Don't shoot the messenger

Why mergers and acquisitions highlight, not cause, the UK's economic issues

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Kraft and Cadbury; Pfizer and AstraZeneca and Melrose and GKN: Major takeovers of British companies tend to generate suspicion if not outright hostility among media and politicians.[1] Where this opposition crystallizes into a policy recommendation, it is that Government allows itself to prevent deals through some form of public interest test. Yet since current policy was set in 2002, no Business Secretary has signalled any intention to change it. Most recently, Greg Clark has been no exception.

With Brexit potentially freeing regulatory constraints, and Government required to review their policy by April 2019, now is the time to explore the growing gap between policy and public debate, and to decide whether change is needed. In this paper, we explore this gap and question whether a public interest test would solve the problems raised. We find it would not. Current takeover policy is based on the economic evidence and battles for a corporate sector that better delivers inclusive growth should be fought elsewhere.

1 In the GKN case this came from, amongst others, former Business Secretaries Vince Cable (2018. Available at https://twitter.com/vincecable/status/951753335568089088) and Lord Heseltine (Heseltine, M. (2018) [radio]. Today. BBC Radio 4. 30 March, 06:00.

What can Government currently do?

Currently, the UK government can influence M&A through five channels. Two of these were enshrined in the Enterprise Act (2002), formally enabling intervention in particular takeovers: [2]

- **Competition and Markets Authority:** Merger review in the UK is primarily the responsibility of the Competition and Markets Authority (CMA), which is required to investigate mergers or takeovers over a certain size which do or may result in a substantial lessening of competition in any UK market. Their investigation solely considers the impact on customers. M&A deals over certain thresholds are the responsibility of the European Commission, who apply similar criteria.
- **Public interest considerations:** The Secretary of State may investigate and intervene in a deal on the grounds of one of seven public interest considerations: "national security, including public security", five considerations relating to the media, and "the interest of maintaining the stability of the UK financial system". The Act allows for considerations to be added, though EU rules limit what these can be.

> "Serious threat to #industrial strategy. Where is gov?"
>
> Vince Cable (tweet) on Melrose's takeover of GKN.

In addition, Government has influence over mergers through the following:

- **Takeover Code and Takeover Panel:** The Takeover Code is the set of business standards covering takeovers. It aims to ensure shareholders are treated fairly and help promote the integrity of the financial markets. It is explicitly not concerned with the commercial or public interest advantages of a takeover.[3] The Code is administered by an independent body, the Takeover Panel, and so Government influence is indirect.
- **Broader corporate regulation:** Many of the issues raised around takeovers, such as pensions, are covered by general corporate regulation, as the purchaser fully takes on the legal obligations of the target company.
- **Soft power:** Government may have some influence beyond its formal powers. Most recently, the Business Secretary obtained assurances from Melrose, with similar intervention during the Pfizer AstraZeneca bid.[4] Not backed by legal authority, Government's power is likely to depend on the circumstances of particular cases.

Box 1: M&A glossary

A range of terms are used in this field, with different types of deals leading to different criticism and different potential solutions:

M&A (Mergers and Acquisitions): This is a catch-all term that includes all the following:

- **Takeover:** One company (the acquirer) buys another company (the target) which ceases to exist. Its operations, assets and debts become part of the acquirer. Ownership of the acquirer can be unchanged, with cash paid to the target's owners, and/or payment can take the form of shares in the acquirer. Take overs have been criticised for destroying value for the acquirer, which could support arguments to make them more difficult. This paper finds against that argument.
- **Acquisition:** Equivalent to "takeover"
- **Hostile takeover:** A takeover that is not supported by the board of the target company. These are often subject to particular criticism and it would be possible to change corporate rules to target these specifically. However, this paper finds no evidence to support such a change.
- **Foreign takeover:** A takeover with a UK domiciled target and non-UK domiciled acquirer, these have been criticised for leading to the loss abroad of UK jobs, control and wealth. It is possible to target these specifically through foreign investment rules. This paper concludes any benefits would be marginal and can perhaps be achieved through soft power.
- **Merger:** Two companies combine and become one, new, entity. Ownership of new entity is split between ownership of previous companies. These generally raise the same issues, and require the same treatment as takeovers, although competition concerns are particularly likely where two similar firms combine. A merger where the new entity is domiciled outside the UK is similar to a foreign takeover, but it is not possible to have a hostile merger.

