

This webinar, “Terms of Disservice: How Silicon Valley is Destructive by Design” was given by Dipayan Ghosh on Thursday, September 24, 2020 as part of M-RCBG’s Business & Government Seminar Series.

John Haigh:

Welcome everybody. Hopefully, your technology is working in this rather bizarre time. I am John Haigh and I am the Co-Director of the Mossavar-Rahmani Center for Business and Government and a lecturer here at the Kennedy School. We have a terrific speaker today. Then I'm going to give you a little bit of his background and then we're going to hand it over to him.

John Haigh:

It's Dipayan Ghosh, and just a little bit of background about Dipayan. He is the Co-Director of the Digital Platforms and Democracy Project at the Shorenstein Center on Media Politics and Public Policy. But he's also a research fellow in the Mossavar-Rahmani Center for Business and Government at the Kennedy School. He also has taught and is a lecturer at the Harvard Law School.

John Haigh:

His research and writing is generally on artificial intelligence and disinformation and internet economics. It's been cited pretty broadly in the New York Times, The Washington Post, The Wall Street Journal, The Harvard Business Review, CNN, MSC, you can go down the list. Basically, the media tends to find Dipayan when they want to tell somebody to comment intelligently about an issue in the social media sector.

John Haigh:

He's a computer scientist by training and he previously worked at Facebook where he led strategic efforts to address privacy and security issues. Prior to that, he was a technology and economic policy advisor at The White House in the Obama administration. So he has had both the private sector and the public sector perspective on these issues.

John Haigh:

He was named to the Forbes 30 under 30. His background in training is a PhD in electrical engineering from Cornell, which in case you didn't know it as one of the top computer science universities in the world. He has an MBA from MIT or the swim school, and he's done postdoctoral research at University of California Berkeley.

John Haigh:

What we're really here to talk about today is, he is the author of a new book just out. I will encourage you to go buy it. It's called, Terms of Disservice: How Silicon Valley is Disruptive by Design, and obviously both an interesting and controversial topic at one level, which he and I have been discussing and talking about, and fundamentally, I think this is a critical topic for us to be discussing and one which I think I agree with the vast bulk of what the clients says, if not all of it.

John Haigh:

So with that, I'm going to turn it over to Dipayan and let him talk about his book and then he and I will have a few question and answers, and then we'll open it up to all of you to ask your question. So Dipayan, the floor is all yours and looking forward to hearing your discussion of your book.

Dipayan Ghosh:

Well, let me first say thank you so much, John. It's really an honor to be a part of the center. I think not only is the Kennedy School uniquely situated to look at questions of technology, the future of capitalism and democracy more broadly, but also more specifically the center, the center on business and government is further positioned really nicely to consider these really huge questions, I think, today that are really perplexing policymakers, tech companies, legislators and certainly, students at the Kennedy School and researchers here as well.

Dipayan Ghosh:

That's to say, what should our future look like? How should we think about the market power of a company like Facebook, the tremendous economic power of a company like a Google of which it's not in the traditional American economic design. It's not bad to have a lot of market power. But the question is, what are the side effects of that market power? What have we done, as a regulatory matter to the state of affairs over the internet and in our modern media ecosystem today. What impact is that having on the rest of society is really the key question here.

Dipayan Ghosh:

Thank you so much for that very kind introduction, John. My book attempts to tackle some of these questions. That's to say, what is the nature of the internet today and how is it affecting the rest of the world?

Dipayan Ghosh:

So just a couple of thoughts that I'll draw out from my analysis in the book. First that, I've called it Terms of Disservice. Why? Well, I think first of all, a good friend suggested this name and it stuck because it's catchy. But I think it's also accurate to the situation here. That there's a tremendous information asymmetry. We all know about terms of service. We sign up to Facebook, we have to sign the terms of service. We have to click the, accept button and then we're through, and we can connect with all our friends on Facebook and on Instagram and so on and so forth.

Dipayan Ghosh:

But it's that terms of service that no one really reads that defines, that sets in stone, in perpetuity our relationship with the internet company in question. You could consider it the terms of service whereby Facebook or Google is upholding its commitment to the words on the paper, or you could consider it in terms of disservice whereby these companies know that no one reads these things.

Dipayan Ghosh:

They pack in a lot of information, and they give themselves these rights essentially in perpetuity, these commercial rights to collect a lot of information on us, to use that information in whatever way they wish as clearly stated in their terms of service and develop a business model, but more broadly has

become very corrosive, many people would argue, in the overall state of affairs in economies like the United States.

Dipayan Ghosh:

Where do I go from here? First, what I try to in the book describe is that there's a rise of a new market, a new industry, which has taken place over the last 15, 20 years. I call this industry in the book, the consumer internet industry, but you could think of it in many different ways, it's an arbitrary name.

Dipayan Ghosh:

But essentially, it's composed of companies that serve a function of engaging in a dialogical relationship with consumers and monetizing that relationship. So certainly, the vast majority of Facebook's business activity would fall into that category. I'd suggest that the vast majority of Google would as well, search, maps, et cetera.

Dipayan Ghosh:

Any of these companies that essentially, to the extent that they engage in targeted advertising. So when we think of a company like Amazon, we could suggest that the vast majority of Amazon is not dialogical in this sense because the vast majority of Amazon is probably margins off of sales and cloud.

Dipayan Ghosh:

But there is a component of Amazon that does engage in the consumer internet industry, and that part of Amazon would be part of this industry. Or to take other examples, all of Snapchat would fall into this industry. All of the Twitter might fall into this industry, because they do monetize this dialogical relationship with consumers.

Dipayan Ghosh:

Why am I talking about an industry? Why am I talking about a market? It's because I think that the focus on Facebook or a focus on specifically Google is not necessarily unfair. Those companies haven't been perfect, but what I'm trying to do is develop a more generalizable theory that can support the claim that we should restructure our regulatory system as it applies to the internet, in any case. That's the industry, that's the subject matter of this book.

