Institute for Public Policy Research

FAIR PLAY

HOW COMPETITION POLICY CAN DRIVE GROWTH

George Dibb and
Tommaso Valletti

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IPPR
4th floor,
8 Storey's Gate
London
SW1P 3AY

E: info@ippr.org
www.ippr.org
Registered charity no: 800065 (England and Wales),
SC046557 (Scotland)

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ABOUT THE AUTHOR

Dr George Dibb is associate director for economic policy and head of the Centre for Economic Justice at IPPR

Professor Tommaso Valletti is professor of economics at Imperial College Business School and was chief competition economist of the European Commission (directorate general for competition) between 2016 and 2019.

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Coalition for APP FAIRNESS

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SUMMARY

The UK's competition framework — and its regulator, the Competition and Markets Authority (CMA) — has struggled to prevent rising market concentration and stagnant productivity. At the same time, the UK economy is suffering from chronic low investment, and firms have increasingly cited uncertainty around competition enforcement as an issue. While competition policy has historically been framed as a technocratic tool, it is in fact a cornerstone of shared, equitable growth. The CMA has a huge role in ensuring markets work for citizens, workers, startups, and wider prosperity, not just dominant incumbents. The Labour government must seize this moment to redefine competition policy as a proactive force for economic renewal, aligning it with missions to boost productivity, rebalance regional disparities, and safeguard democratic accountability.

In this briefing paper we set out the case for an unwavering and robust competition policy, enforced by a more responsive regulator, which works to boost inward UK investment, aligned to industrial and trade policy goals.

WHY COMPETITION POLICY MATTERS

Breaking the low-growth trap

Concentrated markets entrench incumbents, discourage investment, and suppress market dynamism. The UK's steady decline in competition has contributed to stagnant productivity and a 'sugar-rush' economy skewed toward short-term profits. Labour's focus on worker rights and wages must be paired with policies to dismantle barriers to entry, ensuring firms compete on innovation and investment — not rent-seeking.

Shared prosperity

Equitable growth and rising living standards requires curbing excessive market power. Dominant firms — particularly a handful of foreign tech giants — extract wealth from the UK while paying minimal taxes, undermining domestic UK startups and workers. A stronger competition framework can rebalance power toward British businesses and workers, as seen in the Biden administration's antitrust revival. Notably, bipartisan US momentum against 'big tech' underscores the risks of the UK lagging behind.

Democracy at stake

From the US Sherman Act to today, unchecked monopolies have threatened democratic institutions by concentrating economic and political influence. Now, a small number of digital giants, wielding unprecedented economic and political power, pose a similar, and potentially greater, threat to democratic accountability, public discourse, and the integrity of the competitive process.

REFORMS FOR A FAIRER ECONOMY

At the heart of our recommendations is the idea that the CMA can provide pace and predictability without abdicating the role of a regulator. The CMA should avoid regulatory paralysis and shift its ways of working to be more responsive, to further engage with the public, achieve the objectives of the government's industrial and trade strategies, and to work to secure inward investment. But this should all be delivered in a way that maintains the core mission of the CMA: to secure dynamic, open, competitive markets through robust competition policy.

The CMA should do the following.

- **Maintain its core mission of robust competition enforcement** by accelerating interventions against exploitative practices (from 'big tech' fees to energy pricing), while strategically offsetting its 10 per cent staff cuts through stricter case prioritization to focus on high-impact monopolistic abuses that hurt consumers and stifle innovation.
- **Refocus enforcement priorities** through an explicitly defined 'growth' mandate that prioritizes wage growth, business dynamism and regional rebalancing over incumbent protection, learning from the US Federal Trade Commission's public engagement model to amplify worker and small business voices. Meanwhile replacing often ineffective behavioural remedies with structural merger presumptions that block deals unless clear consumer benefits are proven or precision-targeted measures through the Digital Markets, Competition and Consumers Act.
- **Streamline processes to deliver faster, more responsive decisions** by ending costly protracted investigations that yield unenforceable outcomes, fast-tracking clear consumer harm cases (like grocery pricing and bank fees), while simultaneously providing predictable guidance to investors through an active 'investment concierge' service that maintains regulatory rigor.
- **Break down policy silos** by fully integrating with industrial strategy and trade policy, particularly in net-zero transition sectors, allowing strategic consolidation only where it demonstrably boosts UK competitiveness and jobs while maintaining orthodox competition in sectors where Britain lacks industrial strength to ensure low prices and rapid adoption of key technologies.