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2 The Act has subsequently had only minor or procedural changes. See the *CMA's Mergers: Guidance on the CMA's jurisdiction and procedure for a thorough statement of the current position.* Available at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/384055/CMA2__Mergers__Guidance.pdf

3 The Panel on Takeovers and Mergers (2016). *The Takeover Code* (12th Edition). Available at http://www.thetakeoverpanel.org.uk/wp-content/uploads/2008/11/code.pdf?v=8Jan2018

4 Pfizer (2014) *Memorandum from Pfizer to the Business, Innovation and Skills Committee and the Science and Technology Committee of the House of Commons*. Available at: https://www.rns-pdf.londonstockexchange.com/rns/8315G_-2014-5-12.pdf

International Comparison

Criticism of government's failure to intervene in takeovers is often accompanied by the belief that the UK is unusually liberal it its stance.[5] This is supported by the relative volume of M&A in the UK. Between 1998 and 2017, the value of M&A deals in the average year accounted for 20% of GDP, much higher than Germany (6%), France (8%) and even the US (11%).[6]

However, in terms of government powers to intervene in individual takeovers, the UK position is not unusual. EU Member States are all bound to use a set-up similar to the UK's, with intervention primarily on competition grounds and an allowance to override this under restricted legitimate interest considerations.[7] Notably when France tried to adjust its rules to prevent General Electric's 2014 takeover of Alstom for economic reasons it faced European Commission opposition and ultimately failed. The US regime has similar principles if different details. There are a handful of exceptions to this position (see Box 2), though these tend to allow intervention only in the case of foreign acquisitions. It is not possible to identify the economic impacts of these policies due to the absence of counterfactual, but the countries remain in the normal range for both inward investment and economic indicators such as employment or productivite growth.

20% of GDP

The value of UK M&A deals in the average year from 1998–2017.

Box 2: International examples of the public interest test

- **Canada** reviews significant foreign acquisitions of Canadian companies with the aim to promote "investment, economic growth and employment opportunities in Canada"[8], in addition to separate competition and national security reviews. A government minister is responsible for decisions. Only three takeovers have been formally blocked in thirty years but most are approved subject to some form of undertakings.
- Similarly, **Australia's** finance minister can block a foreign acquisition's contrary to the "national interest" – which is deliberately left vague in the regulation.[9]
- **South Africa** is an example where domestic M&A as well as foreign acquisitions are subject to a public interest test. Their Competition Act requires competition authorities to consider public interest concerns alongside competition when assessing M&A.[10]

There are two areas where the UK is more liberal than other major economies. The first is its **takeover rules**, the corporate law framework through which Government can make it easier or harder for M&A to go through. These are particularly significant in the case of hostile takeovers. The EU has largely failed to harmonise rules,[11] meaning the law in Member States such as Germany makes it much harder than the UK for hostile takeovers to succeed. This is in part due to allowing more tactics with which incumbent boards can defend against takeover, but mainly due to rules around the dual-board structure. These means hostile takeover bids in Germany are usually conditional on obtaining the 75% shareholding necessary for effective control.[12] By comparison, Melrose's offer was successful in the UK having been accepted by only 52% of the shareholding.[13]

The second area is the **competition rules** themselves. The UK rules focus firmly on any negative consumer outcomes resulting from a lack of competition, rather than viewing market consolidation as intrinsically problematic. The Enterprise Act instructs the CMA to "in particular, have regard to the effect of any action on any relevant customer benefits" when considering whether to take action having identified a merger as substantially lessening competition.[14]