Dipayan Ghosh:

Second thing that I try to do is discuss the operation of the business model of companies that fall into the sector or at least the consistent parts of it. I think we can all agree that Twitter and Snapchat, for instance, two companies that fall into this industry, I would argue. `Twitter and Snapchat are different. They're both in what we call social media, but of course, we go to Twitter and we go to Snapchat for very different reasons. In fact, we go to Instagram or Facebook or Google search or YouTube for all different reasons. Yet, I'd argue that they all fall into this broader industry of the consumer internet.

Dipayan Ghosh:

What are the consistent practices among these companies? Well, I'd argue that there are three principle consistencies amongst all these companies that fall into this market. First, that they collect lots and lots of information including proprietary marketing permission, but also more to the point, our personal data. They collect all of that to the end of behavioral profiles.

Dipayan Ghosh:

Just to go a little bit further into this. A company like Facebook has tremendous capacity to collect as much information as it wants effectively. That's to say it can collect anything that's out there really, because the marginal cost of collecting and storing with redundancy, for that matter, a piece of personal information or a set of personal information about my use of the internet, let's say, today is very low. The marginal cost is very low for Facebook.

Dipayan Ghosh:

With respect to the value that that has for Facebook, I think it's quite high. That has led to this circumstance where, given the technological norms today, where data storage and processing are very cheap and are everywhere and very available, especially to cash rich firms. It makes sense to just collect as much personal information as possible, even when you don't have an immediate use for it so that you can maintain a complete and current understanding of exactly whom John Haigh. So that's the first piece.

Dipayan Ghosh:

The second component of this business model that I find quite consistent is the use of algorithms to continually engage people, to continue to engage users. When we look at the Facebook newsfeed or the YouTube recommendation algorithm or Google search as tailored to what we're looking for, or our Twitter feeds, or our Instagram feeds, all of these are using essentially machine learning algorithms to understand with our behavioral profile and our current interest in current intent, who we are, our preferences, our beliefs, our likes, our dislikes, our routines, our behaviors, and so on and so forth, profile us.

Dipayan Ghosh:

Then use that profile and use the content that is out there, including what we personally have subscribed to, like followed on Twitter or whom we friended on Facebook to populate our feed in a maximally engaging way. That's the second piece of its business model, whether we look at Twitter or Facebook or any of these companies.

Dipayan Ghosh:

Third, I think that there's a tremendous prioritization of aggressive platform growth. What does that mean? That means that a company like Facebook or Twitter or Google will do everything that it can to get an extra user in a new part of the world so long as it's cost effective. Even when it's not necessarily immediately cost effective.

Dipayan Ghosh:

I think we've seen so much evidence of this. This is definitely something that all of these companies prioritize. Various of them have different levels of success in this third piece. But it's consistent across the industry. What I then try to do is, go deeper into each of these three areas in the book, discuss how it is that these companies collect a lot of information, how they have these rights, and how the data that they collect is channeled from front end, from our terminal to their backend and how they start to try to understand it.

Dipayan Ghosh:

Second, with algorithms, how machine learning in the consumer internet context really works. What does Mark Zuckerberg mean when he says, "I want to prioritize meaningful social interaction." What does that truly mean? Well, I'd argue it potentially means engagement at any cost, prioritization of engagement.

Dipayan Ghosh:

Finally, I try to connect this platform growth component to the world of competition and argue that there is that this incentive, this imperative of platform growth has led to a tremendous problem around market concentration, market power. Indeed, these companies have, I argue in the book become akin to natural monopolies.

Dipayan Ghosh:

The last section, I try to treat the current circumstances through a tripartite policy regime, a regulatory reform regime that would start to push back or... I'll put it in another way. Identify the commercial overreaches of each of these business practices. Commercial overreaches in the sense of the places where the business model of a company like Facebook is an overreach, is something that can be argued is unfair to the rest of society, unfair, for example, to its users, unfair, for example, to democratic process, unfair, for example to other corporations, other companies, private entities.

Dipayan Ghosh:

In those places where I identify these areas of unfairness, I try to treat them through a policy regime or a regulatory reform regime that has three parts. But we can get more into that with the discussion. Back to you, John.

John Haigh:

Sorry, I have to figure out how to unmute my microphone. So you and I have talked about some of these issues fairly extensively. There are a lot of natural questions that arise and there are some things that jump out at me. Just looking at some recent data, I found it stunning that in, for example, 2005, 7% of Americans use social media. By 2017, that number was up to 80% of Americans use Facebook alone, three and a half billion people on the planet out of 7.7 billion are active social media participants. People post about 500 million tweets, share over 10 billion pieces of Facebook content, and watch over a billion hours of YouTube video.

John Haigh:

Obviously, social media platforms have been embedded into the social fabric. As you point out, incentive for these companies is really to drive revenue growth and revenue growth, they get all of their revenue almost exclusively from ads. So they need to drive ads and the better they can target those ads, the more effective they are at attracting advertisers and the more effective they are then generating revenue. As you know, it's an obvious point, but we are the product. They are selling us. They're selling personalized information and the more effective they are at doing that.

John Haigh:

Then that brought me to another MIT study from 2018, and they found that on Twitter, from 2006 to 2017, false news stories were 70% more likely to be retweeted than new ones. Why? Because false news has greater novelty value compared to the truth and provoke stronger reactions, especially disgust and surprise.

John Haigh:

That seems to me to be an incredibly toxic combination to a democratic society. What you and I have talked about is that these companies, while they've done huge amounts to build community, they also are basically creating externalities that undermine a lot of the pillars of a democratic institution.

John Haigh:

The natural question that to me, anyhow, that flows from that as like, "Okay, so what the hell do we do?" I know you touch in the book on some of the regulatory regime questions, but it's probably worth maybe talking a little bit about that now, and then we can extend it.