ROBUST COMPETITION IS A PRO-BUSINESS, PRO-WORKER, PRO-GROWTH AGENDA

Nothing about competition policy is about stifling enterprise — it's about ensuring markets reward innovation, not extraction. By curbing monopolistic power, the government can deliver lower prices, higher wages, higher investment, and a more resilient economy. The alternative — weaker competition and entrenched corporate market power — is incompatible with the government's mission of fair, equitably shared growth.

1. THE POLITICAL CASE FOR ROBUST COMPETITION POLICY

GROWTH AND COMPETITION

Revitalising UK economic growth is often cited as the first among equals of the government's missions. The focus is welcome — boosting growth is vital to raising Britain's living standards.

A dynamic and competitive business environment is a driver of innovation, productivity, and investment, all of which contribute to sustained economic prosperity. The role of regulation in this mix is less clear. Regulation can sometimes be seen as holding a bubbling economy back or dulling its innovative edge, but this isn't the case. In important ways regulation can *boost* competition and innovation in the economy too.

When markets are open and competitive, businesses have incentives to innovate, invest in new technologies, and enhance productivity. By contrast, concentrated markets allow dominant firms to extract excess profits without the same pressure to improve efficiency or deliver better products and services. This stifles growth by reducing the incentive for new firms to enter the market and limiting opportunities for existing small and medium-sized businesses to scale up. Therefore, by avoiding the formation of monopolies, **competition policy enhances the dynamism of a well-functioning market economy**.

Countries that encourage competition see higher levels of investment and innovation. However, **in the UK a steady rise in market concentration has led to increasing prices and weakened economic dynamism**. The Competition and Markets Authority (CMA) has identified these trends as significant risks to productivity and long-term economic resilience (CMA 2024). Without decisive action, the UK risks falling into a low-growth trap where monopolistic firms dictate market conditions, discourage entry of competitors, suppress wages, and limit consumer choice.

Equally for growth to be meaningful, it must not only be strong but broadly shared, both geographically and across different segments of the population. Rising corporate concentration has undermined this principle, with dominant firms capturing an increasing share of profits while wages stagnate, particularly for lower-income workers. The experience in the US has shown that corporate consolidation often leads to wealth accumulation at the top, while workers and small businesses are left struggling. Given concentrated markets lead to rising corporate power at the expense of communities and consumers, **a robust competition policy is essential to achieving equitable growth**.

Weakening competition policy might lead to short-term sugar-rush growth, but what costs and problems does it store up for the future? There is no path to long-term economic prosperity that runs through entrenched market dominance and reduced competition.

PATHS OUT OF A LOW-PRODUCTIVITY TRAP

There has been a cross-party consensus, from Johnson to Starmer, that the British economy is stuck in a **low-pay, low-investment, low-productivity trap**. The Labour government's efforts - including increasing worker rights, raising the minimum wage, and changes to employer taxes - seem targeted at shifting the economy into a higher-productivity state. This is a laudable plan but will of course also necessarily involve structural shifts and behaviour change in private firms. As John Kingman, the former second permanent secretary at HM Treasury, recently wrote the government must avoid "pandering too much to the ideas of incumbents, when **in a low-productivity economy the incumbents tend if anything to be a big part of the problem**" (Kingman 2024). He proposes making "proactive disruption a conscious theme" of government economic policy. Such an approach would imply taking a *more*, not *less*, proactive position on strengthening competitive nature of markets and confronting 'blockers' with incumbent market power when they arise.

UK STRENGTHS AND NATIONAL ECONOMIC INTERESTS

Another key reason to prioritize robust competition policy is the growing imbalance between global corporate giants and domestic businesses. Many of the most dominant firms in the UK economy are based overseas, particularly in the US, paying little to no tax here. **When competition policy is weak, it enables a handful of foreign-based giants to entrench their dominance, making it harder for UK-based startups to compete and grow**. Policies that boost growth through further reinforcing this dangerous dynamic means preferring foreign incumbents against British insurgents. For example, think of British start-up app developers – a genuine strength for our growing digital economy, investing and employing people here – having to hand over almost a third of their in-app revenue to Apple or Google just because they control access to the app store (see chapter 4, case study 1).

Rocio Concha of Which? and Craig Beaumont of the Federation of Small Businesses have highlighted that protecting UK businesses from anti-competitive practices allows them to scale and innovate, contributing to a more resilient and self-sustaining economy (Concha and Beaumont 2023). A strong competition framework can ensure that **UK-based firms have a fair chance to compete in domestic and global markets**, rather than being permanently relegated to secondary status under the shadow of dominant international players.