5 For example, Lord Heseltine: Heseltine, M. (2018) [radio]. *Today*. BBC Radio 4. 30 March, 06:00
6 CPP analysis based on M&A data from IMAA's M&A Statistics by Countries (available at: https://imaa-institute.org/m-and-a-statistics-countries/) and GDP data from OECD's *GDP in US dollars, constant prices and PPPs* series. Statistics for 1998 to 2017 inclusive. M&A volume for UK includes UK:UK deals, UK firms' acquisitions of foreign firms, and foreign firms' acquisition of UK firms.
7 Public security, media plurality and prudential rules are the only named legitimate interests. Member States require approval for any others, which must be "compatible with the general principles and other provisions of community law". *The EC Merger Regulation* (2004), Article 21(4). Available at http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32004R0139&from=EN
8 *Investment Canada Act* (1985) of Canada; Section 2. Available at http://laws-lois.justice.gc.ca/eng/acts/I-21.8/page-1.html#h-2
9 *Foreign Acquisitions and Takeovers Act* (1975) of Australia; Section 67. Australia. Available at https://www.legislation.gov.au/Details/C2016C01144
10 *Competition Act (1998)* of South Africa as amended; Section 12A; Available at http://www.compcom.co.za/wp-content/uploads/2014/09/pocket-act-august-20141.pdf
11 After regulation was repeatedly voted down, the Commission settled for a directive containing only broad principles. *Council Directive 2004/25/EC of 21 April 2004 on takeover bids*. Available at https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32004L0025&from=EN
12 With Germany's dual-board system, shareholders have no direct control of the management board and require a 75% majority to replace their representatives on the supervisory board. Freshfields Bruckhaus Deringer LLP (2017) *Public takeovers in Germany*. Available at https://www.freshfields.de/globalassets/public-takeovers-in-germany.pdf
13 The UK system is arguably more favourable to hostile takeovers even than the US, where there are relatively similar rules around bidding for and control of firms, but a much greater allowance for defensive measures by the incumbent board.
14 *Enterprise Act (2002).* Section 36(4). Available at: https://www.legislation.gov.uk/ukpga/2002/40/contents

It can also be seen in the CMA's interest in supply-side effects being limited to where it can lead to an increase in consumer prices.[15]

By contrast German law focuses on market dominance itself, rather than the effects of it. For example, the key legislative clause on M&A states "A concentration which would significantly impede effective competition, in particular a concentration which is expected to create or strengthen a dominant position, shall be prohibited by the Bundeskartellamt" (Section 36(1)).[16] EU law, which is responsible for the largest deals, falls somewhere between the UK and German law.

There may well be factors deeper than current legislation explaining the preponderance of M&A in the UK. Acquisitions of foreign firms by UK ones should not be directly affected by UK legislation and yet these are also higher, as a % of GDP, than the equivalent in the US, France or Germany. But if the UK want to align M&A policy with international norms then takeover rules and competition policy are the first place to look, not a public interest test.

> "Sir Philip Green's deal to dispose of BHS and its giant pension deficit for £1"
>
> Frank Field MP on Dominic Chappell's takeover of BHS

So do we need a public interest test?

In the last section we saw that the UK does have an unusually high M&A activity but that it's policy, at least in terms of a public interest test, is in line with most major economies. We now look at why the political and media debate is so hostile to M&A, and whether those arguments stand up. Particularly, do we need a public interest test, do we need different adjustments, or should we be sticking-up for our current arrangements?

The power to block foreign acquisitions

Looking for international precedent for a public interest test on M&A, the limited examples found mostly apply just to foreign takeovers of domestic firms. This is the obvious measure to tackle the most significant concerns raised against M&A: Britain losing things abroad – employment, technology, wealth and control. But are these problems caused by M&A, and would a public interest test solve them?[17]

One reason underlying many objections to foreign takeovers might be a simple preference for UK businesses 'to do well' on the same grounds one wants the national football team to win. The evidence suggests this concern may not be consistent with the desire to increase national income and productivity: foreign owned firms in the UK do better than domestically owned, though there is debate as to whether this is a causal relationship.[18]

There is also a concern about foreign acquisition of UK companies representing **a loss of UK wealth**. But the deals in themselves simply transfer an asset to cash. This can facilitate a current account deficit but does not require it.

However, **the main issue is the shift abroad of production and employment.** Whilst this is an issue for the UK economy, it is wider structural issues driving the loss of manufacturing jobs abroad, not foreign takeovers. The resulting job losses mostly happen either through UK firms out-sourcing production (think Dyson moving production from Chippenham to Malaysia in 2002) or through UK firms reducing employment due to foreign competition (think the decline of UK car manufacturing in the 1960s and 70s). [19] If Government blocked a foreign takeover to try to protect jobs, they would likely still be lost through an alternative channel.

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15 The CMA refer to their predecessor's policy document: Competition Commission and Office of Fair Trading (2010) *Merger Assessment Guidelines.* Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/284449/OFT1254.pdf. See section 5.4.19-20 in particular.

16 *Act against Restraints of Competition* (2013) of Germany. Section 36(1). Available at http://www.gesetze-im-internet.de/englisch_gwb/englisch_gwb.html. In addition, there is a presumption of dominance if one firm has 40% market share or up to five have two thirds (Section 18).

