

Even George Soros calls Facebook and Google a 'menace' to society and 'obstacles to innovation'

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George Soros.

- **Facebook and Google are a “menace” to society because of their failure to protect against “the consequences of their actions,” the billionaire investor George Soros said.**
- **Speaking at the World Economic Forum in Davos, Switzerland, Soros launched an aggressive and multipronged attack on the tech giants, accusing them of “monopolistic” and anticompetitive behaviour.**
- **He said the firms were encouraging “addiction” like gambling companies and called them “obstacles to innovation.”**

The billionaire investor and philanthropist George Soros has launched a blistering and multipronged attack on Facebook and Google, arguing the tech giants' size and "monopolistic" behaviour had made them a "menace" to society, damaged democracy, and encouraged "addiction" akin to gambling companies.

Speaking on Thursday at the World Economic Forum in Davos, Switzerland, the Hungarian businessman said that "social-media companies influence how people think and behave without them even being aware of it," adding that they have "far-reaching adverse consequences on the functioning of democracy, particularly on the integrity of elections."

Facebook's and Google's size, he argued, means they have become "obstacles to innovation." He called for significantly more regulatory oversight of the companies, holding up the European Union competition commissioner, Margrethe Vestager, as a model that other regulators should emulate.

"The fact that they are near-monopoly distributors makes them public utilities and should subject them to more stringent regulations aimed at preserving competition, innovation, and fair and open universal access," Soros said.

You can read his remarks at the bottom of this article.

Facebook and Google threaten the concept of 'freedom of mind,' Soros says

He was also critical of the two companies' effects on people's minds, accusing them of deceiving users by "manipulating their attention and directing it towards their own commercial purposes."

"They deliberately engineer addiction to the services they provide," he said. "This can be very harmful, particularly for adolescents. There is a similarity between internet platforms and gambling companies. Casinos have developed techniques to hook gamblers to the point where they gamble away all their money, even money they don't have."

Even more than this, "social-media companies are inducing people to give up their autonomy," he said, with the scale of the firms meaning that "the power to shape people's attention is increasingly concentrated in the hands of a few companies," threatening the concept of "the freedom of mind."

 [Mark Zuckerberg Facebook CEO sad](#)

Drew Angerer/Getty Images

Facebook CEO Mark Zuckerberg.

‘A web of totalitarian control’

Elsewhere in his speech, Soros railed against the dangers of nationalism and rising threats to democracy. He argued that the power and technical capabilities of tech firms meant they risked contributing to this and undermined liberalism.

“There could be an alliance between authoritarian states and these large, data-rich IT monopolies that would bring together nascent systems of corporate surveillance with an already developed system of state-sponsored surveillance,” he said. “This may well result in a web of totalitarian control the likes of which not even Aldous Huxley or George Orwell could have imagined.”

He also drew a line between the growth of tech companies’ fortunes and rising inequality while arguing that Facebook and Google profits were “largely a function of their avoiding responsibility for – and avoiding paying for – the content on their platforms.”

But greater regulation is just around the corner, Soros said.

“The owners of the platform giants consider themselves the masters of the universe, but in fact, they are slaves to preserving their dominant position,” he said. “It is only a

matter of time before the global dominance of the US IT monopolies is broken. Davos is a good place to announce that their days are numbered. Regulation and taxation will be their undoing, and EU Competition Commissioner Vestager will be their nemesis.”

A Facebook representative declined to comment. A Google representative did not immediately respond to a request for comment.

 **Sundar Pichai**

Justin Sullivan/Getty Images

Google CEO Sundar Pichai.

Here's the relevant section of Soros' speech (emphasis added):

I want to spend the bulk of my remaining time on another global problem: the rise and monopolistic behaviour of the giant IT platform companies. These companies have often played an innovative and liberating role. But as **Facebook and Google have grown into ever more powerful monopolies, they have become obstacles to innovation, and they have caused a variety of problems of which we are only now beginning to become aware.**

Companies earn their profits by exploiting their environment. Mining and oil companies exploit the physical environment; social-media companies exploit the social environment. This is particularly nefarious because social-media companies influence how people think and behave without them even being aware of it. This has far-reaching adverse consequences on the functioning of democracy, particularly on the integrity of elections.

The distinguishing feature of internet-platform companies is that they are networks and they enjoy rising marginal returns; that accounts for their phenomenal growth. The network effect is truly unprecedented and transformative, but it is also unsustainable. It took Facebook 8 1/2 years to reach a billion users and half that time to reach the second billion. At this rate, Facebook will run out of people to convert in less than three years.

Facebook and Google effectively control over half of all internet advertising revenue. To maintain their dominance, they need to expand their networks and increase their share of users' attention. Currently, they do this by providing users with a convenient platform. The more time users spend on the platform, the more valuable they become to the companies.