GREATER ALIGNMENT WITH A NEW US PARADIGM

Stronger enforcement of competition policy principles was a core component of the 'Bidenomics' programme of the last US administration, represented more prominently by Lina Khan's leadership of the Federal Trade Commission and Jonathan Kanter at the Department of Justice Antitrust Division. Their approach was reformist and emphasised the risks of concentrated market power in prices, but also to workers and democracy. Few expected this regulatory approach to continue under the administration of President Trump, antagonistic as it was to US 'big tech', notably Google, but early signs demonstrate a surprising continuation of the same antitrust approach under Trump. Vice-president JC Vance told the FT that Google should be broken up, saying "I think it's way too big, way too powerful" (Rogers 2024). Andrew Ferguson, Trump's nominee to replace Khan at the FTC has expressed concern about the power of tech giants (McCabe 2025). The DOJ under the leadership of Gail Slater, Kanter's replacement, has 'doubled down' on its demand that the US courts break up Google (ibid). Both have already backed merger guidelines issued under President Biden (Palma and Fontanella-Khan 2025). Such an approach, if continued, would represent a significant shift in US politics to one more confrontational of concentrated corporate power. It would also signify a new bipartisan consensus between Democrats and Republicans that many would view as being far more progressive than the current UK approach. In a political climate of frustration with a failing economic system, **the UK government risks being outflanked by Donald Trump and left appearing as the defenders of a failed status quo**.

SUPPORTING THE UK'S INDUSTRIAL STRATEGY

Competition policy is a vital pillar of the UK's forthcoming industrial strategy (expected in June 2025), ensuring that pro-growth policies lead to a dynamic and open economy rather than entrenching monopolies. While **industrial strategy seeks to boost insurgent firms, competition policy is its necessary counterweight, handling entrenched incumbent firms**.

The government has recognised that competition fosters innovation and investment by giving businesses the confidence to enter markets. Addressing challenges of market concentration and low business dynamism through effective enforcement and regulatory reforms, such as the Digital Markets, Competition and Consumers Act (DMCC), will ensure that industrial strategy initiatives promote genuine market contestability rather than reinforcing existing power structures. To unlock growth across key sectors, competition policy must work alongside industrial policy to create the conditions for new entrants and challengers to succeed.

A THREAT TO DEMOCRACY

Another benefit of keeping markets competitive is the substantial risk that otherwise concentrated markets bring to our democracies. It is often forgotten that the founding fathers of the US competition movement that led to the first important piece of antitrust (American English for 'competition') legislation, the 1890 Sherman Act in the US, were not primarily concerned that concentrated markets would lead to an increase in prices and reduced innovation. The first and foremost menace they had in mind when drafting strict anti-monopoly legislation was the risk that **concentrated economic power would have terrible consequences for economic disparities, corporate political influence, and regulatory capture**, ultimately damaging the social, legal, and economic conditions necessary for a healthy representative democracy.

The rise of a 'big tech' oligopoly in the US should pose as a clear warning. Companies like Google, Amazon, Facebook (Meta), Apple, and Microsoft wield extraordinary influence over markets, public discourse, and even political decision making. Their dominance enables them to shape regulatory environments to their advantage, stifle emerging competition through strategic acquisitions, and influence the information landscape in ways that threaten democratic accountability. The UK must take heed of these risks.

A PRO-GROWTH, PRO-DEMOCRACY, PRO-WORKER, PRO-UK AGENDA

Robust competition policy is not anti-business — it is about ensuring that business operates on fair and dynamic terms. An economy where power is concentrated in a few hands is an economy that stagnates, where investment and innovation dwindle, and where democracy is put at risk. By promoting a more competitive market environment, the UK can drive stronger, fairer, and more sustainable pro-business economic growth, ensuring that prosperity is widely shared, and that economic power remains accountable to the public interest.

As Rachel Reeves wrote in her pamphlet *The Everyday Economy* "we have gained immeasurable individual choice in consumer goods, but it has been at the expense of social goods ... The way forward is not to diminish wealth creation nor to boost the power of the central state, but to bring capital under better democratic control" (Reeves 2018).