John Haigh:

I would also say Scott Leland is on and Scott is the Executive Director of the Mossavar-Rahmani Center and Victoria Gross, and they will help us monitor questions. So if people in the audience have questions, you should feel free to put them into the Q&A portion and I will try to monitor that and we'll try to monitor that and bring those into the discussion as well.

John Haigh:

But with that, Dipayan, I would turn it back to you to talk about what do you think we need to do.

Dipayan Ghosh:

Well John, I think you've beautifully put together an analysis of essentially where are these harms are coming from. First, that these platforms are used by so many people. Second that they have, they have potentially facilitated a number of harms. What are those harms?

Dipayan Ghosh:

Well, or more broadly, why are we talking about Facebook, Google? Why do we have this antitrust hearing? Why do we have a European privacy law, which seems very responsive to the overreaches of Facebook and the Cambridge Analytica situation and the Snowden disclosures? Why do we have all this consternation in the public and amongst policymakers? Well, I think it's because of the harms. It's because we see that there's this disinformation problem which may have affected the election in 2016 in the United States, may have affected other electoral or political processes in other jurisdictions as well around the world.

Dipayan Ghosh:

We see things like the spread of hate speech online, where there are these propagators of content that is very divisive, hateful, violent, et cetera. We see the facilitation of killing over WhatsApp in India or with various communities around the world, including the situation now in Myanmar. We see terrorist content. We see all these harms.

Dipayan Ghosh:

I think that is in part why we've become so responsive and have really been so concerned with the power that Facebook has. That's clear. I think, one area that people have started talking about with respect to reforming how Facebook, is exactly responsive to those harms. For instance, we see suggestions that Facebook should hire more content moderators, or that Facebook and Google and other companies should invest more in artificial intelligence to detect nefarious content, nefarious

activity, et cetera, or that Facebook should have an oversight board, or there should be some third party that oversees content on Facebook, or the government should oversee content on Facebook, so that we don't have the hate speech problem, so that we moderate more effectively through a fair process this nefarious content.

Dipayan Ghosh:

We see suggestions that, these companies should have war rooms. That's to say that they should have teams within their corporate structure who are activated right before an election and will protect the platform from election interference.

Dipayan Ghosh:

Again, revisiting this point, we have all these harms, many policy makers and people, academics are suggesting that we do these various things and act these various reforms around content moderation, so that we would essentially, we have this business model, we have this business model that throws off the negative externalities, and we institute a bunch of reforms to suck up those negative externalities and suppress them.

Dipayan Ghosh:

But my whole point in this book is that that's not the place to look. The place to look is really the core, the business model itself that is generating those negative externalities. I think we've tried with negative externalities. We've tried to institute reforms through content moderation quite a lot. I see a number of problems with it.

Dipayan Ghosh:

First, it's a very partisan debate. There's essentially a political gridlock between conservatives and liberals over how to moderate political content for instance, or how to moderate hate speech even where certain people facilitate the spread of what many other people consider hate speech. They're legitimate politicians in the United States, for instance. So I see a number of problems here.

Dipayan Ghosh:

Thirdly, the most important problem with trying to treat these negative externalities through content moderation only, or principally, is that people like Mark Zuckerberg and Sundar Pichai have created companies that are tremendously cash rich and have huge profit margins off of the basis of this business model that we've discussed earlier. They would do anything to protect that business model, because it is generating those profit margins, it is generating all that wealth, not just for themselves, but for all their investors. They have a huge financial infrastructure behind these massive major companies, of course.

Dipayan Ghosh:

So these corporate executives have to do anything to protect the sharpness of that business model in perpetuity or for as long as possible. So which machine is going to win for them. If you ask them to or regulate that they should moderate their content more effectively. Sure, they will do it, but only for appearances, only to an extent. It's almost like asking which machine is going to win. The one that generates profits for them or the one that moderates these negative externalities.

Dipayan Ghosh:

I think the secondary set of algorithms or set of practices will always be behind the profit making machine of a company like Facebook. So I would say we need to focus on the business model and where we have essentially unilateral power in the industry. Again, there's three components of data collection, algorithmic development, and platform growth that we institute a targeted regime that prioritizes privacy, transparency over algorithms, and competition reform to resolve the shortcuts these companies take to enable platform of growth.

John Haigh:

That's a pretty extensive discussion. I want to pick at parts of it for more discussion. There's a question that came in from one of the listeners. It's along the lines that I was thinking about. You talk about content moderation. There is an issue here that the social media platforms are the ones collecting the information. They have all the data, they have all of that information at their fingertips. They're building the algorithms to continually engage users, as you said.

John Haigh:

How do you have a regulatory regime that engages the social media platforms themselves in some form of self regulation with government oversight? The question from the audience was, so what do you think about Facebook's effort to create a Supreme court of its own, both for appeals regarding content and for new policy review? I blended a couple of things there, but-

Dipayan Ghosh:

Yeah, thank you, John. I'll take on this second issue you mentioned first. I think the oversight board is a natural development. It is natural for a company that is as important as Facebook, important in the sense that it occupies such a huge segment of our media consumption in markets like the United States. It's only natural for such an important company to wish to graduate their responsibility over content, apparently at least in a way that gives the appearance that there's an outside body moderating the company.

Dipayan Ghosh:

I think it's only natural that they want to graduate this responsibility to a publicly trusted third party. That's to say, content moderation doesn't really affect Facebook's business model. If the business model is about engaging people and generating as much ad space as possible, and generating as much detailed behavioral profiling as possible, so that you can enabled targeting across that ad space. If that's the business model and it's giving off these negative externalities in the form of disinformation or hate speech or violent conduct that the oversight board or other similar bodies need to moderate, that's all it is. The oversight board is looking at these few cases of content that particularly offend many people. It's not looking at the business model itself.

Dipayan Ghosh:

First, I think with that analysis, you can start to understand why first of all, Facebook is willing to give away some power, let's say, to an outside body. To go deeper on that for a sec, again, it's because that outside body doesn't really have effective power over really moderating the actual overreaches of Facebook.