17 We leave aside the valid questions of whether it would be legally possible to do this pending the outcome of Brexit, and what retaliatory measures other states may impose to make the case that a public interest test on foreign acquisitions would, regardless of these issues, have little benefit.

18 For example, see: OECD (2007) *Economic and Other Impacts of Foreign Corporate Takeovers in OECD Countries*, from, International Investment Perspectives: Freedom of Investment in a Changing World. Available at http://www.oecd.org/daf/inv/investment-policy/40476100.pdf 'Foreign-owned' refers to subsidiaries of non-UK domiciled multinationals and not UK domiciled firms with a foreign shareholding.

19 Only 7% of restructuring related job losses are associated with M&A as reported in the European Restructuring Monitor from 2002-2007. European Foundation for the Improvement of Living and Working Conditions (2008). *ERM case studies: The consequences of mergers and acquisitions.* Available at https://www.eurofound.europa.eu/sites/default/files/ef_files/docs/erm/tn0810016s/tn0810016s.pdf

Box 3: Employment fact and fiction: Kraft Cadbury

Kraft's takeover of Cadbury in 2010 illustrates how the reality of M&A cases is often subtler than the public narrative. This takeover is widely viewed to have directly led to UK job losses. However, the job losses following the merger (400 jobs at factory in Bristol) had already been announced by Cadbury, and some already enacted. Kraft was guilty of being misleading at the time of the takeover, having said it planned to prevent the job losses, but the takeover did not cause the loss of employment at the UK factory. There have subsequently been reductions in employment at Cadbury UK factories with investment in new production lines but it is impossible to determine the extent to which this would have happened without the merger.

Whilst not a panacea, M&A control might be able to offer a smaller benefit in terms of UK output. For instance, **Government might be able to benefit from any excess return** of a merger by influencing marginal decisions, such as the location of a headquarters or Research and Development centre, in the UK's favour. If such decisions are a by-product of the merger, rather than its basis, there may be scope for successful intervention. This is particularly pertinent where a merger decision is not driven by intrinsic business merit – such as Pfizer's proposed takeover of AstraZeneca for tax reasons – or influenced by protectionist policies of another country.

Another instance which may justify government intervention is **positive externalities associated with clusters.** Here the loss of output and employment would cause greater damage than that associated with the individual business, potentially justifying intervention. As it is difficult for government to enact policy that actively develops clusters, intervention in takeovers to protect them may be a 'next-best' solution.

> If Government blocked a foreign takeover to try to protect jobs, they would likely still be lost through an alternative channel.

These areas provide theoretical instances where government intervention could have merit, but their economic significance is likely to be, at best, limited. It is unclear what difference formal power would have over and above the results government can already achieve through soft power, such as Melrose's commitment to remain headquartered in the UK.

A public interest test for all M&A

Many objections to M&A are independent of the nationalistic concerns tackled above, as exemplified by the recent debate around the Melrose GKN takeover, where both are UK firms. Three distinct claims underlie these criticisms. We will examine each for the extent to which it is justified and whether it can be addressed by different policy solutions.

- M&A is bad for the businesses involved
- M&A benefits business but harms the wider public interest
- M&A unfairly benefits a few individuals

The simplest criticism of M&A is that on average it is bad for the businesses involved. This might be the case because of management hubris or a separation of controlling interests from the long-term value of the business. By damaging the business this damages the economy. If there were evidence to demonstrate this claim, it would support policy solutions which reduced the volume of M&A.

The evidence is mixed. Either side of the millennium there was a series of studies that built a popular consensus that a large majority of deals destroyed value for the acquiring party.[20] More recently this consensus may have shifted. A 2016 meta-analysis found a contrary conclusion, noting that whilst studies of pre-2000 mergers generally reached this conclusion, more recent studies did not. The same publication that pronounced the consensus pronounced its retraction, claiming it flowed from an unrepresentatively unsuccessful wave of large mergers in the late 90s, and unsophisticated techniques for assessing them.[21]

What is more, these studies are from a business perspective, not an economic perspective.[22] This means they look at the at the return to the acquiring business, not the overall value creation of merging the companies. This is significant because one of the main causes of negative return to an acquirer is overpaying, with buyers typically paying a premium of at least 30% market value. An overpayment is a transfer of value from