A commitment to fair and open markets will not only benefit consumers and workers but also support British businesses in thriving on the global stage. **The UK must not lose sight of competition policy as a cornerstone of a healthy economy and a functioning democracy.**

2.
THE ECONOMIC CASE FOR ROBUST COMPETITION POLICY

WHY COMPETITION POLICY EXISTS

We live in economies that are largely market based, and for a reason. Firms strive for success and, when facing competition, they have to engage in activities that are beneficial to the company, to consumers and society. They have to be innovative, improve their products, keep prices low and treat workers fairly. We emphasised a key condition for this virtuous process: there must be competition.

Without competition, markets don't work. Monopolies are not hungry to invest or innovate because innovation costs money and effort. They will instead extract as much as possible from their customers and pay as little as possible their workers, as both have nowhere to go. Monopolies will use their force to crush insurgent competitors. Instead of improving their products, they will spend large amounts to lobby regulators and politicians to maintain their market dominance and outsized profits.

This is the reason for having competition policy in the first place. One wants to preserve the virtues of competition without falling into the vicious trap of monopolies.

DOES REALITY MATCH THE THEORY?

The short answer is yes, it has. We don't want to rehearse here a rather rich academic literature on the subject – the CMA has recently published a rather exhaustive literature review on this topic (CMA 2025a).

Consistently, the literature has found that competition enforcement deters cartel formation, it opposes bad mergers, it keeps prices low, it avoids anticompetitive behaviour against rivals to the detriment of consumers, and it can spur innovation. A recent emphasis on labour markets shows also **positive gains for workers due to competition policy interventions** (Babina et al 2023).

If that's the case that there are so many reasons to like a vigorous competition enforcement, so what is all the fuss about competition policy? Why are there so many calls to make competition enforcement less aggressive, and more open to concentration of economic activities?

MISCONCEPTIONS ABOUT COMPETITION POLICY

One reason is educational. Competition policy is a narrow field confined to a small circle of people that see themselves as technocrats. It is easy for politicians or the general public to get confused and lost in the details. For instance, there is a misconception that 'mergers are good for investment, because firms need scale'. From this, one could infer that enforcing against mergers is therefore bad for investment - but this would be a mistake. It is true that scaling up is important for *some* firms, typically small and medium sized enterprises. These are firms that might need some help, but they would *never* be subject to any antitrust enforcement, because they do not have market power. Instead, competition policy seeks to challenge only a few, very large corporations, which have already scaled. For these firms the efficiency argument of scale no longer applies. On the contrary, if these firms merge with a competitor, their incentives to compete and innovate would be drastically reduced.

The second reason is that regulators and enforcers remain an easy target when things are not going that well. The public do not know much about regulators and generally don't like them. It is tempting then to pool all of them together and repeat the adage that 'regulation kills innovation'. There is a degree of truth to that, but this also is far too general. Competition enforcers have a set of tools and procedures that are quite well established. The CMA in particular is a very well-respected enforcer internationally. It is almost paradoxical that the introduction of independent regulators in the late 1980s and 90s, which was seen as a great British invention and exported worldwide, is now decried as the reason for a stagnant economy. Obviously, much bigger problems plague the UK.

The third reason is that, actually, competition authorities do not do *that* much, intervening only very rarely. The literature we alluded to relates to many scattered points from different countries, in different industries, at different points in time. It's difficult to join those dots when so little is done within each particular country. According to UK government statistics, only 0.2 per cent of mergers are ever blocked (CMA 2025b). Similarly, at the EU level only 22 out of the 8,289 mergers notified to the EC between 2000 and 2024 were prohibited (0.3 per cent) (Mariniello 2025). When having to explain and justify their role, some regulators struggle to impress with these data at hand.

Lastly, partly because so often only the largest mergers by the most dominant firms are investigated, competition policy has become insular and dominated by a certain type of economics and legalistic discourse. This is led by the representations of large, global corporations that are the only beneficiaries of a further relaxation of competition rules. This has created echo chambers with the same well-connected people firing off the latest rhetoric not grounded in evidence, to the detriment of the large, but silent, majority who want markets that are fairer and prices that are lower. One should instead argue that what's needed to feel a good and tangible impact of competition policy is in fact a massive injection of competition in our economy.

3.
THE ROLE AND REFORM OF THE CMA

The CMA has recently come in for a lot of political flak. Whatever the actual merits of the decision, the surprise replacement of the CMA's chair was widely critiqued as a politically-motivated move designed to align the regulator with the government's pro-growth agenda. The risk here is that political intervention leads to regulatory paralysis, where the CMA loses core staff and institutions are weakened, just at the moment when they must be demonstrating greater results and more legitimacy to the public.

