

FTC: Breaking up Google, Facebook to restore competition on the table

In Europe and, increasingly, the U.S. there's a growing sense in political and regulatory circles that more dramatic measures are needed to address a concentration of power among tech giants. Tuesday afternoon, the head of the U.S. Federal Trade Commission (FTC) said for the first time that breaking up companies was on the table.

Breaking up is a now potential remedy. This is an idea that several European Commissioners floated a few years ago but few took it seriously as more than a bargaining position. The statement from FTC Chairman Joe Simons is quite different.

Simons told Bloomberg that breaking up companies could be "the right remedy" to restore competition, although he's reluctant to try it unless absolutely necessary. Currently, the FTC and Justice Department are engaged in a broad review of the operations and business practices of Google, Facebook, Apple and Amazon.

Unwinding Waze and Instagram. In particular, the FTC could compel the "unwinding of acquisitions" such as Waze (Google), WhatsApp, Instagram (Facebook), among others. Some have suggested Facebook adding its brand to WhatsApp and Instagram is partly about making it more difficult for regulators to unwind those acquisitions.

Separately, earlier today, more than 20 European job search sites sent a joint letter to the European Commission, as a prelude to formal complaints. They're arguing that the company's own job-search answer box is harming competition and hurting their traffic and profits. This criticism has been leveled by numerous industry rivals, in segments ranging from

shopping to local and travel.

Fines had little impact. The European Commission has fined Google more than \$9 billion, in three separate antitrust cases, since 2017. Facebook was recently fined \$5 billion for data and privacy violations by the FTC. However, these massive fines have had little or no impact on either company and the market has shrugged them off.

However, in Europe Google has also been required to make a number of changes in its operating practices. For example, Google will soon offer Android users in the EU a choice of search engines when they set up a new phone. However, that solution is already proving to be controversial, as has its shopping search remedy introduced nearly two years ago.

Google has denied that any of its actions are abusive or anti-competitive and is appealing the European Competition fines and rulings. The company says its innovations benefit consumers, which is accurate. But both the Europeans and American regulators are looking at the broader market impact of the company's products and activities.

Why we should care. In late 2012, the FTC said there wasn't enough evidence of "search bias," that Google was favoring its own properties at the expense of rivals. Europe proceeded to take up the banner of antitrust and prosecute multiple investigations, imposing the above-mentioned fines and penalties.

Now the political climate in the U.S. has changed and there's broad agreement among both Democrats and Republicans that a new round of investigations and scrutiny of big tech companies are warranted. Those investigations are now underway.

Until recently there had been a lack of philosophical agreement between European and U.S. regulators. Now there appears to be broad alignment, which could mean stronger regulatory action going forward. But at a minimum, the

rhetoric around potential remedies has intensified.

About The Author

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