Content providers also contribute to the profitability of social-media companies because they cannot avoid using the platforms and they have to accept whatever terms they are offered.

The exceptional profitability of these companies is largely a function of their avoiding responsibility for – and avoiding paying for – the content on their platforms.

They claim they are merely distributing information. But the fact that they are near-monopoly distributors makes them public utilities and should subject them to more stringent regulations aimed at preserving competition, innovation, and fair and open universal access.

The business model of social-media companies is based on advertising. Their true customers are the advertisers. But gradually, a new business model is emerging, based not only on advertising but on selling products and services directly to users. **They exploit the data they control, bundle the**

services they offer, and use discriminatory pricing to keep for themselves more of the benefits that otherwise they would have to share with consumers. This enhances their profitability even further – but the bundling of services and discriminatory pricing undermine the efficiency of the market economy.

Social-media companies deceive their users by manipulating their attention and directing it towards their own commercial purposes. They deliberately engineer addiction to the services they provide. This can be very harmful, particularly for adolescents. There is a similarity between internet platforms and gambling companies. Casinos have developed techniques to hook gamblers to the point where they gamble away all their money, even money they don't have.

Something very harmful and maybe irreversible is happening to human attention in our digital age. Not just distraction or addiction – social-media companies are inducing people to give up their autonomy. **The power to shape people's attention is increasingly concentrated in the hands of a few companies. It takes a real effort to assert and defend what John Stuart Mill called "the freedom of mind."** **There is a possibility that once lost, people who grow up in the digital age will have difficulty in regaining it. This may have far-reaching political consequences.** People without the freedom of mind can be easily manipulated. This danger does not loom only in the future – it already played an important role in the 2016 US presidential elections.

But there is an even more alarming prospect on the horizon. There could be an alliance between authoritarian states and these large, data-rich IT monopolies that would bring together nascent systems of corporate surveillance with an already developed system of state-sponsored surveillance. This may well result in a web of totalitarian control the likes of which not even Aldous Huxley or George Orwell could have imagined.

The countries in which such unholy marriages are likely to occur first are Russia and China. The Chinese IT companies in particular are fully equal to the American ones. They also enjoy the full support and protection of the Xi Jinping regime. The government of China is strong enough to protect its national champions, at least within its borders.

US-based IT monopolies are already tempted to compromise themselves in order to gain entrance to these vast and fast-growing markets. The dictatorial leaders in these countries may be only too happy to collaborate with them since they want to improve their methods of control over their own populations and expand their power and influence in the United States and the rest of the world.

The owners of the platform giants consider themselves the masters of the universe, but in fact, they are slaves to preserving their dominant position. It is only a matter of time before the global dominance of the US IT monopolies is broken. Davos is a good place to announce that their days are numbered. Regulation and taxation will be their undoing, and EU Competition Commissioner Vestager will be their nemesis.

There is also a growing recognition of a connection between the dominance of the platform monopolies and the rising level of inequality. The concentration of share ownership in the hands of a few private individuals plays some role, but the peculiar position occupied by the IT giants is even more important. They have achieved monopoly power, but at the same time, they are also competing against each other. They are big enough to swallow startups that could develop into competitors, but only the giants have the resources to invade each other's territory. They are poised to dominate the new growth areas that artificial intelligence is opening up, like driverless cars.

The impact of innovations on unemployment depends on government policies. The European Union and particularly the Nordic countries are much more farsighted in their social policies than the United States. They protect the workers, not the jobs. They are willing to pay for retraining or retiring displaced workers. This gives workers in Nordic countries a greater sense of security and makes them more supportive of technological innovations than workers in the US.

The internet monopolies have neither the will nor the inclination to protect society against the consequences of their actions. That turns them into a menace, and it falls to the regulatory authorities to protect society against them. In the US, the regulators are not strong enough to stand up against their political influence. The European Union is better situated because it doesn't have any platform giants of its own.

The European Union uses a different definition of monopoly power from the United States. US law enforcement focuses primarily on monopolies created by acquisitions, whereas EU law prohibits the abuse of monopoly power irrespective of how it is achieved. Europe has much stronger privacy and data-protection laws than America. Moreover, US law has adopted a strange doctrine: It measures harm as an increase in the price paid by customers for services received – and that is almost impossible to prove when most services are provided for free. This leaves out of consideration the valuable data platform companies collect from their users.

Commissioner Vestager is the champion of the European approach. It took the EU seven years to build a case against Google, but as a result of her success, the process has been greatly accelerated. Due to her proselytizing, the European approach has begun to affect attitudes in the United States as well.