

Is Big Tech in Trouble?

Brian Lockhart, CFP®: In the short-term, yes, I think Google, Facebook and Amazon will come under pressure as scrutiny of their practices by the Justice Department becomes apparent. These three companies were all listed by name in the broad antitrust inquiry opened by the Attorney General. I think the antitrust argument, put forth by many in traditional media (newspapers/magazines) is weak and they are just trying to remain relevant. There is a separate inquiry led by the Federal Trade Commission that I think poses an even bigger problem for these companies. If these platform companies were to lose their immunity from lawsuits based on content posted on their sites, it would dramatically reduce their ability to monetize that content. Senator Hawley from Missouri introduced legislation to remove their immunity as well. Without immunity, these companies would have to ensure that no content that could be considered defamatory or libelous is posted to their site. As a result of subpoenas and whistleblowers, it is clear that many of the big tech companies have a clear political agenda and they actively seek to advance those agendas. The terms of the exemption under the Communications Decency Act of 1996 mandates the companies provide a forum that is free of political censorship. In a world where bots equipped with AI can appear as real as you or I, not everything is as it seems. Ultimately this issue will be determined based on election security and national security concerns.

Clint Pekrul, CFA: I wouldn't call it trouble. Scrutiny is a better term. Politicians are scrambling to draft legislation using anti-trust laws from 100 years ago. Back then, monopolies, such as Standard Oil, could control the price of their product. The objective was to control the market, thus eliminating competition, and drive up prices. That's not the scenario today. Advances in technology and productivity go hand-in-hand. Companies like Amazon, Microsoft, and Apple are competitive enterprises that drive technologies that we use every day. Are they (i.e. technology companies we rely on) in trouble with regulators? My response is no, the tech sector is not in trouble. The owners of tech businesses have influence in Washington. That's to say, their influence sways legislation. Investors might look at the valuation on tech stocks (e.g. Facebook, Amazon, etc.) and think they are overpriced, but long-term, these companies might prove quite valuable. So overall, I don't think big tech is in trouble. They simply face a set of circumstances that are politically charged. At any rate, I think using anti-trust legislation from the past does not apply to what we see going on now, simply because prices are going down, not up, which ultimately benefits the end consumer. At a minimum, however, I think rules regarding data privacy and security will be more stringent going forward.