Dipayan Ghosh:

Second they're able to characterize it as a very powerful body. Notice the name, it's the oversight board for Facebook, when really a more accurate appropriate name might be, content policy advisory board or content policy board for or content moderation board. It's not even all content, its specific pieces of content that Facebook has enabled the board to have jurisdiction over essentially.

Dipayan Ghosh:

Now, all that being said, the structure is only natural for public and important company to want to graduate this responsibility outside. Again, it just doesn't affect the business model. Again, I don't really have a problem with they're creating this. I don't think the characterization that it's a Supreme Court is a little bit overblown. In my personal view, it has very limited, narrow authority which might grow, but I don't expect it to grow any anytime soon, not in the directions that someone like myself would suggest, at least.

Dipayan Ghosh:

More broadly, in thinking about this broader regulatory situation. What we start to need to do is, where these companies have this unilateral control, unilateral power, meaning, in the corporate consumer relationship, it's the corporation in every case, in every case, being data collection, algorithmic development, or platform growth, it's the corporation that has 100% of the power.

Dipayan Ghosh:

What I'm contending is that, it should be the consumer that has 100% of the power, normatively. As such, these regulations or proposals are an attempt to rebalance that that distribution of power back to the consumer so that we can tell companies how they should use our data so that we can tell companies how they can design algorithms that affect what we consume, and so on.

John Haigh:

We have a number of questions in the queue, we've got four questions and they're all great questions. So I'm going to start with the one that came in first. Shouldn't Facebook and other platforms be held legally and financially liable for false or violent content on their platform. What impact would that have? I'll take a second for those of you... hopefully this isn't new and repetitive information to something you already know, but obviously at least in the United States, you have Section 230 of the Communications Decency Act.

John Haigh:

Under a Section 230, when companies, social media platforms, moderate content that is filtered content in some form, they're not held liable for the impact of that content. So if somebody puts something up illegal on their platform, they're not held liable for that, at this point in time.

John Haigh:

One of the other questions talks about legislation what there now. There are some discussions about modifying Section 230 and in particular, creating a liability for things that are clearly criminal. So child pornography, for example, and other maybe civil rights actions, which potentially would be classified as a criminal activity that the social media platforms be held more accountable.

John Haigh:

One thing people need to be careful about when they think about section 230 is they think of it as something that enables the platforms to not be held liable for carrying content that many people might think is inappropriate. But it also protects them if they choose to filter out content that they think is inappropriate.

John Haigh:

Part of this was to give the platforms some control given they are the ones that have the data and the technology to look at it. Now, whether you agree with that or not, I'll turn it to Dipayan now. Do you think they should be legally and financially liable for false or violent content on their platform?

Dipayan Ghosh:

Well John, we've had some discussion about this and I'm co-writing something on it. I think, you've hit the nail on the head. First of all, in the description of what 230 is. Second of all, in broaching, a part of the question, it's almost a rhetorical question at this point in my personal view. Should Section 230 be reformed in some way? I believe so.

Dipayan Ghosh:

That effectively would entail that companies would become liable, that as a writer has asked, should accompany like Facebook be liable, should it be held financially responsible in different ways? Effectively I'm saying yes, because Section 230 reform in the sense of, we could think of a lot of different directions. But as soon as we start developing carve-outs, developing exceptions to the blanket liability that Section 230, gives a company like Facebook. As soon as we start doing that, that introduces new forms of liability on Facebook.

Dipayan Ghosh:

So Facebook or any internet company would do what it can to protect itself from that liability should the penalty for crossing that liability be high enough, of course. So what does all this mean?

Dipayan Ghosh:

Well, I think Section 230 was developed at a time. It's part of the 96 Telecommunications Act. It applies to interactive computer services as written in the law, which has been taken to mean internet companies are part of that. It was written at a time when, in '96, and we had Clinton and Gore. It was written at a time when the internet was an open avenue, where there was an explosion of content and we didn't have these algorithms that determine who sees what, and we didn't have this development of extreme market power where our experiences over the internet or defined by one or two or three companies.

Dipayan Ghosh:

No, it was a much more vibrant and diverse space. It was seen as a place for freedom of expression which is why Section 230 exists. Yet now, what we have is this situation where Facebook dominates social media, Google dominates search, so on and so forth. Not only with that domination, do they have a monopoly or effective monopoly over search and social media, they also use algorithms to determine what it is that we see. So there's some bias in what we're consuming when we're using a platform like Instagram.

Dipayan Ghosh:

So I would suggest that the technological and market circumstances have changed and Section 230 should no longer hold for a company like Facebook because Facebook is not just an open platform. It's not a public square where people are necessarily completely accountable for what they say because they're saying it in an open square, no. There's virality of content, you can pay to have content pushed at people, there are algorithms that determine who sees what. The norms have completely changed.

Dipayan Ghosh:

I would say that it's those areas potentially, where we should have carve-outs, where if someone is paying for an ad to be distributed at certain people, that we might not want to have freedom of liability for a company like Facebook for ads, because not only is Facebook taking money for that, it's not a platform for free and open expression.

Dipayan Ghosh:

We can think of a lot of different carve-outs for viral content, for content that's particularly unacceptable. Let's say if a majority of people might think that a certain... I'm thinking of obviously hate speech, or a violent conduct, and so on.

John Haigh:

So I'm going to combine a couple of questions here, and we're going to have to move a little bit to rapid fire of questions and answers, as best as we can, because we're starting to get a fair number, which is terrific.

John Haigh:

We talked a little bit about potential modifications or legislative modifications to Section 230. There's one question that says, "Can you give more detail on what your policy recommendations would be for the consumer in that industry? Is there any legislation happening right now in the US or elsewhere that seems promising?"

John Haigh:

On the other side of the coin, there's a question that said, "What are the alternative business models that would be better aligned with everyday people's right to privacy, to disappear, to experience content that is accurate and not miss or disinformation? How would these models roll out within the existing ecosystem?"

