

Anti-Trust Regulation Shouldn't Be Our Priority

By Luc Franz

On July 29th, CEOs from the Big Tech companies attended a virtual hearing by the House Judiciary Antitrust Subcommittee. This five-and-a-half-hour session gave Congress the opportunity to grill Facebook CEO Mark Zuckerberg, Apple CEO Tim Cook, Amazon CEO Jeff Bezos, and Alphabet (Google's parent company) CEO Sundar Pichai with questions and accusations alike. Each company is accused of anticompetitive behavior, such as predatory pricing and using their power to push out smaller firms in each of their markets. The hearing gave the committee the opportunity to interview the executives after conducting a year-long investigation. Armed with more than 1.3 million internal documents and testimony from market participants, the Subcommittee set out to do its worst.

Each company is accused of anti-competitive in one form or another. Apple is accused of giving preferential treatment to certain app developers while discriminating against those that it sees as a threat. There is also the issue of the 30% cut that Apple takes from the sales in its app store. Developers have complained that it is a burdensome percentage that suppresses innovation.

The Subcommittee alleges that Amazon is no longer just the host of a marketplace for e-commerce, but also a vigorous participant. Research done by the Subcommittee has shown that AmazonBasics, Amazon's house brand for low-cost generic products, is given preferential treatment on Amazon's website and forces out third-party sellers. In 2018, Amazon's share in the ecommerce market hit 49% which has led many to fear that it is on the path to becoming the Standard Oil of ecommerce.

Google's business model that is responsible for its staggering success may now be an Achilles heel. The majority of Google's revenue stems from advertisements that appear when users launch a query. The company is now accused of manipulating queries in a way that shows its own services first rather than those who have paid to be advertised. Now, Google is not only the marketplace facilitator but also a buyer and a seller on its own platform which meets the criteria to be classified as a vertical monopoly.

Facebook is accused of maliciously buying up competitors and stifling growth in the social media landscape. While Facebook advocates that many of its acquisitions have thrived because it helped build them up, the Subcommittee believes otherwise. It argues that Facebook's actions have not elevated the consumer experience but rather plateaued it. Facebook has attracted additional scrutiny because of its ineffective response to the spread of misinformation on its platform. Russia was able to use this to their advantage in the lead-up to the 2016 election when it ran advertisements with incendiary messages designed to stoke hysteria.

The hearing largely accomplished nothing as each executive and their company came out relatively unscathed. Perhaps the Subcommittee failed to make progress because of the disjointed nature of its questions. The intended purpose of the hearing was to further the investigation into anti-competitive behavior by these four large companies. However, the questions and their relevance varied greatly. Democrats stayed mostly on topic, focusing on how the actions of the companies affect small businesses and consumers. Certain Republicans strayed from the purpose of the hearing and injected conspiracy theories into the discussion. Representative Jim Jordan demanded that Google publicly promise that it would not try to help elect Joe Biden. Similarly, Matt Gaetz accused Google of being anti-American and pro-China. Obviously, these accusations were not only irrelevant, but baseless. They wasted precious time.

Context is important here. The U.S. is in the middle of a pandemic that is responsible for killing 200,000 Americans and leaving millions unemployed. The economy contracted 32.9% in the second quarter due to lockdowns, and there is the potential for another lockdown later in the fourth quarter. There is also an election coming up, with concerns over foreign interference and voter fraud at the forefront of debate. It would be a better use of the government's time and resources to be focused on beating the pandemic and mending the economy instead of bogging down American companies with regulations. In fact, the government should enlist the help of these corporations instead.

The U.S. government, for the time being, should be working with these companies instead of against them. Each company has behaved in anticompetitive ways but addressing

their behavior in the middle of an economic recession and pandemic is inappropriate. There is more to be gained in the short term if all the respective parties collaborate.

Amazon and the United States Postal Service's already have a good working relationship as Amazon accounted for \$3.9 billion dollars of USPS revenue in 2019. Millions will be voting via mail-in ballot this November and there is worry that USPS will be overwhelmed with the influx of mail-in ballots. Amazon's supply chain management is world class, and the government should be seeking to collaborate with Amazon to configure a supply chain that will get mail-in ballots in and counted as soon as possible. There is also the task of COVID-19 vaccine distribution further down the line.

In the instance of Google and Facebook, improving cybersecurity in the U.S. is something both parties can benefit from. In June of 2016, Facebook cybersecurity experts notified the FBI of the presence of a known Russian military hacking group that was trying to interfere with the election. Both Facebook and the FBI were largely unsuccessful at stopping Russia's campaign to interfere in the election. That is something that cannot happen again for democracy's sake. Twitter has made it a primary focus to flag misinformation and suspend accounts that appear to be engaging in coordinated campaigns. Facebook has pledged to do the same but has yet to curb misinformation in a significant way. Regardless, these companies need the weight of the government behind them if they are to hold state actors accountable for their actions. A joint effort is needed to ensure the integrity of our elections going forward.

The Subcommittee's investigation is well founded and much of their evidence indicates wrongdoing on the part of each company. Once the Subcommittee concludes its investigation, the Department of Justice will decide if and how it wants to address the concerns brought up in the investigation. If it wishes to proceed in the direction of further regulation, it should not do so in 2020. The U.S. should prioritize mitigating the effects of the pandemic and reestablishing the security of the election before it rolls out any new regulation.