

## Opinion

# What Years of Emails and Texts Reveal About Your Friendly Tech Companies

Theatrics distracted from the real payoff of the congressional hearings: the subpoenaed documents.



By Tim Wu

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The spectacle of the chief executives of Amazon, Apple, Facebook and Google testifying before Congress last week made for good TV drama. Yet the theatrics of the showdown distracted from the real payoff of the hearings: the accompanying cache of subpoenaed emails and texts from the past decade and a half. These documents provide compelling evidence — long rumored but seldom established — that the companies, especially Facebook and Amazon, in their rise to dominance did not always play by the rules and apparently violated antitrust laws.

Both public opinion and American law distinguish between two kinds of dominant company. The first is the monopoly fairly held: a corporation like Ford Motor that achieves dominance by virtue of its incomparable greatness. The second, its evil doppelgänger, is the company that achieves dominance unfairly — for instance, by suffocating or absorbing would-be challengers.

The Big Tech companies insist that their rise to power has been the first story, a saga of ingenuity and courage, and that their market dominance is a byproduct of continued excellence. They may be giants, the story goes, but they are friendly giants. Their immense size and power is simply what is necessary to offer users the best possible services.

# The New York Times

[www.nytimes.com/2020/08/04/opinion/amazon-facebook-congressional-hearings.html](http://www.nytimes.com/2020/08/04/opinion/amazon-facebook-congressional-hearings.html)

The subpoenaed documents destroy that narrative. No one can deny that these are well-run companies, loaded with talent, and that each at some point offered something great. But it appears that without illegal maneuvers — without, above all, the anticompetitive buying of potential rivals — there might be no Big Tech, but rather a much wider array of smaller, better, more specialized tech companies.

Exhibit A is Facebook, whose documents are the most damning. E-mails from Mark Zuckerberg, its chief executive, strongly suggest that since about 2008 he has had a method for controlling what in a 2012 e-mail he called "[nascent](#)" companies that posed “very disruptive” threats to Facebook. His method has been the buyout or the aggressive cloning of features to compel a company to sell itself to Facebook. He foresaw that there would be a limited number of “social mechanics,” or areas of innovation in social media, each of which would have one winner. “Instagram can hurt us,” he wrote in 2012, right before acquiring the company and eliminating the threat that its photo- and video-sharing technology posed to Facebook.

Amazon doesn’t come off much better. Its documents show an apparent willingness to lose money to keep competitors under water. Early on, because of [low pricing](#), Amazon lost more than \$200 million from diaper products in a single month. It ran its chief competitor, Quidsi, into the ground. (Quidsi owned Diapers.com.)

Then Amazon bought the weakened company. This approach, like Facebook's acquiring of competitors, is how John D. Rockefeller built up Standard Oil in the 1870s. It's "join us — or face extermination." Likewise, Amazon has admitted to sometimes selling its smart speaker, Echo, below cost, presumably on the theory that collecting huge amounts of data on users and securing direct access to their homes will present an insurmountable barrier to potential rivals.

Then there's Google. In the company's early days, its documents suggest, its executives had little interest in YouTube as a product, but they feared its rise would threaten Google's monopoly on search. The answer? Once again, buy away the problem — rather than compete to see who can offer users the best service. Google purchased YouTube in 2006 for \$1.65 billion.

The picture that emerges from these documents is not one of steady entrepreneurial brilliance. Rather, at points where they might have been vulnerable to hotter, newer start-ups, Big Tech companies have managed to avoid the rigors of competition. Their two main tools — buying their way out of the problem and a willingness to lose money — are both made possible by sky-high Wall Street valuations, which go only higher with acquisitions of competitors, fueling a cycle of enrichment and consolidation of power. As Mr. Zuckerberg bluntly boasted in an email, because of its immense wealth Facebook "can likely always just buy any competitive start-ups."

The greater scandal here may be that the federal government has let these companies get away with this. Dazzled by the mythology of Silicon Valley and blinded by a fixation with economic price theory (which suggested that the only potential problem with an acquisition would be an increase in prices paid by consumers), the government in the 2010s allowed more than 500 start-up acquisitions to go unchallenged. This hands-off approach effectively gave tech executives a green light to consolidate the industry.

The antitrust subcommittee that held last week's hearings may be helping shake the law out of a long slumber, but the hearings will be little more than Kabuki theater unless legal complaints are filed and anticompetitive mergers are stopped. It may be profitable and savvy to eliminate rivals to maintain a monopoly, but it remains illegal in this country under the Sherman Antitrust Act and *Standard Oil v. United States*. Unless we re-establish that legal fact, Big Tech will continue to fight dirty and keep on winning.

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