Please break up Facebook, cofounder asks regulators



Enlarge / Mark Zuckerberg and Chris Hughes on Harvard's campus in 2004, well before Facebook started taking over the world.
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Facebook cofounder Chris Hughes isn't just idly wondering if regulators might break up the tech behemoth he helped launch. He's going on a personal tour, meeting with state and federal officials to lay out in detail the way he thinks it could be done.

Hughes has met with members of Congress, the Justice

Department’s Antitrust Division, the Federal Trade Commission, and the office of New York Attorney General Letitia James to make a detailed case arguing Facebook is too big for its own good, according to separate reports from The Washington Post and The New York Times.

The breakup tour went public in May, when Hughes penned a lengthy op-ed in The New York Times saying his former colleague Mark Zuckerberg wielded too much power. “I’m disappointed in myself and the early Facebook team for not thinking more about how the News Feed algorithm could change our culture, influence elections and empower nationalist leaders,” Hughes wrote at the time. “And I’m worried that Mark has surrounded himself with a team that reinforces his beliefs instead of challenging them.”

Tech and antitrust law experts Scott Hemphill and Tim Wu had already been working on a detailed case against Facebook, and they reached out to Hughes following his public turn. The trio now work together to make their case.

Keeping competition away

While consumers and experts alike wonder if Facebook’s size and outsized global market power are what allow it to play fast and loose with user data and privacy, Wu and Hemphill argue a much more basic case of good old-fashioned unfair anticompetitive behavior.

Through “serial defensive acquisitions,” they say, Facebook has prevented competitors from entering the marketplace and cut off innovation before it can flourish.

In other words, when a small company looks promising, Facebook leaps in and snaps it up, eliminating competition and reaping profit from other developers’ innovations.

The most obvious case is Instagram. The photo-sharing service

launched as an iOS app in 2010. Facebook snapped it up in 2012 for what was, at the time, a jaw-dropping $1 billion.

The Economist reported on the trend in 2018, noting that not only does an acquisition-heavy environment change the motivation for developers but also that not all deals are quite as voluntary as they seem.

“Big tech firms have been known to intimidate startups into agreeing to a sale, saying that they will launch a competing service and put the startup out of business unless they agree to a deal,” a source who participated in such strong-arming “negotiations” told The Economist.

Facebook alone has acquired more than 75 smaller firms in the past 15 years. Forcing Facebook to divest some of those companies, such as Instagram and WhatsApp, is “low-hanging fruit,” a “plain vanilla violation” of the Sherman Act, the country’s oldest antitrust law, Wu told the Post.

Hughes has no current insider knowledge about Facebook operations, as he left the company and cashed out his stock in 2007. But his status as a former Facebooker who can speak to the personalities and motivations of the leaders still in the room helps bolster the case, Rep. David Cicilline (D-RI) told the Post.

The House Antitrust Subcommittee, of which Cicilline is chair, launched an investigation into Facebook and other tech firms last month. Cicilline told the Post it was “remarkable and significant” that Hughes had the “capacity and courage” to mount his criticisms against Facebook to members of the committee.

Back when Hughes parted ways with Facebook, the idea of an antitrust investigation into the company might have seemed absurd. But 12 years later, the company’s tactics that allowed it to amass 2.4 billion users; the ways it buys, sells, and trades those users’ data; and its dominance in the advertising

marketplace are all the focus of several investigations.

In addition to the House probe, Facebook this week confirmed that it’s currently the target of an active antitrust inquiry at the FTC. The Justice Department’s Antitrust Division also said separately this week it is investigating “market-leading online platforms,” a category usually considered to include Amazon, Facebook, and Google at a minimum.

The last breakup of a US company for antitrust reasons happened in the early years of the Reagan administration, when AT&T—”Ma Bell”—split into the “baby bells” in 1984 as the result of a 1982 settlement with the DOJ.

35 years later, however, the companies have largely re-aggregated and now comprise significant parts of AT&T and Verizon.

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