

UNDERSTANDING AND ADDRESSING DIGITAL INEQUALITIES

**DIGITAL DIVIDE AND COMPETITION:
ANTITRUST IS NOT A “SWISS ARMY
KNIFE”, BUT...**

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OUTLINE

- Addressing digital inequalities: **could competition be helpful?**
- Antitrust and **Public Interests** other than the protection of the competitive process (sustainability, inequalities, unemployment and wage growth...). Competition Policy as a **Swiss Army Knife?**



OUTLINE

Three possible contributions

1. **Development of and access to digital infrastructures:** infrastructural competition and abuses aimed at delaying the migration from old to new technologies;
2. **AI and access to “essential” (?!) inputs.** Supply side and demand side concerns;
3. **Small firms and final consumers empowerment: the role of consumer protection**

DEVELOPMENT OF DIGITAL INFRASTRUCTURES IN PROFITABLE AREAS: INFRASTRUCTURAL COMPETITION AND NEW INVESTMENT

- Access to digital infrastructures as a pre-condition to address digital inequalities
- Infrastructural competition encourages investment in new technologies
- Incumbents may be reluctant to develop new digital infrastructures and to favor the migration from old to new technologies
- They try to make a significant part of the demand not contestable and impede other players (even if *as efficient as...*) to benefit from potential scale economies, discouraging new investment in new digital infrastructure
- If these strategies violate art. 101 or 102, competition law can indirectly provide an helpful contribution to the reduction of digital inequalities

INFRASTRUCTURAL COMPETITION IN NON-PROFITABLE AREAS. COMPETITION FOR THE SUBSIDIES...

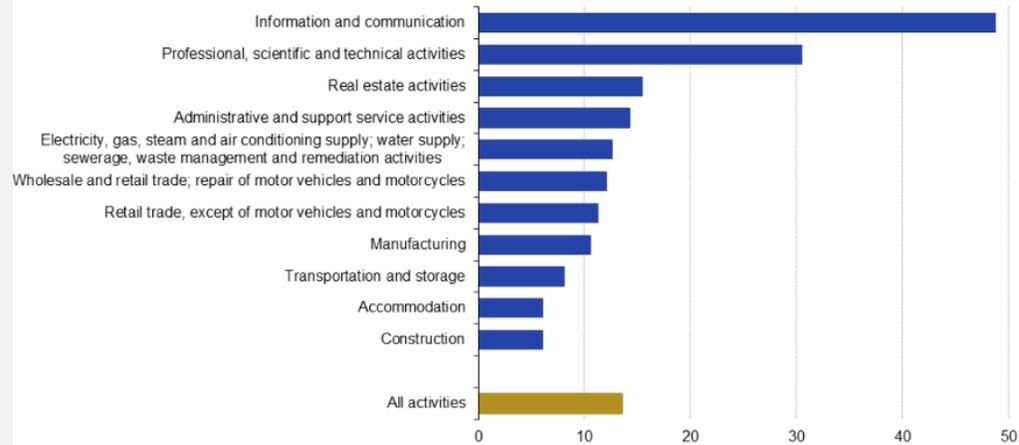
- In some areas there are no incentives to invest in digital infrastructures (high costs, low demand...). The market fails!
- State intervention is necessary and there is not space for competition *in* the market.
- **Subsidies are the main tool to encourage the development of digital infrastructure.**
- Competition *for* the market (for the subsidies...) may be helpful to select efficient operators
- **The dominant incumbent might be tempted to delay public tenders and to obstacle the entry of new (and potentially more efficient) players.**
- Antitrust enforcement aimed at protecting the competitive process and advocacy for a better design of the public tenders may guarantee a faster development of digital technologies where they are most necessary positively affecting digital inequalities.

RISKS AND OPPORTUNITIES OF AI. INSUFFICIENT AND UNEVEN ADOPTION

- **Supply side concerns:** small and dynamic firms can't access essential inputs for the development of foundation models (data, clouds, computing power...) because only a few players are fully integrated and may foreclose potential rivals
- **The discussion is largely speculative and the implications for the digital divide are not clearcut...**
- **Demand side concerns:** users (final consumers and firms operating in other markets) lack the necessary skills...

