

- Demetri Kofinas:** 00:00 The Hidden Forces Podcast features long-form conversations broken into two parts, the second hour of which is made available to our premium subscribers, along with transcripts and notes to each conversation. For more information about how to access the episode overtimes, transcripts and rundowns, head over to patreon.com/hiddenforces. You can also sign up to our mailing list at hiddenforces.io. Follow us on Twitter at @HiddenForcesPod, and leave us a review on Apple Podcasts. And with that, please enjoy this week's episode.
- Demetri Kofinas:** 00:54 What's up, everybody? My guest on this episode of Hidden Forces is Matt Stoller. Matt is the director of research at the American Economic Liberties Project, the author of Goliath, a book about the history of monopoly power and the efforts by citizens and the government to restrain it, and the publisher of BIG, a newsletter which covers a wide range of issues related to monopoly, corporate concentration and regulation, which you can find at mattstoller.substack.com.
- Demetri Kofinas:** 01:25 I didn't start this week off with the intention of having Matt on the program, but I asked him to come on, last minute, to discuss what I feel is an important series of events that occurred in the wake of the storming of the U.S. Capitol building last week. And this has to do with both the permanent banning of Donald Trump, the sitting U.S. president from Facebook and Twitter, as well as the banning of the social media company, Parler, from not only the iOS and Android app stores, but also from Amazon's own servers, which the company was using to host its business and serve its customers.
- Demetri Kofinas:** 02:01 I want to be absolutely clear here about something. The attack on the Capitol building last week was extremely alarming, explicitly because the president encouraged it, not in spite of it. So while our conversation today focuses on the second order effects of his incitements and the larger atmosphere of extremism and political polarization, it's understandable that both public officials and private companies have had to scramble to try and address it.
- Demetri Kofinas:** 02:31 That said, in their rush to try and get ahead of any political fallout and to stem any further violence, a collection of five of the most powerful technology companies in the United States, with a combined market capitalization of over \$6 trillion, decided unilaterally to shut down a sitting U.S. president's primary means of communication with the American public.
- Demetri Kofinas:** 02:56 And followed that up by effectively killing off the hosting services and distribution pipeline for Parler, a social media application widely popular with his supporters, and quite frankly, anyone who is looking for an alternative to Facebook or Twitter, under the justification that it was being used to organize and foment violence of the sort we saw recently in the nation's Capitol. The implications of these actions are enormous for not only our democracy and the scope of executive power, but also for determining what our commercial and economic landscape will look like going forward if we don't address them.
- Demetri Kofinas:** 03:34 While the incoming Biden administration has many fires to put out and many urgent problems to address, at the very, very top of that list has to be tackling the alarming concentration of private power that has accumulated in the hands of a very small number of multinational leviathans whose actions and business models, in some cases, directly threatened their host countries and the billions of people who use or rely on their platforms every single day.

Demetri Kofinas: 04:06 Because of the timeliness of this episode and Matt's limited availability, we had to keep our conversation to an hour. So there's no overtime. However, I did put together a comprehensive rundown ahead of our discussion and the transcript of today's conversation is available to premium subscribers as well. You can access all that additional content through our Patreon Page at patreon.com/hiddenforces. And you can learn more about our content library and subscribe to our mailing list at hiddenforces.io. And with that, please enjoy this timely conversation with my guest, Matt Stoller.

Demetri Kofinas: 04:49 Matt Stoller, welcome to Hidden Forces.

Matt Stoller: 04:52 Thanks for having me.

Demetri Kofinas: 04:53 It's great having you on, Matt. Last time you were on the show, I didn't realize this until I looked back. It was right around the day that George Floyd had been killed. And so it looks like you have a track record of coming on around major protest, major events. The reason that I wanted you to come on today was not exactly to talk about the recent riots at the Capitol, though those are obviously relevant and the political fallout is also relevant.

Demetri Kofinas: 05:19 But it has more to do with the reaction to those events by the large data monopolies that you and I have talked about in our previous episode and which you write about so prolifically on your blog. Maybe we can start with getting your reaction to what happened last week, and then that can lead us into a discussion about the fallout that has come out of it.

Matt Stoller: 05:43 Well, when you say what happened last week, do you mean the riot? The Capitol Hill riot?

Demetri Kofinas: 05:48 Yeah, the Capitol Hill riot, but more immediately, the reaction to the riot and the president's role in it by some of America's largest, most powerful companies and service providers.

