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LEVERAGE EFFICIENCY IN THE CONTEXT OF DIGITAL PLATFORMS

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Due to the historical development of the leverage doctrine, the term "leverage" has negative connotations and is often associated with actions that have no effect or purpose except to suppress competition. According to the general theory, leverage occurs when a firm uses its monopoly power in one market to extend it to an adjacent market, while using market power on this market by raising prices or limiting output or quality [1]. In antitrust circles, leverage has become a term that can be distinguished from behaviour that suppresses competition in an already dominant market [2]. Thus, by definition, leverage implies "the creation of a new or second monopoly" [3].

The concept of leverage changed in the 1950s thanks to scientists at the University of Chicago who questioned the veracity of the leverage doctrine and the illegality of tying, vertical mergers and other leveraged behaviour [4]. The main idea proposed by the Chicago scholars suggested that a monopoly entity entering a related market has no incentive to make it less competitive. It is because the monopoly entity bundles its products from the monopoly and related markets into a single package and the main margin is included in the monopoly product, so an increase in the price of the related market product will affect the price of the entire package, which will negatively affect the monopoly entity's profits. This concept was aimed at undermining the hostility of antitrust laws to vertical integration and leverage behaviour in general. Moreover, the Chicago scholars pointed out that both vertical integration and leverage in general are predominantly motivated by efficiency, which results in higher quality or lower price.

In the context of digital platforms, leverage took on a new meaning, covering a wide range of actions. Examples include platform owners promoting their own related offerings on search results pages, bundling or pre-installing related offerings with the platform's software code, closing access to application programming interfaces (APIs) or data to third parties, or generally reducing the compatibility of third-party offerings with the platform as a distribution medium, etc.

At the current stage of economic development, the general approach to leverage in markets where digital platforms operate is mostly associated with the entry of large digital platforms into markets adjacent to their core offerings, which gives rise to competition issues that are not addressed by existing antitrust tools, including abuse of market power.

In the context of the growing dominance of digital platform giants such as Google, Meta, Amazon, Apple, and others, regulators around the world are paying close attention to the issue of leverage in antitrust law. There is a growing number of lawsuits regarding the abuse of market power by digital platforms when entering adjacent markets. A striking example in recent years was the case of the European Commission against Alphabet Inc. (Google) for licensing its mobile applications to manufacturers of devices that use Google's Android operating system in a single package [5]. The fine imposed on Alphabet Inc. in the amount of 4.34 billion pounds became a record for antitrust verdicts in history. There is a growing trend in the world to call for investigations of other digital platform giants. The main concerns are that by entering certain adjacent markets, these companies will favour their own offerings to the detriment of competitors.

Considering the concept of leverage in the paradigm of market power abuse by digital platforms after entering adjacent markets, it should be viewed from both a negative and a positive perspective. Yes, definitely, given the economies of scale, strong network effects and the role of data, digital platform giants have significant advantages over smaller platforms. This gives them unique opportunities to innovate, improve product quality, reduce prices for users, etc., and to engage in anti-competitive actions aimed at eliminating competitors in related markets. For example, Google, the leading platform in horizontal search, has created several additional business lines, such as mapping services (Google Maps), price comparison services (Google Shopping), online job search services and airline ticket comparison services (Google Flights). Google's competitors in these ancillary businesses complain that Google exploits the popularity of its general search engine to gain a competitive advantage in its ancillary services. In particular, Google allegedly gives its ancillary services a prominent place on search results pages, which makes links to competitors' websites less visible to users, resulting in more users clicking through to the former rather than the latter. Another example is the Amazon platform, which is a leader in e-commerce and the largest marketplace in the world. Amazon brings together users and independent sellers from all over the world, demonstrating its special intermediary function. However, Amazon also supplies goods under its own brand names, such as Amazon Basics, and thus competes with its sellers in certain product categories. This practice makes Amazon both a "player" and a "referee", which objectively raises concerns about fair and honest "refereeing". Another important advantage is that all purchases on the marketplace are made through a "shopping cart", which provides Amazon with unlimited data on consumer preferences, which can be used to improve its own offers. Moreover, over the years of the marketplace's operation, the company has accumulated a huge amount of data related to consumer preferences, which allowed Amazon to create one of the best platforms specialising in cloud computing - Amazon Web Services (AWS). Currently, the Amazon Web Services (AWS) platform is the most profitable in the company's ecosystem, which is helping Amazon to constantly improve its marketplace and develop new business lines.

Concerns concerning the use of leverage by large digital platforms are well-founded and indeed require constant monitoring by antitrust authorities, but it is also worth noting that leverage can be pro-competitive, improve platform efficiency and, as a result, be highly beneficial for end users. For example, the technical integration of two products to some extent can provide additional benefits that cannot be achieved by contracting in a pricing system or simply linking one product to the other. The integration of Product A (the platform) and Product B (the new component) may

create some new functionality in the form of Product C that users value and, importantly, could not have achieved by combining Products A and B themselves (from one or more firms) [6]. In particularly, Apple develops voice assistant technology and mapping functionality and integrates it with the rest of iOS and other applications to provide a more seamless user experience [7]. Proof of the effectiveness and efficiency of leverage was the approval of Google's acquisition of Waze by the British competition authority, where the regulator was guided by the fact that "the integration of a mapping application into an operating system creates opportunities for operating system developers to use their own or affiliated services (e.g. search engines and social networks) to enhance the user experience" [8].

There are numerous other potential pro-competitive justifications for leverage. For example, co-distribution or technical integration of two products can protect the reputation of the platform owner by ensuring that it is not unduly penalised for malfunctions that occur when the platform is combined with a poor quality related product [9]. This explains why Apple supplies its own apps to its mobile OS and has strict rules for third-party app developers who distribute them through the App Store. Moreover, software integration can reduce consumers' search costs by providing them with the functionality or end results they are looking for faster and more efficiently.

In summary, it can be stated that the use of leverage by digital platforms can have both positive and negative consequences in the context of efficiency and fairness of competition. Today, the most important task for regulators is to create effective legislation that would balance these effects and would not harm the introduction of new technologies and the development of a competitive environment in digital markets.

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