20 KPMG produced an early and often-quoted study: KPMG (1999) *Unlocking shareholder value: The keys to success.* Consensus was stated in: Christensen, C. et al. (2011) *The Big Idea: The New M&A Playbook*. Harvard Business Review. Available at: https://hbr.org/2011/03/the-big-idea-the-new-ma-playbook

21 Bradley, C. et al. (2018). *Research shows that smaller M&A deals work out better.* Harvard Business Review. Available at: https://hbr.org/2018/05/research-shows-that-smaller-ma-deals-work-out-better

22 This is perhaps not surprising as it is the acquiring business who are putting money on the line. To an acquiring shareholder it does not matter if they lose money because the acquisition makes no economic sense and reduces the value of the target, or because they simply overpaid for what could have been a sensible acquisition.

acquirer to selling shareholders, not a destruction of economic value.[23]

There is less evidence on the overall economic value of M&A, but what there is suggests a neutral or positive value. When Government commissioned CASS to study this question in the wake of Kraft Cadbury the authors concluded that "the study provides no convincing evidence to support the hypothesis that M&A activity in general is value destroying" and "weak evidence suggesting that takeovers are beneficial for the wider economy".[24] IFS research found a small productivity increase in target firms.[25] The same studies also look at output and employment with similar conclusions. The CASS study found weak evidence that revenue and output decreased in the short term after mergers but had increased after three years. The studies mentioned have also found, where they have looked at it, that hostile takeovers lead to better results for the acquirer, but none of those examined have looked at their overall economic impact.

> There is less evidence on the overall economic value of M&A, but what there is suggests a neutral or positive value.

There is other important reasoning behind takeover regulation – such as balancing the rights of minority shareholders against a majority bidder – but in terms of overall economic impact, we cannot see evidence to use regulation to reduce M&A activity generally. An alternative is intervention in particular deals. The evidence suggests that many deals are harmful to the businesses involved, but there is no reason to believe that Government could identify these where the market cannot.

This leaves intervention to protect the public interest where it diverges from that of business. In many cases this concerns business leaving the UK, addressed in the previous section, but there are also substantial issues independent of national borders. Two of these are in similar in nature:

- **Debt adding risk to output:** The first concern is that takeovers are financed by debt which is then secured against the target company. This strategy can reduce downside risk to an owner whilst increasing risk for the company. The issuers of the debt bear the risk that is removed from the owners and so should, in theory, only issue it in confidence of the sustainability of the company. However, instances such as Phones4U suggest the market may fail, ultimately harming the UK economy through the loss of employment and output.
- **Pension liabilities** are similar to debt - they can be used to improve the short-term cash position of the company whilst weakening its long-term sustainability. However, in this case the losers are not institutional investors who should be able to monitor risks but employees whose rights need to be protected.

> "a takeover bid where one of the primary motivations was financial engineering"
>
> Chuka Chuka Umunna MP on Pfizer's attempted takeover of AstraZeneca

BHS's failure in 2016, a year after a takeover, left a pension deficit of hundreds of millions of pounds. This example conflated the two issues, and there were subsequently calls for the Pensions Regulator to have powers to veto takeovers.[26] But the issues are separate. BHS's pension deficit was primarily built up before it was sold in 2015, and Carillion has recently demonstrated a company can fail with a pension deficit without having been in deficit. In both cases the real issue was that fund trustees had no regulatory backing to ensure that supporting the fund was prioritised when the firms were making money.[27] The same principle applies to debt. It is possible for an existing company, as well as one being taken-over, to issue excessive debt. Both cases point to the need for stronger regulation in general, rather than at the point of takeover per se.

The third is competition. This is already the main aspect of M&A policy. The Enterprise Act grants the CMA powers to prevent mergers and takeovers if

23 The transfer may have second order effects if the money is used differently by target shareholders than it would have been otherwise. However, these are unlikely to be significant compared to the first-order creation or destruction of value associated with merging the two businesses.