This is set against the backdrop of controversial decisions such as the acceptance of behavioural remedies in the Vodafone-Three merger, where concerns that such measures might allow dominant firms to sidestep tougher competition scrutiny have only deepened fears that political pressures are reshaping regulatory priorities.

Our view is that the fundamentals of clear, robust competition policy should not be under threat – it contributes to core government aims as set out above. But that doesn't mean that we don't think that the CMA should be immune from criticism or that it cannot improve the ways it works. Current events have reminded us of the debate around independence, while less attention is paid to accountability.

Competition enforcers (and perhaps regulators more broadly) should understand that they are going through a crisis of legitimacy, and they cannot keep repeating that 'all is well and nothing needs to change'. Competition policy struggles to articulate its mission – stuck between a past it knows is no longer possible, and not yet able to define its role in a moment of economic emergencies.

The political demand is much more proactive engagement and coordination across tools between competition policy and other areas of economic policy (eg industrial, trade, etc.) to favour growth. This is an entirely reasonable demand as a policy matter. But certainly, the answer is not reducing enforcement (especially merger enforcement) which is already so weak. But there is scope for a better policy design.

The past four years have witnessed an incredible change of discourse in antitrust enforcement in the US under the leadership of Jonathan Kanter and Lina Khan. Stepping aside from specific cases, a real change they brought is that they broke boundaries and shifted levels of risk tolerance for regulators. Equally, they would not just go to talk to the usual circle of corporate lawyers in Washington but instead went to listen to town hall meetings, speaking to farmers and small businesses. The Democrats ultimately lost the election, but this Copernican revolution in competition policy is something that we'd also like to see in the UK. Instead, government seems to equate the interests of all businesses with those of 'big business', when in fact the two can often be in tension. This is a mistake that is easy to reverse by bringing other voices to the table.

We think the problem is not the CMA's mission, but its execution, which has been getting progressively more wayward in recent years, leading to costs for businesses without any real rewards. Refocusing the agency back to basics should be a priority.

First, the concept of **'growth' must be spelled out in much greater detail, especially growth for whom?** This is fundamentally a question of politics and government's economic strategy so must be coordinated with other areas of policy.

Second, the agency must avoid lengthy processes that are costly for all participants but often lead nowhere. In our view, behavioural remedies that are unlikely to fix anything and are in no way enforceable are not satisfactory outcomes. The recent Vodafone-Three decision is an experience not to be repeated. It's essential to recognise that **the CMA can still provide pace and predictability without abdicating on the regulator's role**. As we have argued elsewhere (Lancieri and Valletti 2024) one should move towards much stronger rebuttable structural presumptions in merger control. These presumptions establish that all mergers above certain size thresholds are illegal unless the merging parties can prove that merger-specific efficiencies will be shared with consumers and yield tangible welfare gains. These presumptions are grounded on solid economics and also acknowledge the real-world limitations in enforcement resources and information asymmetries between companies and regulators. The CMA's workforce will be cut by 10 per cent, so an efficient use of resources is needed.

Third, the **CMA needs to continue its work on exploitative practices** that it pioneered with excessive pricing cases in the pharmaceutical sector.[1] This is particularly relevant when it comes to 'big tech', as we argue further below. Similarly, the CMA's work protecting consumers is also vital and visible and should be maintained in a period in which 'cost of living' is a primary public concern.

Fourth, traditional competition enforcement reacts to harms after they arise (*ex-post*), but **digital markets demand preventative *(ex-ante)* regulation**. Dominant platforms exploit network effects, data advantages, and self-preferencing to entrench power—making reactive tools insufficient. The UK's Digital Markets, Competition and Consumers (DMCC) Act addresses this by empowering the CMA to proactively set tailored conduct rules for powerful platforms, targeting specific risks like unfair data practices or interoperability barriers. This approach allows precision interventions: obligations adapt to each firm's business model and can evolve as markets shift, ensuring remedies remain effective. Crucially, the regime prevents harms before they solidify — such as monopolies leveraging scale to stifle rivals — while preserving flexibility for innovation. The DMCC complements (rather than replaces) traditional *ex-post* enforcement, creating a dual toolkit for the CMA which must be used.

