

**The Imitation Economy:
How AT&T's contestability doctrine
transformed the neoliberal project**

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Certificate of original authorship

I, Caroline Kate Colton, declare that this thesis, is submitted in fulfilment of the requirements for the award of Doctor of Philosophy, in the School of Communication, Faculty of Arts and Social Sciences at the University of Technology Sydney.

This thesis is wholly my own work unless otherwise referenced or acknowledged. In addition, I certify that all information sources and literature used are indicated in the thesis.

This document has not been submitted for qualifications at any other academic institution.

This research is supported by the Australian Government Research Training Program.

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In loving memory of

Betty Ellen Colton (née Wiltshire) (1921–2000)

Thomas Alured Faunce (1958–2019)

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Preface

We need to stare their vision of the truth in the face and see what it really, really looks like ... and where it comes from.

Philip Mirowski (2017)

Standing with my gravely ill partner in the emergency room of our local Bulli Hospital being told that they would not even assess her condition and that I would have to drive to another hospital 15 minutes away was the slap that woke me. A short time after this incident, we both returned to Bulli Hospital to attend a community meeting about its future. We were told by the chairman of the local health board that a US style urgent care centre was being considered as a replacement for our hospital's emergency department (ED). That rang my alarm bells immediately. I knew that the US had the most expensive health care in the world and a much lower life expectancy rating than Australia. I also knew that I was witnessing one of those pretend consultations favoured by our state government – the ED at Bulli already existed in name only.

The result of this meeting was the formation of a community protest group and the beginning of my journey to discover what was happening. I started researching, firstly for the group as we prepared submissions to save our local service and then on the broader issues: the creeping privatisation of public assets and the ever-expanding finance sector that was benefiting hugely from the public asset grab. I realised just how ignorant I had become about my own country. I knew things were changing, but I knew nothing of the details. And I found that the changes were radical, widespread and connected across health, TAFE, transport, social security and universities. Indeed, the very fabric of Australia's social democracy, traditionally anchored in the mixed economy of public and private services, was being unravelled. My ignorance reflected the fact that I had *no choice* in these matters, whether at the ballot box or in public debate. I, as a citizen, had come to rely on information and democratic engagement provided by the public service, the parliament and independent media, but, like the emergency department, these institutions had become placeholders for something else of which we, the citizens were unaware.

My research took me from local to national to global contexts and to the politico-economic philosophy driving the policy changes. Economic rationalism, now called neoliberalism, was a philosophy that promoted itself with terms like free markets, competition, choice,

efficiency and small government. However, the roots of the philosophy and the motivations of its adherents remained elusive.

In July 2014, encouraged by Professor Thomas Faunce from the Australian National University (ANU), I enrolled in a PhD, and began the scholarly leg of my journey. A short time later I noticed the expression ‘competition and contestability’ in government policy literature. On finding out that contestability was an economic doctrine used to justify the monopoly takeover of public services I now reread those documents aware that a government’s wish to encourage both ‘competition and monopoly control’ is extremely contradictory. I explored further, and discovered that contestability theory was invented by the giant US telecommunications corporation AT&T at its research centre Bell Laboratories in the mid-1970s. Bell Labs was one of the great industrial labs of modern times. Bell Labs engineers invented transistors, satellites, microwave technology, mobile phones, JAVA script and information theory—all of which were major information technologies that ultimately supported our world of ignorance. I realised that I had found the terrain within which this thesis would be set; that is, neoliberal philosophy, contestability and ICT, three inextricably linked factors that profoundly affect the world in which we live.

Having completed this thesis, I have now peeled away some of the layers obscuring the mission behind the neoliberal doctrine. This political philosophy with its antecedents in the First World War, has sown the seed of what I call the ‘great upending’ of the social progress that was forged by the generations who fought the First and Second World Wars, endured the Great Depression and Cold War, and reclaimed the voice of the citizen against the Vietnam War. Ironically, as the Australian Department of Defence’s *One Defence* report (2015) attests, war, like everything else in the public domain, now has a “business model” based on contestability.

Publications:

Chapter 8, section 8.3 is drawn from my article:

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Abstract

During the 1930s neoliberals began a project to construct a global economic system, coordinated by ‘the’ market transmitting prices through telecommunications channels. The market they had conceived was an information processor, truth verifier and regulator of itself through competition, the dynamic system that constantly updated prices. As Mirowski identified, the constructed nature of the neoliberal market and its operation as an information system were central tenets of neoliberal thought.

This thesis argues that, contrary to neoliberal discourse extolling competition, the neoliberal movement developed an apparently contradictory, yet symbiotic relationship with monopoly capitalism. This can be traced back to the founding political philosophy of Friedrich Hayek, which was compatible with the formation of monopolistic industry structures based upon ICT networks. Alternatives to neoliberalism, such as various forms of liberalism and socialism were seen as incompatible with this ‘reconstruction’ of the market based on information. The synergies between neoliberalism and monopoly capitalism that would construct a data-driven market order were emergent in the 1930s, becoming more tangible in the 1970s following the invention of contestability theory by Bell Telephone Laboratories, the research arm of AT&T.

Contestability purported that the *imitation* of competition could be equivalent to actual competition under certain ‘free’ market conditions. Contestability was a network-based theory which converged with the neoliberal philosophy of the *catallaxy*, a term used by Hayek to describe a network of ‘economies’ coordinated by ‘the’ market. A historicised and hermeneutic analysis shows how contestability and the *catallaxy* taken together justified a new vision of global social order, one that would redefine ‘competition’ in ways which promoted both industry consolidation and global market expansion, whilst undermining public institutions through policies of deregulation and privatisation.

My analysis presents an original interpretation of Hayek’s positions on monopolies, and shows how the Chicago School, in which he became a central figure, would transform the theoretical basis of the US antitrust regime thereby legitimating an expanded role for monopolies as *planners* of the market order.

The thesis also traces the heretofore unexamined career of contestability from obscure theory to the legal architecture of international trade. This is further explored in a case study showing how contestability facilitated Australia's economic integration with the international economy. The thesis establishes the importance of contestability at the intersection between neoliberal political economy and the corporate control of digital information, manifest in the rise of 'platform monopolies' of which AT&T was an early example.