Big Tech & Global Finance

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Overview

1. Big tech corporations dominate equity markets

2. A privileged position to consolidate power:
   - Easy access to finance, even though many pay no dividends!
   - M&A deals capture innovations by others, limiting competition

3. The big US market is a major support for US companies expanding internationally

4. Europe in a much weaker position; China has advantages
Top 10 Global Corporations, 2018

Top corporations are mainly US-based, measured by stock market capitalisation

Tech stocks are the latest market fashion

China also in Top 10

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
<th>Market capitalisation Sbn</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Apple</td>
<td>1,055</td>
<td>US</td>
</tr>
<tr>
<td>2</td>
<td>Amazon</td>
<td>946</td>
<td>US</td>
</tr>
<tr>
<td>3</td>
<td>Microsoft</td>
<td>839</td>
<td>US</td>
</tr>
<tr>
<td>4</td>
<td>Alphabet-Google</td>
<td>813</td>
<td>US</td>
</tr>
<tr>
<td>5</td>
<td>Berkshire Hathaway</td>
<td>530</td>
<td>US</td>
</tr>
<tr>
<td>6</td>
<td>Facebook</td>
<td>474</td>
<td>US</td>
</tr>
<tr>
<td>7</td>
<td>Alibaba</td>
<td>405</td>
<td>China</td>
</tr>
<tr>
<td>8</td>
<td>Tencent Holdings</td>
<td>384</td>
<td>China</td>
</tr>
<tr>
<td>9</td>
<td>JP Morgan Chase</td>
<td>382</td>
<td>US</td>
</tr>
<tr>
<td>10</td>
<td>Johnson &amp; Johnson</td>
<td>368</td>
<td>US</td>
</tr>
</tbody>
</table>

There is only one European company in the global Top 20, Royal Dutch Shell, at $226bn!
Big Tech was far less prominent a decade ago, and will diversify to maintain its position as a key economic sector
Market Capitalisation & Economic Power

Companies also use shares as a means of payment in M&A deals.

Targets may have technology to boost acquirer’s monopoly!

Most targets are US-based, but not all.

Recently, Walmart bought 77% of India’s Flipkart for $16bn.

<table>
<thead>
<tr>
<th>Record of Takeovers (many are private deals, with no value announced)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Microsoft 1987-200+ 16 countries outside US Over $70bn total</td>
</tr>
<tr>
<td>Apple 1988-98 12 countries outside US Over $7bn</td>
</tr>
<tr>
<td>Amazon 1998-86 5 countries outside US Over $20bn</td>
</tr>
<tr>
<td>Alphabet-Google 2001-210+ 17 countries outside US Over $40bn</td>
</tr>
<tr>
<td>Facebook 2005-69 9 countries outside US Over $25bn</td>
</tr>
<tr>
<td>Alibaba 2010-16+ Mainly China/Asia Over $8bn</td>
</tr>
</tbody>
</table>

Tech company start ups often hope to ‘cash in’ with a takeover!
Finance & the First Smartphone

5 years before Apple’s iPhone, Johannes Väänänen, a Finnish inventor, produced the first modern smart phone in 2002! Touch screen control, swiping, full web access and a Qwerty screen keyboard … (advert in PC Plus magazine, Oct 2003)

In 2002-03, Nokia and Apple were not interested in his idea.

Samsung was, but a meeting with them failed when his company F-Origin was kicked out of its office for not paying rent!

Samsung lost as an investor; F-Origin went bust in 2005.
Key factors behind IT development:

- **Funding:** finance invention, production, innovation
- **Economics:** scaling up - lower costs per user/customer, etc

**The US market:** A big, rich, politically unified base

Population 325m; GDP $19.4 trillion; GDP per capita $59,700

In 2017: 15m+ people with $1m or more; 700+ with $1bn or more

A large number of wealthy people, one language and legal system

Many investment funds; the world’s biggest equity market
Finance, Market Size & Big Tech

The EU: Big population, many countries, lower incomes
Population 508m; GDP $17.3 trillion; GDP per capita $33,900
In 2017: 9m+ people with $1m or more; 320+ with $1bn or more
But many languages, legal systems … and Brexit to come
Diverse investment funds (most VCs in London) and equity markets

China: Very big and politically unified, poor but growing fast
Population 1,400m; GDP $12.0 trillion; GDP per capita $8,500
In 2017: 2m+ people with $1m or more; 500+ with $1bn or more
One language and legal system; large, developing equity market
Big Tech Revenues

1. Advertising: $550bn spending expected in 2018
   
   55% offline (mainly TV); 45% online (growing rapidly, with Google & Facebook having over half the digital revenues)

2. Commercial platform selling fees

   eg for Amazon, Alibaba. Also Apple with its closed network

3. Other areas: AWS is Amazon’s main area of profit!

Amazon’s operating income (loss), 2014-2016, year to 31 December ($ million)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2015</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>1,425</td>
<td>2,361</td>
<td>2,837</td>
</tr>
<tr>
<td>International</td>
<td>(699)</td>
<td>(1,283)</td>
<td>(3,062)</td>
</tr>
<tr>
<td>AWS (Amazon Web Services)</td>
<td>1,507</td>
<td>3,108</td>
<td>4,331</td>
</tr>
<tr>
<td>Total</td>
<td>2,233</td>
<td>4,186</td>
<td>4,106</td>
</tr>
</tbody>
</table>
2 generations of tech companies

Microsoft and Apple act like traditional corporations (except that Apple also owns the world’s biggest bond investment fund!)

But Amazon, Google, Facebook, Alibaba, etc, pay no dividends and have special types of shares that boost control of the founders

How do Amazon, etc, get away with it?

Stock market bets on their ability to dominate the global market! (Reflected in a rising share price)

Big Tech offers a huge market potential with economies of scale

Big Tech also has revenues to fund massive investments and so these companies can buy into new areas (AI, robots, etc)
Big Tech & Society

Personal data, privacy and spying?

Big Tech has close ties to government security services, but the main objective is to commercialise personal data for private profit.

The big question: Social benefit or private power?

Innovations can make life easier and more productive for billions of people, but are distorted and monopolised by big corporations!

Better communications, technology and access to information becomes a burden for ordinary people: deskillled, disrupted jobs and anxiety about the future!

Capitalism is the barrier to using technology for society’s benefit.
Conclusion

We live in a monopolised world. Even new areas are dominated by only a handful of companies.

Technology is a gain for society, but capitalists use it to accumulate market power and control social wealth.

More information:

economicsofimperialism@blogspot.com

... for articles on major companies

Also, my book on finance and power:

The City: London & the Global Power of Finance, Verso, 2017