Last, in a period of economic transition, competition policy should not operate in a vacuum. **Coordination with industrial policy and trade policy, and therefore with a larger strategic economic approach, are badly needed**. For instance, in a sector where the UK is currently not industrially strong (eg the manufacturing of solar panels), it makes sense to maintain an orthodox approach to competition: the panels are installed by workers in the UK and contribute to the UK net zero objectives. The priority should be to keep prices down, so adoption is encouraged and jobs in installation are created. However, where the UK has still a solid manufacturing base or good potential to develop one (Narayanan et al 2024), some consolidation may be welcome. This should be consolidation in a dynamic sense in that it allows UK firms to confront international competition and maintain or even renew the industrial base in the UK. To give a practical example; the UK is currently competitive in the production of gas boilers (Gasperin, Narayanan and Emden 2024), a technology that is being increasingly legislated out of existence, and the industry must transition to producing heat pumps. Some firms will be more willing or able to transition than others and a market consolidation that

1 Disclaimer: one author was the CMA expert in front of the Competition Appeal Tribunal in this case.

benefits those investing in change help meets growth and climate objectives. The UK's industrial strategy green paper recognises the importance of a coordination between industrial and competition policies (DBT 2024). Without such coordination there are significant risks to the UK's future competitiveness. The UK should not abandon its industry because it fetishises a big tech sector that's largely based in the USA, creates relatively few jobs and pays relatively little corporation tax. The UK manufacturing sector employs many more people, can help us capture the economic benefits of the net zero transition within the UK, and reduce regional inequalities (Narayanan et al 2024).

4.
CASE STUDIES: WHERE COMPETITION POLICY CAN BOOST GROWTH

CASE STUDY 1: HOW A LACK OF APP STORE COMPETITION ALLOWS GOOGLE AND APPLE TO EXTRACT FROM APP DEVELOPERS

Mobile phones, rather than laptops or PCs, are increasingly how people access the internet and the online economy. In 2023, 70 per cent of all online orders were made via the medium of a mobile phone (Binns 2024). At the same time, paid-for or subscription-service apps (for example, paying a monthly fee for yoga videos or a one-off annual payment for language lessons), are a growing part of the UK economy. However, for an app developer, the path to getting an app onto a mobile phone almost always runs through either the Google or Apple app store. Apple does not allow alternative app stores on iOS devices, nor does it allow apps to be 'sideloaded' onto devices bypassing its own app store. Google is comparatively a more open ecosystem in principle, and does allow some of these on Android (with several restrictions and warning) but still ultimately maintains significant market power with its Play Store accounting for between 90 and 100 per cent of Android app downloads (Doffman 2024, CMA 2022a). Online platforms like app stores give companies control of access to a huge economic marketplace and are therefore especially vulnerable to monopolistic control.

Apple and Google have been accused of using control of their respective app stores to charge large fees for in-app purchases. **The typical commission Apple and Google take on an in-app purchase is 30 per cent, with a lower 15 per cent commission for small businesses.** So, if a customer is paying £100 per year to an app for – say – calorie counting and diet advice, £70 goes to the developer who created and built the app but £30 is revenue for 'big tech'. The margins of Google and Apple are of course much higher than these commission rates as their relative marginal costs (which by definition exclude fixed costs like initial investments) are close to zero – the CMA find that Apple's app store averaged a gross profit margin of between 75 and 100 per cent over the period 2018 to 2021 (CMA 2022b). The question here is not whether Apple or Google make products that people find high-quality, useful, and important to their lifestyle. They clearly do. The question is: does the dominance of Apple and Google's app stores allow them to charge higher fees than they would otherwise be able to, if other app stores were able to provide a greater degree of competition. There is good evidence to suggest that they do. The European Union's Digital Markets Act (DMA) requires Apple to allow third-party app stores in the EU. One alternative mobile store that's available on iOS devices in the EU is the Epic Games Store, which charges a lower commission of 12 per cent for in-game purchases that use Epic processes and 0 per cent when third party payment options are used.

Apple and Googles control of app stores is one of the first areas of investigation for the CMA's new digital markets regime. The DMCC, overseen by Kemi Badenoch when she was business secretary, gives the CMA the ability to proactively investigate market control in big tech economies before it arises (ex-ante) rather than having to wait for a merger to intervene in or the higher burden of a market investigation (ex-post) as set out in more detail in chapter 3. It aims to level the playing field for businesses and customers, despite heavy lobbying from tech giants who repeat the adage that this is just regulation holding back progress and will stop them investing in the UK. But this isn't red tape — it's a vital step toward fairer markets — and we shouldn't be confused that just because these companies make useful products, we should be happy for them to use their monopolistic power to reap unfair fees from British businesses.

