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THE CURRENT

Is breaking up Facebook the best option?

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(MUSIC)

PITA: You're listening to "The Current" from the Brookings Podcast Network. In a recent op-ed in The New York Times, Facebook co-founder Chris Hughes called for the breakup of Facebook's monopoly of social media and its staggering influence in digital communication.

With us is Tom Wheeler, former chair of the FCC and now a visiting fellow at the Brookings Center for Technology Innovation. Tom, before we get started, in the interest of transparency, I do want to state that Facebook is a current donor to Brookings and has provided support to both our Foreign Policy and Governance Studies programs, which the Center for Technology Innovation is a part of.

Could you start us off by telling us what is the argument that Chris Hughes lays out and what does he propose in terms of breaking up Facebook?

WHEELER: Well, it's a fascinating argument, particularly when you consider the source -- that it's a pal of Mark Zuckerberg who co-founded Facebook with Zuckerberg, and he really hasn't brought forth any new insights, with one possible exception that we'll talk about in a minute. But he has codified a lot of the pernicious activities that have resulted from Facebook's dominant position in the marketplace. Probably the new piece of information was one that only he and those who were in the room with Mark Zuckerberg would know about, and that is his talking about how Zuckerberg, from the earliest days, was talking about the goal being dominance in the marketplace and that Facebook needed to be dominant. And it is that dominance that triggers the policy need to do something about making sure that we have an open and competitive market in the social media area.

PITA: What's the context of this conversation in terms of regulating any of the other newer tech companies at this time?

WHEELER: Well, the context that Hughes brings forth is one of a need to break up Facebook, and he talks about the earlier antitrust enforcement attempts going all the way back to Rockefeller. I think the broader context, however, is that Facebook and the digital media companies have succeeded in

creating a kind of digital alchemy, if you will, where they take your information and my information and turn it into their corporate asset, which they then hoard in order to create a bottleneck that gives them this kind of market dominance.

So, the question becomes what's the best way of dealing with it? And Chris Hughes puts forth it a solution similar to that which Senator Elizabeth Warren has put forward -- break up Facebook. And it certainly is one of the tools in the toolbox. The other thing we need to keep in mind, however, is how do we go and attack the core issue, which is the monopolization of this information that creates the dominance in the first place. And so, one of the things that I have written here at Brookings is we need to look at not only breaking up the companies, but also breaking them open so that this data, and this vast amount of data, that they're hiding behind high walls and not letting anybody else use can be opened up so it can be available to others to use as well.

Let me give you an example. Chris Hughes in this article talks about how Facebook had to take on the current incumbent as they were developing -- MySpace -- and how, oh my golly, MySpace was owned by Rupert Murdoch. How hard a challenge will that be? Well, the interesting thing is that Facebook won that contest with MySpace with good old fashioned "my product is better than yours" competition. But if somebody were to come along today and say, "hey I've got a better idea than Facebook," you couldn't have that kind of competition because the essence of Facebook's asset is all the information they've collected from 2.5 billion people and that whoever the startup is, would not have access to that kind of data.

It's the same reason that newspapers have been seeing their advertising fall down. 48 percent of the local digital advertising is controlled by Facebook and Google because they know more about the local consumer than the local business people do. And so, if we open up the databases and provide for interconnection of the databases, not for free, but to make the data available, then we can offer competitors the tools they need to compete. But right now, Facebook and the other dominant digital companies control those tools.

PITA: So, is this a fundamentally different question? We're talking about data rather than infrastructure, for example. The question of how do we regulate a digital communications company, is that different than the way that we talked about this when we when they broke up Ma Bell in the 80s, or is this very similar and just slightly the languages have changed?

WHEELER: Well, it's much more complex than Ma Bell. Ma Bell had four major activities and Facebook probably has 10 or 12 major activities. And so, where do you draw the line? What's the dotted line that you cut along? But the other thing that's significant is that from the time that the government filed the antitrust case against AT&T to the time of the breakup was 10 years. Now, you know back in the 1970s, you might have had that kind of latitude. Things move slower. But at the rate of change right now, 10 years is an eternity. And I have no doubt that Facebook has the ability to hire the best legal minds in

the country to drag out an antitrust suit for as long as possible until it gets to the point where the issues in the antitrust suit have become virtually irrelevant as the result of new technological changes.

And so, yes, we need to think about antitrust tools. Yes, we need to think about making sure that there definitely aren't more companies that Facebook can gobble up to expand their control even further. But, we also need to say, alright, let's make sure that we're viewing this as a broad public policy challenge and we're bringing regulatory solutions, we're bringing anti-trust solutions, we're bringing structural solutions, and not just focusing on the one thing -- a breakup.

PITA: So, for these broad solutions, what do you recommend happens next? Is this a question of hearings on the Hill, is this the agencies at the executive side? What should be happening to further the conversation?

WHEELER: Well, the amazing thing that has happened thus far is that the digital companies have done a wonderful job of convincing the leaders in Washington that what they do is magic. And if the government touches it, they just might break the magic. I think we've gotten to a point, however, where the American people have seen enough harms, have felt this in their lives, where our policymakers are now looking around and saying, "what are the right kind of answers that we can pursue?" Clearly, there have been hearings. Undoubtedly, there will be more hearings. The Federal Trade Commission is talking about, apparently, in the next couple of weeks, bringing an action against Facebook for some of their activities. But I think we need to back off and make sure, as I say, that we're using every single tool and one of those tools is how do we go right at the core of what is causing the dominance in the first place? And that is the monopolization of information.

You know, when you stop and think about it, digital information is the capital asset of the 21st century. We need to think about whether the tools that were developed, such as antitrust, to deal with industrial assets are the right tools to deal with internet assets. And again, we need to think about how do we make competition work by opening up access to the key tools necessary for competition.

PITA: Alright. Tom, thank you very much for being here today and explaining that.

WHEELER: Thank you.