John Haigh:

Those are two huge questions. We could spend an entire conference few days going through those questions, but it's worth talking about. You've got some specific thoughts on what an alternative business model might be, in the regulatory and governance structure from the government side that would oversee that. Maybe you want to comment on both of those. I have some thoughts on it, but you should go first and talk about your perspective on the business models.

Dipayan Ghosh:

Yeah, these are both great questions. The first one because I touched on privacy, competition, transparency, but I didn't go into much depth. Again, I mentioned that, currently, the industry has... If

we take privacy, which is responsive to this current circumstance of extraordinary amounts of data collection on uninhibited basis, essentially.

Dipayan Ghosh:

We could describe that as a situation where the company has 100% of the power and the consumer has 0% of the power, in the sense that... that's an approximation. Maybe the consumer has a tiny bit of power, in the sense that, if you have full information about the situation, and you make certain decisions, or make informed decisions about your data choices online, that can certainly amount to power.

Dipayan Ghosh:

But for the most part, you think of a typical user, a college student in the US or in England, or a mason in Tanzania, or a fisherman in Bangladesh, people are not thinking about those choices, they may not even be fully-informed about what's really happening.

Dipayan Ghosh:

So in privacy, again, I'll be specific and brief, opt-in consent, complete choice and control, access to the information, rights to deletion, rights to be forgotten. This is very akin to the GDPR in Europe. It's theoretically and intellectually an excellent framework. People have complained that it's not enforced necessarily to the T. Intellectually, it's an excellent framework. It served as the template for the California law, which is weaker than GDPR, but it's still the most stringent law in the United States, at any level.

Dipayan Ghosh:

I think the GDPR is a good model for us to think about, in giving all that power back to the consumer, so that the consumer can make informed choices, and so on.

Dipayan Ghosh:

In transparency, I think transparency is always a good thing, as close to radical transparency over the core algorithms of social media platforms, consumer internet platforms. That's to say, content curation, ad targeting, and behavioral profiling are the three areas, the three algorithms that these companies really develop their business model over.

Dipayan Ghosh:

There's, again, a tremendous information asymmetry over how these models work and to the extent that we can make them transparent I think we will be served. I don't think that that's necessarily politically doable right now, for many reasons. We try to very narrow version of transparency, with the Honest Ads Act, which would only impose transparency over the distribution of political ads, "Who are in the targeting segments, and who's seeing the ad, who's behind the funding of the ad and how much did they fund it? Let's keep a searchable database of political ads."

Dipayan Ghosh:

That didn't pass Congress. That was introduced by Mark Warner, Amy Klobuchar, and John McCain, senators in the US, but didn't pass. But as close to radical, transparency over these algorithms as

possible, while keeping in mind that we want to have circumstances that can enable innovation, enable progress as well, is the right direction to move.

Dipayan Ghosh:

Finally, in competition policy, I'll be brief, but I think we need a more robust antitrust enforcement infrastructure. We may need new agency expertise, whether that's within an agency, existing agency like the FTC, or whether that's in a new agency. We need to shift away from this presumption of direct price harm and think a little bit more broadly, because this sector operates very differently, where we're not paying for a service, but we are paying for a service in a nonmonetary currency.

John Haigh:

I'm going to ask you to talk just very briefly about one thing you and I have discussed, which is the competitive structure, thinking about antitrust issues, the difficulty of doing that, when, as you said earlier, many of these, because of the characteristics of network effects within the businesses, and winner take all aspects of it. They have certain characteristics that are analogous to natural monopolies.

John Haigh:

What you do, generally, at least in the US, when you have a natural monopoly, as you think about it like utilities, and the provision of electric power, you think of those as natural monopolies, oftentimes. Now technology is changing some of that.

John Haigh:

How do you think about this as a public utility? How do you think about it as a competitive market? My bias is, I don't think antitrust necessarily solves a lot of problems. We have to find better solutions than more antitrust enforcement. We can come back to that in a second. But with that, maybe talk a little bit about your thoughts on these entities as public utilities.

Dipayan Ghosh:

Yeah, I think the tradition in competition enforcement in the US is that, first, you got a complaint... Let's say you're sitting as a lawyer at the antitrust division, in the Justice Department. You either initiate an investigation, or get a complaint and start an investigation about, let's say, Facebook, or let's say, the FTC, and the Justice Department are currently investigating Facebook and Google.

Dipayan Ghosh:

Let's say Facebook. That you get a complaint that Facebook has violated some norms around competition. It's engaged in anti-competitive behavior in blocking someone from some other company, let's say, from engaging in the digital advertising ecosystem, in some way.

Dipayan Ghosh:

What you'd do is, first, you'd try to verify that this company is a monopoly, or has market power. In the US, that might mean 50% of a market. Facebook has more than 50%, much more than 50% of social media in the US. That's the first step. Part of that is also market definition, which is a big conundrum. Let's just move on.

Dipayan Ghosh:

That's the first step. Second step is, you try to establish that there was a harm that happened, an anti-competitive behavior that led to some harm. Let's say you have determined that, that harm did occur. Then the next step is that, you try to decide... John, this is where maybe we have some difference of opinion. You then try to decide, "If I were to break up this company, could I imagine this sector," let's say, the social media market, "Being vibrant, and dynamic with lots of players?"

Dipayan Ghosh:

So I've broken up Facebook into Facebook, Instagram, et cetera, WhatsApp, Messenger, and there are already these other companies that operate there as well. Could I imagine them all in perpetuity, competing with each other, with one another, and so on and so forth? Or would I imagine instead that, "Over time, in an unpoliced environment, we would have a tendency toward one company becoming dominant, yet again."

Dipayan Ghosh:

I would argue the latter that, because of barriers to entry that are naturally developed, organically, as you build your platform toward using platform growth, because of that and because of the tremendously powerful network effects that occur in developing this business model, we would have a tendency toward natural monopoly in any sub-sector of the consumer internet, whether that's social media, or search, online video, or internet-based text messaging, et cetera.

