The establishment of an anti-monopoly mechanism in the Internet industry needs to be based on the essence and purpose of anti-monopoly, that is, to oppose manufacturers using their own information advantages to "squeeze out" all consumer surplus, and to oppose the unhealthy and unsustainable business model of "burning money" disorderly expansion at low prices. At the same time, we should make it clear that while developing the digital economy, we need to reserve diversified choices for different types of consumers, so as to promote the harmonious and healthy development of society and help achieve common prosperity.

Second, competition in the market requires regulatory supplementation. Under the market economy, enterprises seek to maximize their own interests, and the process of development competition may bring distortions in market structure and social welfare or involve social fairness and stability, especially in important areas of people's livelihood such as "vegetable baskets". Effective competition is conducive to technological progress and industry development, but the blind expansion model of the Internet industry is typical vicious competition. It not only loses the efficiency of benign competition, but also brings certain social hidden dangers. When all kinds of investment capital enter, many small traders or small enterprises without capital support will be vulnerable to the impact of the Internet expansion model supported by large capital and forced to leave the market. This requires the regulatory authorities to make up for positions in a timely manner to prevent the waste of resources and the loss of social welfare efficiency caused by vicious competition.

Finally, in the context of supporting the healthy and sustainable development of the digital economy, Internet anti-monopoly should be scientifically understood and accurately supervised. Scientifically evaluate the comparative relationship between the net loss of social welfare DWL and consumer surplus CS caused by Internet enterprises implementing "first-level price discrimination" in the information age, and then accurately supervise and intervene in policies. This not only helps to give full play to the advantages of the Internet platform economy to improve social efficiency, but also makes up for the loss of consumer welfare caused by Internet monopoly by giving profits to consumers through Internet enterprises.

As a new economic model based on the rapid development of the Internet and informatization, if the market economy mechanism is allowed to play a role, the problems arising will have a major impact on China's social and economic development, such as the damage caused by Internet monopoly behavior to consumer welfare. In addition, the problems that arise in the course of its development are new to the global market and need to be solved urgently. Therefore, as a major digital economy, China should carry out active policy intervention on the market problems brought about by the digital economy, give full play to the advantages of China's socialist market economy, realize that all our people share the achievements of the digital economy in the information age, and promote the healthy and sustainable development of China's digital economy.

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