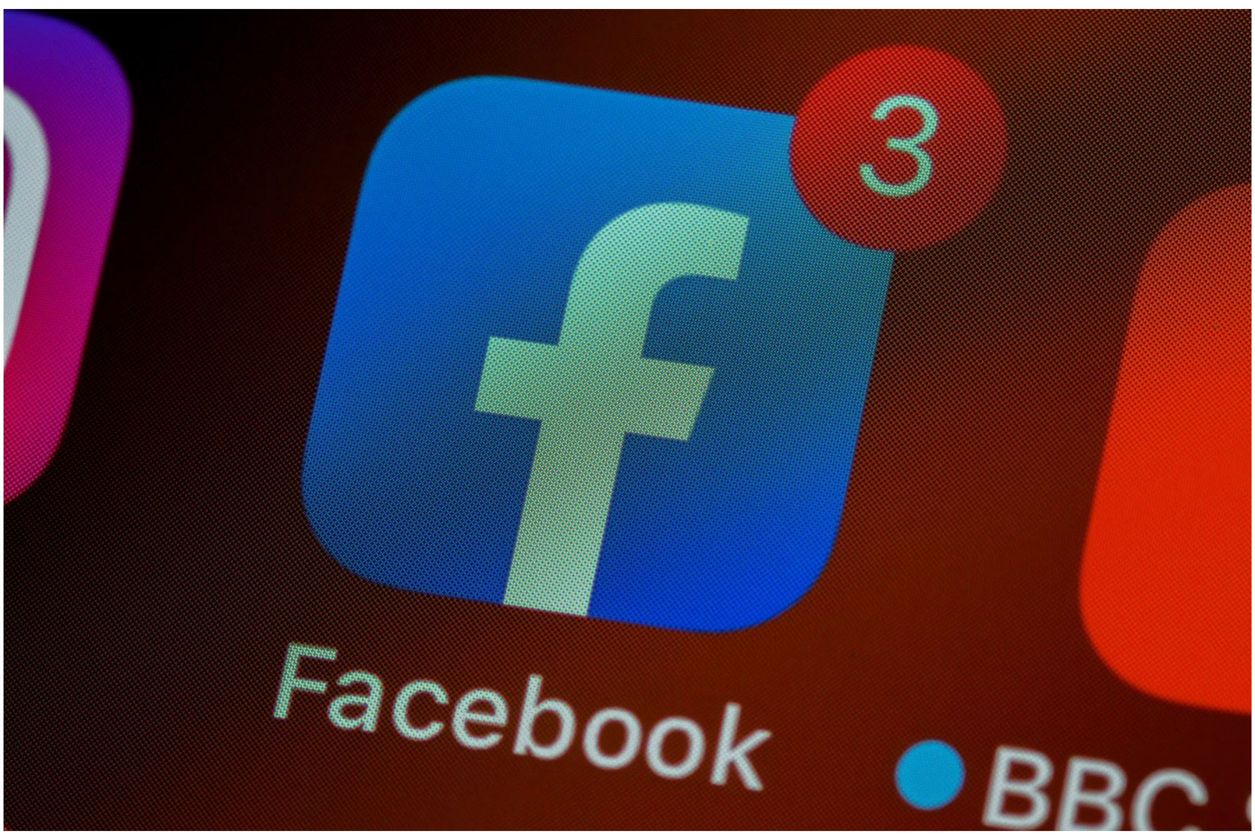
Antitrust Lawsuits - Facebook: ESG Implications

By Teja Basireddy

Usually, when people think of monopoly, they think of the classic board game that everyone loves to play. However, the Federal Trade Commission and 40 states in the U.S. have a different idea of the word, monopoly. This idea comes in the form of the new buzzword, “Big Tech.” “Big Tech” includes companies like Google, Amazon, and Apple. Many are familiar with these companies because they are everywhere. Every time you open up a web browser, the Google search engine appears. To open up that same web browser, particularly in the United States, there’s a very high chance that you used an iPhone. And during a pandemic, you’re most likely in the minority if you didn’t order something off of Amazon, whether that was a Christmas gift or a new gadget to pass the boredom. In particular, we’ll be looking into the Federal Trade Commission’s investigations into Facebook.



A little background on Facebook: they own Instagram and WhatsApp, their chief executive officer is Mark Zuckerberg, and they are worth about $800 billion dollars. So what's the big deal? From a consumer's perspective, there doesn't seem too much of a monopoly going on, it is simply social media, nothing more to it. But what an astonishing 40 states, President Donald J. Trump, and both republican and democratic party members have voiced, is that the anti-competitive nature of these "Big Tech'' companies is no longer tolerable. In the case of Facebook, it was their purchases of Instagram for $1 billion dollars in 2012, and WhatsApp for $19 billion in 2014. Even though, the Federal Trade Commission, allowed these deals to be made years ago, the explosive growth of the two and Facebook's dominance has created a bipartisan wave of "anti-Big Tech." When it's all said and done, if Facebook were to be broken up, Instagram and WhatsApp would be split into separate companies, causing different kinds of effects that have many different implications.

So what are the ESG implications? Let's start off with the most likely scenario based on the past. If Facebook were to win this case, it would reveal a lot about "Big Tech." It would show that these companies are pretty powerful, and they can't be taken down as easily as lawmakers or bipartisan efforts may want. However, if Facebook were to lose this case it would mean a number of things that are good for ESG values. The main one, in particular, is the "Governance" aspect of the acronym. Currently, Facebook, Instagram, and WhatsApp have 2.7 billion users all able to switch between these services seamlessly. But once they are split, it would mean those switches wouldn't occur, and those 3 services would need to up their privacy game to meet their competitor's standards, which would also increase because competition would (hopefully) be able to thrive. Furthermore, Stephen Diamond, an associate professor of law at Santa Clara University School of Law states that Facebooks's whole business model is to identify potential threats and then buy them or beat them in some way. This is completely anti-ESG and therefore, the splitting up of Facebook would imply a positive trend in the ESG direction and will be a monumental win in the fight against the "Big-Tech" companies of today.

Read More:

- https://www.nytimes.com/2020/12/09/technology/facebook-antitrust-monopoly.html

- https://www.cnet.com/news/can-facebook-be-broken-up-what-you-need-to-know/