Dipayan Ghosh:

What do you do with a natural monopoly? Well, you first say that, "Okay. It's a natural monopoly," which means that for society, it makes sense to only invest in one. It's like a railroad, a highway, or an electric network. It makes sense for all of society to invest only in one. What we're going to need to do is, make sure that it doesn't extract monopoly rents or exploit the market overall. We're going to need to set some regulations that draw back some of those economic rents and redistribute them back to society, essentially.

John Haigh:

I'm a little concerned, we're at 12:55. Dipayan can stay on for a little bit. I will stay on for a little bit after this, because there are a lot of questions in the queue. A natural extension of one question that we just were talking about, the competition policy, antitrust enforcement. As I heard you, which I would agree with, is that, I'm not sure antitrust enforcement and breaking the companies up would really solve anything, because of the nature of the industry structure, where somebody else would just then become the dominant player. But it does.

John Haigh:

One of the questions that came in is, "How will a replica of successful Silicon Valley in an authoritarian country, such as China, be different for the people of the world and upcoming future," which is highly likely.

John Haigh:

Now, embedded in that is really debates about splinternet, debates about China creating an authoritarian model in which they control the internet, and control the data and information. If you look at Alibaba, if you look at Ant and its subsidiaries, and the power that WeChat are around the globe.

John Haigh:

Are we potentially foregoing a competitive advantage of the United States by creating these issues and pressures around these social media companies in the US? That's the argument that social media companies give when the topic comes up. I don't know whether to believe it as potentially a true problem or simply public relations to protect their competitive positions in the market.

Dipayan Ghosh:

Well, we know what our friend and the Former Chairman of the FCC, Tom Wheeler would say.

John Haigh:

Right.

Dipayan Ghosh:

He would say that, "This is all a show from Mark Zuckerberg." I tend to agree that more broadly, we're asking this question where... by the way, I love this question, whomever submitted it. We have this situation where the US has this open capitalistic system, which has engaged Silicon Valley, which has created Facebook and Google. These companies have essentially taken over the world, taken over the media landscape, the digital media landscaped, in not just the United States, but around the entire world. You look at countries like India, or Egypt.

Dipayan Ghosh:

Meanwhile, there's this very competitive, very successful fast growing industry in China, and the best examples of that are exactly the two companies that president Trump has enforced against, in recent weeks, WeChat and TikTok.

Dipayan Ghosh:

The argument that Mark Zuckerberg makes is that, "If the US Congress passes a privacy law," let's say, "Or breaks up Facebook, or imposes radical transparency over Facebook, then what that's going to mean is that, TikTok will then dominate the world. TikTok or similar Chinese companies that compete with Facebook, in foreign countries, will begin to dominate the digital media ecosystem, in those countries." What I'd say is, leaving a-

John Haigh:

Sorry to interrupt you. Just for a second. Do you think it would dominate in those countries, or do you think because these are tending to be global platform, would they dominate more globally?

Dipayan Ghosh:

Well, I didn't offer an opinion yet. No, on perspective here. Someone made a point to me, recently, that I then wrote about. I think that part of the reason this argument just doesn't sit well for me is that, you look at a country like India. India has just bend TikTok nominally, on the basis that TikTok has bad privacy standards. Has substandard privacy corporate practices, which was reported on pretty widely, early this year, in the first half of this year.

Dipayan Ghosh:

At least, we know that India and China have their political tussle, right now, and in that extent, the military. At least, nominally on its face, the Indian government has said, "We don't want TikTok, because it engages in these overreaches, and is bad for our privacy. Therefore, threatens our national security."

Dipayan Ghosh:

Just stated it in another way, which is assigning words to the Indian government, which is unfair. Let me try to paraphrase for a sec. "We, the Indian government, we want to adopt a system of regulated capitalism, regulated open markets. We don't want a system that is akin to the one that China is pushing."

Dipayan Ghosh:

Now, let's assume that that's the case, for a sec. Let's assume that's a fair characterization of the government's view. What does that mean more broadly? It means that in countries like South Africa, Tanzania, and Argentina, it may very well be the case that those governments would say something similar, that, "You know what? We want a system of regulated capitalism as well. We want a system where this industry is properly regulated through democratic means."

Dipayan Ghosh:

Now, we all know that Facebook has its problems, but at least it is coming from this kind of a system that does have that transparency. We could start to see more behavior like that from international governments that are necessarily more aligned with the United States than they are with China. [crosstalk 00:58:28]-

John Haigh:

I want to-

Dipayan Ghosh:

We might have a splinternet, John.

John Haigh:

Yeah, we are at 01:01. I want to give those who feel the need, have other obligations, or need to drop off, feel free to do so. But I think, Dipayan and I can stay on, and continue to try to work through some of these questions, at least for another five minutes, 10 minutes or so.

John Haigh:

One of the questions that came up, went back to the business model. In particular, it's basically, they're two ends to the business model question. One, being able to do behavioral advertising. Things to rich data. Two, the need for publishers to use advertising, to fund their pages, which means, basically, advertisers need the social media platforms to get to their customers.

John Haigh:

The first is potentially dealt with by data controls. Is there anything we can do about the second, make it easier for consumers to make small contributions to publishers or directly? This is a huge question in the sense of, it's how the media industry is reshaping, how advertising is being reshaped, how newspapers

are struggling, because advertisers are migrating away from them at a fairly rapid rate, and onto the internet. It's a big question that's hard for me to get my head around.

John Haigh:

The one thing I would say, and this is a little bit of a tangent. When I think about data privacy and power for consumers, which would help address some of the business model and equities, or asymmetries, is that, it takes me back.