We can make a rough estimate of just how much these big tech giants 'tax' app developers. The CMA's market study into the mobile ecosystem states that "the [Apple] App Store generated £[400-600] million revenue" and "[Google] Play Store (non-advertising) revenues ... were £[200-400] million" in the UK in 2021 (CMA 2022b). Apple's digital goods and services revenues grew by 25 per cent between 2020 and 2021 (CMA 2022b). If this annual growth rate has been maintained across both Apple and Google app stores, the combined app ecosystem would be worth between £5.4 billion and £9.0 billion in 2025. The CMA also estimate that nine-tenths of app store fees come from larger developers paying the full 30 per cent commission and the remainder from the reduced 15 per cent rate (CMA 2022a). Were both these rates reduced to the 12 per cent benchmark suggested by the CMA (ibid) (based on the more open PC games market) this would see a revenue transfer from Apple and Google to smaller app developers of between £0.8 billion and £1.3 billion. Some PC app stores charge even lower fees with the CMA citing Games Jolt charging between 0 and 10 per cent commission. Were app store fees reduced to an even more competitive 5 per cent commission this 'app store tax' would see higher revenues for developers of £1.2 to £2.0 billion. These are static, not dynamic, forecasts and assume that none of the savings from lower commissions are passed onto consumers through lower prices which itself would be another desirable outcome. Because the UK app store ecosystem is very vibrant and competitive, this additional revenue will most likely be reinvested. These figures (summarised in table 4.1) are a rough estimate and highly uncertain, but as a loose ballpark figure it gives an idea of the levels of cashflow out of just the app developer ecosystem due to uncompetitive behaviours.

It is also important to note that, as more and more consumer spending moves online, the size of these excess profits for Apple and Google will become ever more significant. Maintaining a 25 per cent annual growth rate, Apple and Google could collectively earn up to £6.0 billion in 2029 in annual commission revenue by the end of the parliament's term, with £3.3 billion of that coming from commissions above that 12 per cent benchmark.

TABLE 4.1: SUMMARY OF APPLE AND GOOGLE APP STORE REVENUES

	2021	2025	2029
Source	CMA	Forecast	Forecast
Total UK Google/Apple app store revenues (£bn)	0.6 - 1.0	1.5 - 2.4	3.6 - 6.0
Total UK app store ecosystem (£bn)	2.8 - 3.7	5.4 - 9.0	13.1 - 21.9
Revenues transfered from Google/Apple to app developers if fees were 12% (£bn)	0.3 - 0.6	0.8 - 1.4	2.0 - 3.3
Revenues transfered from Google/Apple to app developers if fees were 5% (£bn)	0.5 - 0.8	1.2 - 2.0	2.9 - 4.9

Source: CMA 2022b and IPPR analysis

Well-designed, smart regulation like the CMA's digital markets unit can drive innovation and competition and improve market dynamism. For every Apple or Google that might see a dip in profits, there's a start-up ready to thrive with lower overheads, a cheaper product, and fairer access. With no UK-based tech giants but a strong digital sector, this is a pro-growth, pro-business policy Britain should champion.

CASE STUDY 2: HOW COMPETITION ENFORCEMENT BOOSTED INNOVATION AT BELL AND LED TO THE INVENTION OF THE MODERN COMPUTER

History is full of examples where robust competition enforcement led to more innovation, investments, and ultimately growth to the benefit of citizens.

In the US, the 1956 consent decree settled an antitrust lawsuit against Bell, a vertically-integrated monopolist charged with foreclosing the telecommunications equipment market. Bell was forced to license *all* its existing patents royalty-free, including those not related to telecommunications. The consent decree led to a lasting increase in innovation but only in markets outside telecommunications. The Bell System remained the US monopolist in telephone services until it was later broken up by another antitrust intervention. The breakup significantly increased the rate of innovation in technologies in which Bell was active before the breakup, and which thus were affected by the divestiture. After the breakup, the number of patents in technologies in which Bell was active increased by 19 per cent per year relative to the number of patents in technologies that are similar but in which Bell was not active. In total, there was an increase of 1,065 patents per year for the years 1982 to 1990, ie in the eight years after the breakup (Watzinger et al 2020). Gordon Moore, the legendary co-founder of Intel said: "one of the most important developments for the commercial semiconductor industry ... was the antitrust suit filed against the Bell System... which allowed the merchant semiconductor industry 'to really get started' in the United States... There is a direct connection between the liberal licensing policies of Bell Labs and people such as Gordon Teal leaving Bell Labs to start Texas Instruments and William Shockley doing the same thing to start, with the support of Beckman Instruments, Shockley Semiconductor in Palo Alto. This started the growth of Silicon Valley" (Wessner et al 2001).

