



Facebook in the spotlight

Description

A pilot case to rein in the power of monopolies in the spirit of our time

By **Jean-Luc Burlone**

All dictators seek power to know and to control their population. Whether **Mark Zuckerberg** is a good guy or an aspiring dictator has little inference to the fact that he is quite powerful at the helm of **Facebook, Instagram, WhatsApp** and **Messenger**. Together, these platforms host nearly three billion users a month, secure 80% of global social media revenue and 58 percent of the US market.

Though Facebook is the largest social media platform, it is the smallest of the four major tech platforms in terms of revenue (\$71.6bn) compare to **Amazon** (\$278.8bn), **Apple** (\$259bn) and **Alphabet** or **Google** (\$132.2bn). The three others are under scrutiny as well by the US government.

Nonetheless, Facebook is the frontman in the battle against regulations because two major blunders were wake up calls: first, Facebook allowed **Cambridge Analytica** to harvest and use data from 50 million users and second, it reacted poorly to Russia's interference in the 2016 US election with videos and fake news.

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Lawmakers in Europe, North America and at the OECD, are scrutinizing how giant networks influence consumers and infringe on free competition. In the US, the case against networks has created a rare bipartisan collaboration among political candidates and lawmakers of several governmental departments. The US Congress is revisiting the country's basic law against anti-competitive actions – the Sherman Act (1890) and its updates.

Today the economy is different

In 1911, the Standard Oil monopoly was broken into 37 companies that eventually formed the seven sisters that



ruled the oil industry until 1973. In 2019, the velocity of change is many times faster than it was a hundred years ago as the Microsoft case (2000-2001) has shown (the usefulness of splitting the Microsoft operating system from its software component remains an open question). But Facebook's gobbling of Instagram and WhatsApp is a clearer case of concentration to eliminate potential competitors.

A fast growing mobile application, Instagram was a clear threat to Facebook, whose desktop platform was losing popularity as people went mobile. The acquisition of Instagram and WhatsApp reduced competition and brought two mobile media into Facebook's lap. To be sure, Facebook is now rapidly integrating Instagram by sharing advertising platforms and merging address books. WhatsApp is already next on line. Evidently, the tighter the integration, the harder it will be to break.

'The spread of online misinformation, hate-speech and interference on a democratic process has highlighted the power of networks and the fragility of democratic systems.'

Business networks like Amazon and Apple manage two complementary elements since their users represent the potential demand to which they offer their products. Apple Store offers its own applications prior to all others and Amazon offers its private brand. Hence, they both control, to a large extent, the demand and supply side of their market. They are not social media per se but nonetheless they use their users data to anticipate their needs.

The spread of online misinformation, hate-speech and interference on a democratic process has highlighted the power of networks and the fragility of democratic systems. Software –like the Lithuanian “Demaskuok” – are now able to recognize and debunk fake news with a good degree of reliability but by the time it is corrected the damage is done. To be successful, control should act upstream where algorithms that detect emotional wording are written. It is the emotion that raises the virality of fake news. Good, positive emotions have a stronger impact than negative ones but the most effective ones are those that raise fear and anxiety.

In spite of their flaws, tech platforms are today's leading enterprises that point to the world that lies ahead. They represent the achievement of farsighted entrepreneurs, who saw the potential of big data and use the technology adequately. Any good anti-trust policy should be dressed up for tomorrow's world, recognizing that social media are monopsonies rather than monopolies.

Mark Zuckerberg, co-founder and CEO of Facebook

Publicly, Mark Zuckerberg claims that Facebook's social mission is to connect people, to build communities and to work closer together; that Facebook and related companies safeguard freedom of expression and that a continuous online debate is the best way to overcome fake news and political polarization.

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Mark Zuckerberg sets the rules to differentiate un-publishable speeches or writings from publishable ones. He can decide what users of Facebook will see in their News Feeds; what privacy settings they can use and what message gets delivered. Hence, his reputation was tarnished for failing to stop Russia's utilisation of Facebook for its disinformation campaign.

Not power-shy by nature, he had planned to launch a new cryptocurrency “Libra” and a new global payments system. It would have served 1.7 billion people who have no or little financial services and, by the same token, augmented



Facebook's empire to more than half the world population. Unfortunately for his vision, a quarter of the original partners left, including major financial partners Mastercard, Visa, PayPal, and PayU.

Mark Zuckerberg supports some sort of regulation for public protection but strongly rejects arguments for dismantlement. Though he apologizes for past mistakes, he admits no wrong in using Facebook's clout to block competing companies (Vine) or to copy others' technology (Snapchat). And now, the entertainment network of Tic Toc is the current rising star to be dealt with.

