



Too big to fail, or too huge to be left alone?

Breaking Up Big Tech

The Portal has recently published articles about the growth of Big Tech – of Google, Amazon, Apple, Microsoft, and Facebook – that have outlined these companies' amazing technical successes. But their glowing triumphs mask some decidedly shady sides.

Each company casts a different shadow – Google collects **huge amounts** of user data; Amazon wants to **rule the marketplace**; Apple builds **exclusive** black boxes while Microsoft makes **buggy software** which sucks up user data, and social giant Facebook keeps cluelessly **abusing the privacy** of its users and then issuing meaningless apologies that change nothing.

Their impacts vary also. Having built their empires on the data provided by users, Google and Facebook can not only **predict** but even modify user behavior. While Google uses that power to sell products, Facebook has allowed third parties to **harvest data** to sell ideas – mostly negative – without seeming to care.

Like Google, Apple has built a **walled garden**, as aloof, seemingly secure and isolated as North Korea, while Microsoft, like Facebook, opened the doors wide for **developers**, resulting in programs that need constant security updating while providing a comfortable living to an entire ecosystem of virus writers and antivirus companies. Meanwhile, Amazon runs a vast system of **sweatshop warehouses** using **automatic enforcement** to increase worker productivity.

And the economic might of these firms is *staggering*.

Power to rule the playing field

Much as it was a century ago, today a few giant corporate conglomerates dominate the commercial and financial landscape. They can dictate conditions that stifle progress in order to better preserve their own vast profits and advantages whenever they so desire.

The **robber barons** of the 21st century still govern the nation's infrastructure, but now it is computers and data rather than coal, steel, railroads, and oil. Yet they preside with a ruthless and cold-hearted eye for opportunity that **J. P. Morgan** and **John D. Rockefeller** and their cronies would find very familiar.

The size and power of these corporate giants is beyond intimidating. Like massive trees that allow nothing to grow in their shade, each one of them is surrounded by a "**kill zone**" where nothing can take root. Entrepreneurs and venture capitalists complain that new startups, no matter how original, can never secure funding if there is *any* chance that they might have to compete with any one of the big 5 tech firms.

What happens when someone dares was demonstrated by Quidsi, a small ecommerce startup that wanted to sell baby products online through a site called **Diapers.com**. When Amazon's offer to buy was refused, the company began to notice Amazon selling baby products at **30% off** with free shipping through a brand-new service called "Amazon Mom".

Amazon stood to lose ^{\$}**100 million** in diaper sales over 3 months, but it worked. Quidsi had **no choice** but to sell – in a few years, Diapers.com was **no more** and Amazon Mom was replaced by **Amazon Family**.

The European Union's antitrust authorities **suspect Amazon** collects data on third-party sellers to gain an unfair advantage over them. But it was Microsoft that was the first platform to flex its economic power strategically back in the late 1990s, around the time the company was being sued as a **monopoly**. Any new software product that did well on Windows was often **acquired** either through purchase or imitation.

Small companies can't fight back. Silicon Valley was famously founded by people developing revolutionary devices by tinkering in their garages, but no more. It's no coincidence that the rate of **new business formation** has declined steadily since the 1970s. Now it's sunk to a 40 year low, yet Big Tech still bravely clings to their foundation myth of the garage inventor, proudly waving the banner of innovation.

Way too much money

Yet the facts tell a different story. The big companies have **weakened** the patent system – which was precisely designed to further invention by protecting inventors – to foil small, independent innovators.

The reason is that to work, patents must be defended by patent owners. The owners have to demand their rights in order for their claims to exclusive use to be

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legally recognized. This takes a dedicated legal team and funds that many startups cannot afford.

Ironically, the situation was made even worse by the **America Invents Act** (AIA) signed into law in 2011. Intended to foil patent trolls, AIA gutted the ability of small companies to fight in court, making it even more lucrative for the big guys to ignore the law. One patent lawyer claims such giants have nothing to lose by infringing – it's simply cheaper and more convenient for them than to pay out royalties.

Apple, for instance, worked for years with the company that developed the **feedback technologies** that proved so useful in Apple Watches and iPhones. That company, **Immersion**, was well-established with over 1,000 patents. But once Apple decided to simply stop paying their license fees and do it themselves, Immersion's capitulation took a nose dive. The half-a-billion dollar company sued but was forced **to settle** for a pittance that almost broke it.

Muzzling the beasts with fines

Big Tech companies are so stinking rich that they shrug off some of the harshest penalties governments can inflict for bad behavior. The European Union has led the effort to rein them in. It recently fined Google $\$5.1$ billion for pushing its own apps at the expense of others on the Android phone. This came after **being fined** another $\$1.7$ billion not long ago, and $\$2.7$ billion last year for unethically favoring its own search engine on the phone – coming to a mind-boggling total of nearly $\$10$ billion. Even India is now **investigating** Google for antitrust violations.

Meanwhile, Facebook was just **fined** $\$2.3$ million by Germany for falsely reporting the amount of illegal content on the platform. Plus it **expects** to be fined $\$5.1$ billion by the FTC over privacy violations. Apple **has paid** $\$15.3$ billion plus $\$1.4$ billion interest in fines for illegal tax breaks, while Microsoft has been **fined another** $\$1.3$ billion by the EU for failing to comply with an antitrust decision, for a total of $\$2.5$ billion.

In the US, the FTC has taken on Amazon over **fake reviews** for a paltry $\$12.8$ million. The FTC is reportedly **looking into** Facebook on antitrust issues, while the Department of Justice tackles Google. Amazon is being **reportedly investigated** by them too. while the feds keep an eye on Apple too.

The irony is that while the tech giants easily shoulder huge fines, they fight hard to avoid paying taxes. Amazon paid **no federal taxes** at all for the last several years, while gaining **millions in tax breaks**.

Google has become **particularly adept** at moving money around and using Ireland and Holland as tax havens to avoid billions in US and European tax bills.

Meanwhile, the scandals keep churning. Amazon just admitted it may **store recorded conversations** from Alexa indefinitely. The decay of privacy protection has gotten so bad that Facebook's co-founder called for the social media monster **to be broken up**, while Wikipedia's co-founder has issued a scathing **Declaration of Digital Independence** from Big Tech.

Facebook's Mark Zuckerberg, who has probably generated the most anger with his **clueless fumbling** on privacy issues, enabling the **Russians** and **others** to game the system, naturally **opposes** such government regulation unless it's "Facebook friendly". Despite **much loathing**, it will require some **extraordinary circumstances** to fire him from Facebook.

It is no wonder that **some people** – including presidential candidate **Elizabeth Warren** – openly call for Big Tech to be broken up. How that could be done remains to be seen, but some regulation at least is necessary before other threats of social media – including fake or hate-filled content – can be tamed.

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