24 M&A Research Centre, CASS (2011); *The Economic Impact of M&A: Implications for UK firms*. Available at http://www.cass.city.ac.uk/?a=138864

25 Griffith, R. Redding, S. Simpson, H; Institute for Fiscal Studies (2004) *Foreign ownership and productivity: New evidence from the service sector and the R&D lab*, August 2004; https://www.ifs.org.uk/wps/wp0422.pdf

26 Most prominently from Lady Judge of the Institute of Directors in her written evidence to the Work and Pensions Committee. Available at http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/work-and-pensions-committee/pension-protection-fund-and-the-pensions-regulator/written/44222.html

27 In both cases, the joint select committee reports provide thorough and distressing narrative. See Work and Pensions and Business, Innovation and Skills Committees of the House of Commons (2016) BHS. Available at https://publications.parliament.uk/pa/cm201617/cmselect/cmworpen/54/5402.htm. See also: Work and Pensions and Business, Innovation and Skills Committees of the House of Commons (2018) *Carillion*. Available at https://publications.parliament.uk/pa/cm201719/cmselect/cmworpen/769/76902.htm

they significantly lessen competition, recognising that the public interest, in this case, differs from that of the companies involved. However, these powers may not go far enough, as they place the burden on the CMA to show how a concentration will negatively impact customers. A stronger law could flip the presumption, requiring deals above a certain market share to demonstrate they were competitively beneficial. The Facebook WhatsApp case shows the need to examine our defintiomn of markets. [28] Leaving aside the debate of whether it would benefit innovation and growth, a stronger competition policy would dilute corporate power, potentially reducing executive pay and associated issues.[29] These issues will be fully discussed in subsequent papers on the role of business and corporate government in driving inclusive growth.

Looking beyond whether M&A is harming the public interest are questions of whether some individuals are unfairly benefitting from it. This might be seen in the excessive pay of the new executive team, or the fees they pay to advisors. This is an issue but again it is one much wider than M&A. Government intervention in mergers will increase not reduce advisor fees or executive pay by creating more complexity. The solutions to this issue are much more fundamental, involving adjusting corporate governance structures to maximise the benefits of business, and developing the good governance and social infrastructure necessary to promote a new inclusive growth.

> M&A is not the cause of these problems. It is not even the symptom. It is a window throwing light on the disease. We must think more fundamentally to cure it.

Conclusions

Criticisms of takeovers and mergers are mostly based on legitimate concerns ranging from the loss of output in high productivity sectors to poor corporate governance allowing excessive debt and inappropriate executive pay. Big M&A deals bring these issues to the surface, generating media attention and a desire to act. But this does not mean that M&A causes the problems, or that blocking the deals would solve these problems.

International comparison shows that whilst the UK does have an unusually high volume of M&A, its policy framework is not unusual. Implementing a public interest test would take us into an international minority that cannot demonstrate clear benefits. There is international precedent for tightening regulations to make it tougher for M&A deals generally, or hostile takeovers specifically, to go through. But again, with no clear evidence that either are damaging to the firms involved, such a change is not justified on economic grounds. When Government reviews the Enterprise Act, as due in 2019, it should not suggest structural change.

Whilst it is important to clarify this debate, and defend against poorly targeted policy proposals, it is much more important to target the issues themselves. High on the list should be a rebooting of pensions regulation – whose failings regarding Carillion were distressingly laid bare by the joint select committee.[30] Tackling the growing gap between a corporate world of executives, advisors and financiers and ordinary employees is a greater challenge. One potential route is a competition policy focused on dominance itself and not just its effect on price. The Centre for Progressive Policy will consider this and other related issues through its programme on trade and competitiveness.

So, the lack of M&A policy change recommended here does not mean there is a lack of work to be done. We have seen here how our current corporate structures can allow unsustainable pension deficits or high-risk corporate debt whilst executives earn millions and we have seen how Government and business are together failing to deliver productivity and inclusive growth.
But M&A is not the cause of these problems. It is not even the symptom. It is a window throwing light on the disease. We must think more fundamentally to cure it.

28 Facebook's 2014 takeover of WhatsApp was approved on the grounds that they operated in different markets, despite a general consensus that the move was designed to remove a potential competitor in the social media space. With the four large tech companies rapidly expanding their scope, on top of already being dominant in their core markets, this issue is increasingly relevant. See: European Commission (2014) *Mergers: Commission approves acquisition of WhatsApp by Facebook.* Available at: http://europa.eu/rapid/press-release_IP-14-1088_en.htm

29 For the relationship with executive pay see: Gabaix, X et al (2013) *CEO Pay and Firm Size: an Update after the Crisis*, NBER. Available at http://www.nber.org/papers/w19078.pd

30 Work and Pensions and Business, Innovation and Skills Committees of the House of Commons (2018) op cit.