

If You Own a Cellphone, You Should Worry About the T-Mobile-Sprint Deal

In allowing the merger, the Justice Department is prioritizing corporate profits over the public interest.

By The Editorial Board

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July 26, 2019

The Justice Department apparently thinks that Americans will benefit from competition among at least four major mobile phone companies. That is the clear logic of its decision on Friday to bless the marriage of T-Mobile and Sprint, two of the four existing mobile phone giants, on the condition that they clear the way for the rise of a new competitor.

It's a little hard to understand, however, why the government wants to pursue that goal by allowing Sprint to be swallowed and then hoping a new company emerges in its place. Surely it would be more sensible to preserve Sprint as an independent company.

Instead, the department's contortions to approve the merger demonstrate once again that the federal government has lost interest in preventing corporate consolidation. Even the most obviously anti-competitive deals, like this union of two companies that have long been bitter rivals, are able to obtain the government's consent. All T-Mobile had to do was pay the government what amounts to a minor toll on the road to larger profits.

John Legere, T-Mobile's high-voltage chief executive, who became a fixture at President Trump's Washington hotel while seeking approval for the deal, celebrated what he called "truly monumental news." He has every reason to be excited, as he is likely to become more wealthy as a result. Mobile phone customers, though, have reason to mourn.

T-Mobile and Sprint have competed fiercely with each other, and with their larger rivals, AT&T and Verizon. If it has been an unpleasant experience for the companies, their customers have benefited. Since 2009, the average cost of mobile service has fallen by roughly 28 percent, according to the Labor Department. The companies also have sought to one-up each other with new products, more flexible contracts and better service. The market worked.

Federal regulators have come to evaluate mergers solely on the basis of whether consumers will benefit. This deal does not meet the test. It should have been obvious to regulators that T-Mobile's promise not to raise prices for three years does not bode well for the fourth year.

A group of state attorneys general, led by Letitia James of New York and Xavier Becerra of California, has sued to block the merger, arguing that low-income consumers who buy prepaid wireless plans are particularly likely to suffer from higher prices. T-Mobile's Metro PCS brand and Sprint's Boost Mobile brand are major competitors in that market.

The government should also be paying attention to a host of other consequences.

The companies say their union will allow increased investment in technology, especially the costly build-out of a 5G network to allow even more data at even higher speeds. But T-Mobile could make those investments on its own. Indeed, studies show that corporate concentration actually reduces the pace of innovation, and of economic growth, for the obvious reason: Companies

don't try as hard when they're not motivated by fear.

Corporate mergers also are slowing wage growth, by reducing competition for workers. And larger companies exert greater political power. American antitrust law was created to prevent the concentration of political power — an objective that deserves to be revived. It is odd that the Trump administration, which has expressed concern about the market power of tech companies, is willing to sanction the creation of yet another technology behemoth.

The Justice Department is requiring the two companies to make room for the television provider Dish to build a mobile phone business. Sprint is selling Dish its prepaid service, which operates as Boost Mobile, and some of its space on the wireless spectrum. Dish also will pay the new company for its customers to use T-Mobile's network for a few years.

Makan Delrahim, the head of the Justice Department's antitrust division, said in a statement that "Dish is in a unique position to succeed." But Sprint already has a viable mobile phone business, and there is no guarantee that Dish will succeed. Indeed, it is free to sell its new wireless spectrum after six years. It could, for example, sell that spectrum back to T-Mobile.

The Justice Department's decision would harm consumers, workers and the broader economy. The states' lawsuit, however, means that the federal judiciary still has the opportunity to act in the public interest and block the Justice Department's call.

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A version of this article appears in print on July 29, 2019, Section A, Page 20 of the New York edition with the headline: A Bad Deal for Cellphone Users

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