John Haigh:

I was Senior Vice President for AT&T's emerging services, which is basically new services. One of the things that added a huge amount of competitiveness to the market was when... Some of you probably are too young to appreciate this. When you had data portability, basically. When you could take your cell phone number, and go to another carrier and keep your cell phone number. Even though it sounds small, it was a huge change in the industry, because I no longer could lock you in AT&T wireless with your number, because all these people know you, and you've got a whole network of relationships, and you don't want to give it up.

John Haigh:

When I put my social hat on, that's the right answer. Is that, basically, you should be able to take your cell phone number to another carrier. I wonder, if there's, on the privacy side, one thing that would help to address the business model is, if consumers could know what data is available to your point about transparency, at least on that piece, and have the ability to take their data with them wherever they go, so that you don't get quite the buildup of network effects within a given company like Google with search, or Facebook with its activities.

John Haigh:

Sorry, that's a long-winded way to get at the question of thinking about the business model, a little bit more, and the relationship of publishers and content developers to the social media platforms.

Dipayan Ghosh:

Well, I think the question is astute. I'll be brief. John, we participated in the M100, last week. I would imagine that a more equitable media regime would involve more media regulation, essentially, similar to what we have in places like Germany, for instance.

Dipayan Ghosh:

Now, I'm not saying that the German media regulatory approach should be adopted in the United States, but rather that we might want to consider, in the United States, a more robust set of protections and media properties that are instituted and funded by the government, so that we can get away from what these MIT researchers in this paper are suggesting and have this prevalence of fake news, and it's a viral spread, along with many other negative externalities. I do think that that's important.

Dipayan Ghosh:

Currently, it's difficult to see a situation to the question's point, where customers can directly support the traditional media organizations. Of course, you always can. You can always donate to your local stations, local public stations, but there isn't necessarily push for that. This is much of the reason why

traditional media properties are going out of business now. It's because Facebook is taking all the attention.

John Haigh:

Pardon me. I must say, I am conflicted a bit, myself because I think of the Schumpeterian creative destruction that you have to have processes that allow those transitions to occur, and try to do it with the least amount of disruption. You don't want to lock the world into a particular situation, that over time could be improved.

John Haigh:

Now I'm not saying everything here is an improvement. It's a debatable question. There are a few more questions here that I want to just do lightning around, touch on as quickly as we can. The next one is, "What do you expect to be the interference of social media in this coming election?"

Dipayan Ghosh:

I'll be brief, but I think that there could be more problems in 2020 than there were in 2016, for a few reasons. There are more bad actors that understands that there's a platform over which they can start to attack the democratic process.

Dipayan Ghosh:

Second, I think that the formula has been talked about and disclosed over and over again. What it means is that, those bad actors are starting to recognize the things they need to do to try to influence people. More specifically, they can identify the specific communities in the United States in the voting population who represent those thin cracks in our social fabric. They can start just pinning those thin cracks with political lies and conspiracy, over and over, and over again, until we break at those cracks. That's the system. That's the regime that has been instituted.

Dipayan Ghosh:

Third, for instance, Facebook has been hogging this free speech policy, which alongside which they've said that, "Any politician can say whatever they want, and the company won't do anything to moderate, even political lies that are spread by major figures in the political world." I think for a number of reasons, we might see more nefarious activity.

John Haigh:

My only reaction, a couple things, one, my sense is that, foreign entities have become much more adept at how to target. By that, I mean, they're understanding how things go viral, better than they did back in, for example, 2016 even, that they're able to, not just put the material out there themselves, but to get others to pick the material up and transmit it. It looks more, in some ways, real.

John Haigh:

You've also got to keep in mind what the intent of a lot of this work is. It may be to support one person, or another. But more importantly, it's to polarize. It's to push, whether you're partisan-left, or partisan-right. It's to push you more towards those extremes, which creates more tension in the country, and it's just incredibly destructive, and very worrisome.

John Haigh:

I'm going to switch gears, again. There's a question here about, How can 'this interpretation' of Zuckerberg's motivation just focused on profits appeals to a capitalist business audience, with everything else 'just for appearance.' How then will businesses get on-board, especially here in the US, where businesses are truly regularly lobbying government to create these regulations that give business typically want to self-regulate, and generally let the market decide."

John Haigh:

So basically, it's a question about, what's the relationship between business and government in this context and how can they collaborate in ways that are more effective?

Dipayan Ghosh:

Well, you're in a better position to, as the Director of the Center of-

John Haigh:

I'm happy to comment on it, at some point, but go ahead.

Dipayan Ghosh:

There are a lot of questions now, and there have been in over the past several decades, over the position of capitalism and socialism, and where we want to be as a country in the United States, or what the best formula is for other countries.

Dipayan Ghosh:

More generally speaking, obviously, I support capitalism in the open market. But John, we would both acknowledge that, that doesn't necessarily mean that we should have a libertarian regulatory approach, but rather that we recognize that there are, as a society, as a mass of people, 300 million people. We affect the rest of the world too.

Dipayan Ghosh:

There are some socially acceptable norms. We want to protect the institutions that we've created. We've spent hundreds of years creating so that we can have some semblance of social order, safety, and security. In the internet context, what does that mean? It just essentially means, in the immediate sense, a redistribution of power.

Dipayan Ghosh:

Right now, if a company like Facebook has a monopoly and can essentially do whatever it wishes within that monopoly, because effectively, domestically, the company doesn't really face or historically has not faced much scrutiny over privacy or transparency with competition issues with the things that really touch its business model and the regulatory measures that would really touch the engine that generates profit for Facebook.

Dipayan Ghosh:

I think those are the areas where we need to focus. That doesn't mean that we take all the steam out of Facebook. I'm not suggesting we get rid of the targeted advertising business model entirely, but rather

that we certainly extract some of that raw margin and redistribute that margin to the rest of the society in the form of these targeted regulations.

John Haigh:

So I will weigh in on this one, a bit. First of all, we sometimes have a little bit of a tendency, everybody, to think in these large groups, and fail to recognize that there's actually, a lot of divergence within these groups.