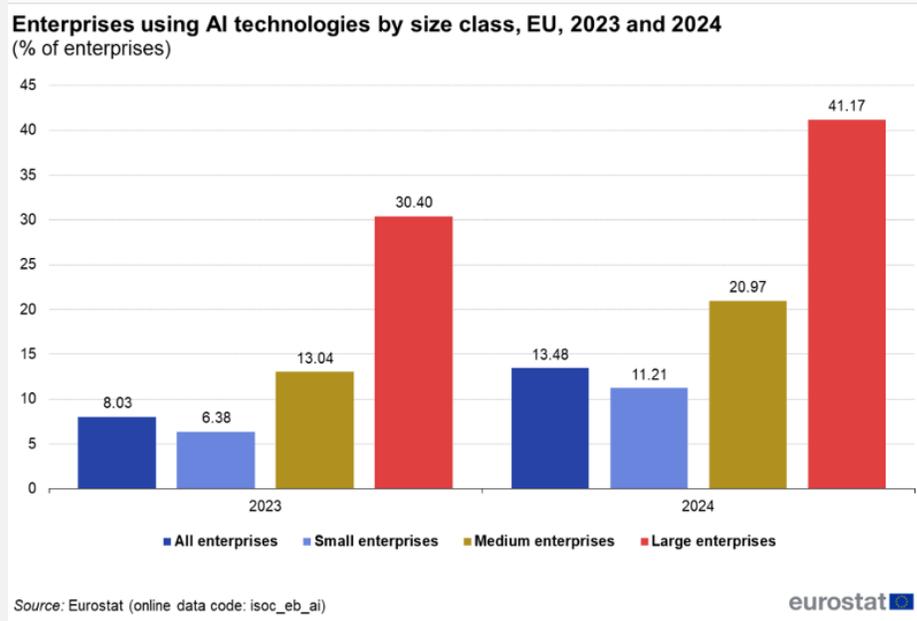
FEW FIRMS BENEFIT FROM THE OPPORTUNITIES OFFERED BY AI

Enterprises using AI technologies by economic activity, EU, 2024
(% of enterprises)



Source: Eurostat (online data code: isoc_eb_ain2)

SMALL FIRMS CAN'T BENEFIT FROM THE OPPORTUNITIES OFFERED BY AI



CONSUMERS (AND SMALL FIRMS) EMPOWERMENT: THE ROLE OF CONSUMER PROTECTION

- Access to digital connection is the first step, but the **ability to use the technology** is its necessary complement
- The diffusion of the digital technology can even increase, rather than reducing, the digital divide...
- ... as the citizens or consumers that are more skilled can reap advantages that the less skilled are denied. ...
- Education undoubtedly plays a primary role in addressing the lack of digital skills but...
- ...**consumer protection** may also play a relevant role in **empowering consumers** and in **preventing digital platforms' practices** that increase inequality or are targeted at vulnerable consumers groups.

CONSUMERS (AND SMALL FIRMS) EMPOWERMENT: THE ROLE OF CONSUMER PROTECTION *(DARK PATTERNS)*

The complementarity of competition policy and consumer protection has often been highlighted. This complementarity is particularly crucial with respect to **digital markets**.

“Dark commercial patterns”: a variety of practices that lead consumers to make choices that may not be in their best interests.

These practices **may harm consumers collectively** by:

increasing switching costs,
weakening competition a
sowing distrust,

...and can disproportionately **harm children, less educated or older consumers**.

The harm caused by these practices can be addressed through consumer protection in two ways: **awareness campaign empowering consumers** and direct **enforcement** action against the practices.

CONSUMERS (AND SMALL FIRMS) EMPOWERMENT: THE ROLE OF CONSUMER PROTECTION *(FINANCIAL DIGITAL SERVICES)*

Financial digital service: another example of how, despite positive effects on financial inclusion, the increasing reliance on digital payments can also lead some consumers to experience digital financial exclusion...

Digital payments are typically more secure than the use of cash, but they carry unique security challenges for consumers: account hacking and personal data theft, fraud, and unauthorized transactions.

These risks are compounded by low levels of digital financial literacy, and particularly by behaviors that put personal data at risk during financial transactions.

Education, consumer awareness campaigns and vigilance on frauds and scams by consumer protection authorities may ensure that the opportunities offered by these services reach also the most vulnerable groups.

**CONSUMERS (AND SMALL FIRMS)
EMPOWERMENT: THE ROLE OF CONSUMER
PROTECTION**
(AND WHAT ABOUT AI?)

The use of AI could increase the risks, allowing to systematically personalize dark patterns and therefore target vulnerable consumers.

Deepfakes videos, voices and documents might be particularly risky for the less skilled or educated. The cases may still be limited or anecdotal, but the concerns are real.

CONCLUDING REMARKS AND OPEN ISSUES

Should antitrust directly address public interest goals, such the reduction of digital inequalities?

- i) Political/Distributional decisions: **lack of legitimacy**
- ii) Multiple mission: «**Too many cooks spoil the broth**»; it reduces accountability (nobody turns out to be responsible);
- iii) Political» decisions and **independence**

BUT... Competition enforcement can provide a useful contribution to reduce the digital divide as a “**conscious by-product**” of its “traditional” mandate...

Setting priorities and “virtuous hypocrisy”

COMPETITION LAW AND CONSUMER PROTECTION MAY SERVE AS VALUABLE COMPLEMENTARY INSTRUMENTS. OTHER PUBLIC POLICIES ARE CRUCIAL...EDUCATION, ABOVE ALL!!

**ADDRESSING DIGITAL INEQUALITIES:
WITH A LITTLE HELP FROM COMPETITION
POLICY...**