CASE STUDY 3: HOW COMPETITION POLICY OPENED THE DOOR TO THE CREATION OF GOOGLE

Google became Google, at least in part, because a US Department of Justice lawsuit against Microsoft in the 1990s opened up the early internet (Wu 2012). The Microsoft settlement is credited with giving web companies like Google — and browsers like Google Chrome, which overtook Internet Explorer in 2012 (Blagdon 2012) — space to grow. The beauty of competition and antitrust is that it doesn't pick winners and losers. It protects a process, the competitive process, that allows companies of all sizes and shapes to succeed. Past antitrust cases, including the case against Microsoft, opened and paved the way for the next generation of internet companies, including companies like Google in its early days. One wants to make sure that those new startups, those new developers, those new innovators, have the opportunity to reach the market. At the same time, one wants to make sure that the existing large companies feel that competitive pressure and use it to drive them to produce more and to produce better for the public.

CASE STUDY 4: HOW THE BLOCKED MERGER BETWEEN NVIDIA AND ARM LED TO TWO GLOBAL CHAMPIONS

When it comes to mergers, blocking some key ones can also spur innovation. A notable example is the attempted $40 billion merger between Arm and Nvidia that was meant to create the largest semiconductor chip merger in history (Sweney 2022). It was called off due to regulatory challenges in 2022 from competition authorities in the US, Europe and Asia. This decision forced *both* companies to innovate and create new products. This is an example of a successful antitrust action that doesn't hamper companies from pursuing financial success or embracing new technologies. On the contrary, it shows that organic growth and competition can spur firms to further innovate in ways that benefit the business and public alike. Not only has Nvidia remained the leading AI chipmaker in the AI chip arms race, with a surging stock valuation, but Arm ended up going public. Nvidia is now worth $3 trillion. Arm stock has more than doubled since the company went public in 2023, and is now worth $150 billion, and investors have given the company a high earnings multiple, suggesting that they see strong growth in the company's future (Leswing 2024).

5.
CONCLUSION AND RECOMMENDATIONS

The CMA must evolve to meet today's economic challenges. While its independence is vital, recent criticisms highlight a need for sharper focus, faster enforcement, and deeper alignment with the UK's growth and equity goals. The UK must reject false choices between 'pro-business' and 'pro-competition' policies and learn lessons from the US where antitrust enforcers reconnected with grassroots concerns. The evidence is clear: robust enforcement fosters innovation, protects workers and SMEs, and checks corporate power and is a critical tool in a pro-worker, pro-business, pro-growth governments arsenal.

KEY RECOMMENDATIONS

1. Maintain core mission of robust competition enforcement

- Alongside wider reforms to CMA 'ways of working', protect the core principles and mission of **securing dynamic, open, competitive markets**.
- **Accelerate interventions** in exploitative practices, from big tech fees to energy pricing, to lower household costs.
- Offset 10 per cent staff cuts with **stricter triage**: focussing resources on high-impact cases targeting monopolistic power.
- **Fully use the precision tools** of the Digital Markets, Competition and Consumers Act.

2. Refocus enforcement priorities, boost transparency and public trust

- Define a CMA 'growth' mandate explicitly being clear on **growth** for whom? — prioritising wage growth, SME dynamism, and regional rebalancing over incumbent protection.
- Learn from the US FTC's **public engagement**, breaking out of a policy silo and amplifying voices of workers and small businesses over corporate lobbying.
- Replace often weak behavioural remedies with **structural presumptions** in merger control or precision measures through the DMCC.

3. Streamline processes and provide faster, more responsive decisions

- Recognise that the CMA can still **provide pace and predictability** without abdicating on the regulator's role.
- End costly, protracted investigations that yield unenforceable outcomes. **Fast-track consumer harm cases** (eg grocery pricing, bank fees).
- Be an active part of a **transparent offer for inward UK investors** — or a 'investment concierge' – by engaging in discussions and giving predictability to new investments.

4. Break down siloes and better align with industrial strategy and trade policy

- **Break down siloes** between the CMA and other bits of a renewed 'active' government.
- **Forge stronger links** between competition, trade, and industrial policy, especially in sectors critical to net zero. To accelerate green transitions, retains UK jobs, ensure low prices, and increase adoption.

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