Zuckerberg dislikes constraints. He neglected to meet the Federal Trade Commission decree to keep users' information confidential. Again, with Sheryl Sandberg, the COO of Facebook, they ignored the invitation to testify last May at the Canadian House of Commons' committee that gathered officials around the world to discuss data collection, privacy on line and democracy with tech giants.

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To defend the integrity of Facebook and other tech firms, Zuckerberg argues that the real villain is China – a world leader in AI and in quantum technology. Consequently, he urges American companies to remain huge and powerful to compete on the level on the world stage. Also, any American anti-trust law may be ineffective for monopsonies on the world stage.

One co-founder of Facebook turned against it

After five years at Facebook, **Christopher Hughes** left in 2007 to work for Barack Obama's 2008 presidential campaign. Since then, he fights against income inequality and for a guaranteed income. He is now fully vetted to assault monopolistic behemoths in several industries, starting with his own co-creation, Facebook.

In May 2019, Chris Hughes called for the breakup of Facebook and for the government to regulate content, to secure data portability and user privacy. He recently criticized the launch of the cryptocurrency Libra, saying that it may shift power into the wrong hands. He subsequently asserted that Facebook is so powerful that it threatens democracy itself and that no one man should hold such unchecked power as Mark Zuckerberg does.

'If we would not submit to an emperor, we should not submit to an autocrat of trade with power to prevent competition and to fix the price of any commodity.'

– John Sherman, 1823-1900

Chris Hughes rejects Mark Zuckerberg's claim that to beat China on the world stage Facebook must remain big and strong. On the contrary, he claims that the US would be stronger with several competing social media that allow interoperability and data portability; users around the world will be able to transfer their profiles, photos, videos and other data to the platform that best serves their needs of privacy and security.

Co-chaired by Chris Hughes, the **Economic Security Project** is a group that challenges the status quo, the concentration of wealth and the fragmentation of the social contract. Its two main objectives are: to establish a guaranteed income for those in need and to dismantle large American monopolies, enabling competition to grow and prosper in the technology, health, agriculture and finance fields.



To push the case against monopolies the group launched a \$10 million **Anti-Monopoly Fund** that will finance academic research, policy advocates and grassroots groups that promote antitrust issues. Their premise is that monopolies were able to become such behemoths because they were left unattended by rules and regulations as long as prices were not exaggerated.

Indeed, in the past four decades or so, the economic leitmotiv has been that free market is more efficient than state-directed economy. Following that precept, concentration has increased in most industries while competition has decreased and innovation and productivity growth have stalled. These are the typical consequences of any monopolistic industry and an undeniable political issue.

‘... I have traced the decrease in competition to increasing barriers to entry and weak antitrust enforcement, sustained by heavy lobbying and campaign contributions.’

– The Great Reversal, Thomas Philippon, October 2019

In the spirit of the times

The impact of money in politics has led to an economy ruled by corporate lobbying that has favoured an economy based on rent, which reduces the efficiency of a democratic society and the legitimacy of its political elite.

The Economic Security Project disseminates the rationale for the dismantlement of monopolies. The group holds that free competition will benefit the economy and offer more choices at fair prices to the population. Monopolies must thus be reined in: divest to enable free competition, be limited in further acquisition and, regarding tech networks, they must allow interoperability and data portability.

The group shares the same objective as Democrat hopeful **Elizabeth Warren** whose political platform intends to undo mergers that neutralise competition, targeting namely: Facebook acquisitions of Instagram and WhatsApp; Google purchases of DoubleClic and Amazon acquisition of Whole Foods. The other leg of the plan aims at Apple and Amazon, who sell their own products on a marketplace where they control demand... a reminiscence of the Microsoft case.

Both, the group and the senator, respond to a perceptible and growing sentiment of injustice among a large segment of the population. People hear about record profits, tax breaks and favourable policies for the wealthy. They are aware that though unemployment is low their wages stagnate while food prices, health care costs and education fees keep increasing.

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To a large extent, financial cleavage is perpetuated by poor health care at birth, poor kindergarten programs and low-quality childhood education – the education gap is now bigger between rich and poor than it was between white and black during segregation. Children are the first group to suffer from poverty, which often leads to adult misery with the social problems it entails.

It remains to be seen to what extent effective monopoly policies will restructure a flawed economy into a more



inclusive one. In any event, industries with competitive firms are healthier for an economy than if under the yoke of a few behemoths. Tech giants also represent new additional challenges: they have been instrumental in the emergence of parallel systems in finance with crypto currencies, and in politics with direct democracy, as seen in Italy.

Let us hope for actions that will strengthen social cohesion and steer society toward a bright future.

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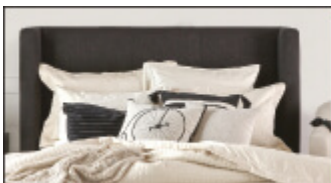
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