Editorial

Creating the conditions for creation — or competition?

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That there exists a chasm between the achievements of innovative and entrepreneurial businesses in the USA and those in Europe is beyond doubt. There are few major pre-digital era industries in which the USA does not dominate and none in the digital age. The infrastructure of the internet is driven by search engines such as Google and Yahoo! Social media are dominated by Facebook, Twitter, and YouTube. We trade on eBay, Amazon, Expedia, and a host of other American online malls. Boot up your computer and you come face to face with Microsoft, Intel, Hewlett-Packard, and Dell. Your choice of personal entertainment comes from Apple, Disney, Warner, and Dreamworks—it sometimes appears as though the list is endless.

Let us assume that the inhabitants of the USA are not inherently more gifted than those of other regions of the world and that their genetic make-up is the same as that of the nations which gifted the USA with most of its inhabitants, whether as settlers, pilgrims, refugees, opportunists, or illegal immigrants. If Americans are made of the same stuff as the rest of us, it would appear reasonable to suggest that there is something in that jurisdiction’s laws, customs, and business practices that set it aside, enabling talent to succeed, innovation to take root and dreams to bear fruit.

A second explanation is based on the two continents’ contrasting cultures of failure. US banks are said to be far more confident to lend to a business which has suffered a failure than are European institutions, which are said to favour a policy of only backing winners. While there may be more than a grain of truth in that hypothesis, it may be that it is more relevant to the funding of start-ups than to the investment in taking a business from a small, modestly successful one, with a discernibly positive ‘track record’, to a major player in a global market.

A third explanation is that the continents demonstrate very different attitudes towards competition in an open market. Both the US and the European Union cherish the same ideal—a market in which competitors are able to pitch against one another in seeking to attract custom from a market in which the consumer is sufficiently well informed to be able to make a logical decision as to which of them to favour. However, the manner in which the two jurisdictions seek to bring this about is quite different. A short editorial cannot do justice to the contrast, but it may be crudely summarized as follows. US legislation and government practice is to wait for a problem to happen and then deal with it, while the European preference is to discourage the problem happening in the first place wherever possible. Putting it another way, the Americans wait till they can see the whites of the monopolist’s eyes before they pull the trigger, while the Europeans try to restrain him, from a distance, by casting a regulatory net over him before he comes too close.

This Editorial wonders whether the European approach is simply too cautious. It keeps the European zone as a pool in which medium-sized businesses may compete with one another, and sometimes lawfully cooperate, but which does not assist them when seeking to grow in scale and market power in a global market which, for the most part, is less regulated. Does this result in a form of kindness to competition which kills or inhibits the successful global establishment of innovations? It would be good to know.