John Haigh:

For example, I had a conversation. Someone from Facebook had reached out to me to talk about some of these issues. They wanted to talk about, "What might be a grand bargain that Facebook might 'cut' with the federal government?" The reason they raised is that, and the reason they wanted to talk to me is, because this is a cycle that AT&T, where I used to work, went through.

John Haigh:

Back in the early 1900, it may be hard to imagine, but there were lots and lots of different networks. There weren't common standards. There weren't compatibility in our operating capabilities. AT&T managed to raise itself out of that. What it negotiated with the government is, "We will be regulated on price and other characteristics, but we will be a natural monopoly. You will allow us to have that monopoly."

John Haigh:

That lasted from 1920-something until 1986 or 1984, when the Bell Systems was broken up. That was because of antitrust actions. Then antitrust actions never were really carried through. The Bell Systems, because of technological changes, et cetera, decided to go along and break itself up, long story.

John Haigh:

The first point I'd make is that, Facebook realizes they're coming under increasing scrutiny and that there is a real risk of significant government regulation. They're going to try to figure out a way to not have regulation that so destroys their current business model, for better or for worse. You could argue, there are some pluses to that approach and some negatives to that approach on that part.

John Haigh:

The other is that, within the tech sector, there's not uniformity on agreement about what the nature of the collaboration should be with the government. For example, Microsoft and the president of Microsoft has come forward and said, "Look, there's this technology for facial recognition. As an industry, we probably won't be able to reach agreement on how that should be made available to law enforcement agencies and others. We would really like the federal government to step in and establish norms and standards, and some values." Maybe it's principle-based regulation, or it could be specific regulation, but, "Find some way to define that. Because, we, as an industry on our own, probably can't do that."

John Haigh:

My second point is, don't think of the industry as uniform. They're each trying to do this partially, to maintain or improve their competitive position. They're also realizing they're these social issues that if

they don't deal with them effectively, they would be dealt with by the federal government and it would be imposed on them. There's a lot of nuanced discussions that need to occur with rational people thinking clearly, and hopefully not getting too politicized in that process.

John Haigh:

That covered a couple of questions. There's a question that vary, "What can we lay people do to encourage the development of GDPR, like federal legislation in the US, free digital privacy, greater control of our personal information, and et cetera?" That'll be the last question. Then there's one more question, which I'll let everybody off first. Just the 32nd response to that, Dipayan, and then I'll go to one more.

Dipayan Ghosh:

Sure. What can we do to, as citizens, I think, we need to do everything that we can to understand what's happening with our data, with our information. We need to go and call for these reforms with the policy makers that we've voted into office. That's the key. Because the reason that things like the Honest Ads Act, or a broader federal privacy reform, for instance, don't pass right now.

Dipayan Ghosh:

The reasons why these don't pass is that, politicians don't see it as a political imperative to pass it. They're not getting enough pressure. There's not enough public sentiment to push for these reforms. We have to make it so.

John Haigh:

This last question, I have to paraphrase it a bit. When Dipayan and I have conversations, and when we talk with others, we express some pragmatism about the way companies will operate. I've lived in the private sector, in a large company, for a long time. They are incentive by profits. They're not bad people. They do have broader perspectives, but the profit-driven incentive is so great that it's hard for them to step away from that sometimes.

John Haigh:

But the flip side of it, and this is where maybe Dipayan and I differ a little bit, is that, that doesn't necessarily mean that you can expect a good response from the government, which has its own set of political considerations and manifestations. I'm probably cynical about the incentives and motives of business and government. I think, Dipayan, I don't want to put words in his mouth, a little more cynical about business.

John Haigh:

But the last question is, "In response to the direct government funding idea of the media, how the heck do you trust the government to run a media system without fake news when the current government is producing it?" That's probably a bit of a controversial question. I'm not sure how far we want to go down that path. I don't necessarily have a good answer to that, other than a series of checks and balances across different parts of the government, as well as checks and balances from the public, from the business sector back to the government. I don't have a good answer to that. I don't know if you could comment on that. I've put too many words in your mouth, Dipayan, [crosstalk 01:17:31]-

Dipayan Ghosh:

No, not at all. I think this question is absolutely right. Personally, I wouldn't give all the power over media to government, but rather, let's take the German example, just for a second. It has components of open market and private firms that operate in the media ecosystem in any form it can. It also has an investment from the government through, obviously, levied tax that determines how some of the media environment looks.

Dipayan Ghosh:

That is an approach that we should take a lesson from. I'm not saying that we shouldn't have a BBC of our own, but rather that we shouldn't be closed-minded such that we can't ever consider such an option. We should keep everything on the table. As the media environment and underlying technology, a society continues to evolve, continues to change, and produce changes in the way that we consume content, the way that we behave in society. We keep an open mind. Otherwise, we could risk over-polarization.

John Haigh:

Yeah, the conference that Dipayan and I taught were at this last week, was called the M100. It was a lot of the journalists in Europe, as we've discussed, particularly in Germany. It was really interesting to me to see the difference in perspective between Europe and the United States.

John Haigh:

In Europe, there was a lot of discussion of, "Should there be a public digital infrastructure? Should there be more support in public funding of the development of content?" They look at the BBC as a model of a good media construct.

John Haigh:

At least, for me, in the US, my concern is, I'm not sure it's a version of what the question was that just came up, in particular, "How do you expect the government to basically fund public media in a constructive way that brings truth forward, when in fact, we're seeing so much truth falling by the wayside, in the current government structure?" I'm trying not to maintain my political objectivity here. It is a very open, a very difficult, and a very interesting question that we will need to continue to think about.

John Haigh:

We've gone over by 23 minutes. So thank you all for staying on, who have stayed with us. Thank you so much for such terrific questions, and hopefully you've enjoyed the time. With that, we're done.

Dipayan Ghosh:

Thank you, John.

John Haigh:

Thanks, Dipayan, so much for spending time.

Dipayan Ghosh:

Thank you all for joining. Thank you.