Matt Stoller: 06:00 Okay. So what happened is that Google and Facebook, Twitter, Amazon all effectively said, "If we think that you had some role in the riots, then we are going to remove you from our vital infrastructure." It wasn't just them. Shopify did it. Pinterest did it. A bunch of private entities said, "We're going to deny you access to our services," which are, of course at this point, vital, if you want to participate in society. So that's a really interesting problem, because on the one hand, it's like, well, these are powerful tech oligarchs making an arbitrary coercive decision.

Matt Stoller: 06:46 And I actually got an email from a congressman or a text from a congressman who said, "I don't want these companies to be wielding this power. I'm afraid of tech monopolies, and I want equal access. I've been pushing for equal access for Amazon and Apple, so that they have to treat everyone equally. But at the same time, if Parler is going to cause violence, I don't want to say that Amazon or AWS has to maintain Parler's business or Parler service. So what do I do?"

Matt Stoller: 07:15 And it's an interesting problem. I thought about it, and what I realized is that it is the result of two legal mistakes interacting with one another. So I'm going to go through the two legal mistakes, and why the two of them together create this dilemma, and point the way out. So the first mistake is that we've allowed

tech platforms with significant market power to go without meaningful antitrust or common carriage rules, public utility rules.

Matt Stoller: 07:45 So such rules, which are like traditional email routes, telephones, and whatnot, say you get equal access on equal terms. If I'm a customer of Verizon and you're a customer of Verizon and we buy the same service, we pay the same price. Verizon can't discriminate between us. They can't block you from using it or me from using it. And we've had that for hundreds of years. Civil Rights Act, Title II said, "You're a hotel, you're a restaurant, you have to serve people regardless of race."

Matt Stoller: 08:14 So we've had that for awhile. And that's generally perceived of these common carriage rules. They can also be done through antitrust or pricing rules. Generally think it's good for small business, it's good for citizens. You would think it would be good for democracy, and yet it also would stop AWS from prohibiting something like Parler or ... I'm going with the assumption, and this is not an assumption held by everyone, and I think it's important to note that.

Matt Stoller: 08:39 If you assume Parler would lead to violence, then this would prohibit Amazon from not hosting Parler. And maybe you don't want to do that if you're a Democratic congressman and you are afraid that conservatives will organize for a violent riot. Well, this gets to the second mistake, which is the way that we wrote Section 230 of the Communications Decency Act in 1996. With Section 230, we have effectively immunized platforms from responsibility for what happens on the service that they offer.

Matt Stoller: 09:12 And the idea behind this law is that platforms need legal immunity, so that they can curate their platforms to stop the antisocial problems. So this was done under something called The Good Samaritan provision for platform owners and technologists. But the real effect has been that a lot of these platforms have become havens for all sorts of illegal activity like harassment, defamation, fraud, incitement, under the guise that such activity is speech.

Matt Stoller: 09:40 And if you want to look at what happened last week in terms of the violent riot, as one of these consequences, I think it's fair to do that. Now, I wouldn't say that it had to do with Parler. Most of it was organized on Facebook. But it was Section 230 that created the shield, so that Facebook is basically not liable for what their product is being used for. So the net effect of both of these mistakes is that lots of stuff that should be illegal, like selling ads while people use your platform to organize violent riots, is effectively shielded from liability and turned into legal content.

Matt Stoller: 10:17 So if we retain this shield while mandating common carriage rules for big tech, it means that we will require AWS to carry horrible democracy, destroying stuff. We will say, "You have to carry everyone, including content from violent gangs that is intended to hurt people." But if we don't put in place such requirement, if we don't say you have to carry all commerce, then we are asking big tech to use arbitrary power in coercive ways. So what's the answer? The answer is to do both.

Matt Stoller: 10:48 We have to repeal the legal shield, Section 230, so that bad behavior that would in other contexts be illegal, but since it's done online, it's not illegal, or these platforms are not liable for it, that becomes illegal behavior. If it's illegal offline,

it should be illegal online. Then once you've segmented out types of behavior into legal and illegal, then you say, "Well, we need equal access for big tech platforms."

Matt Stoller: 11:15 So we need the legal obligation for platforms to carry all legal content and a framework that makes business models that foster violence illegal. In other words, get rid of Section 230 and at the same time impose public utility rules. So the analogy is, right now we think about the internet and law today by saying, "We have to let warlords control the roads. Otherwise, we won't be able to stop violent gangs from using those roads."

Matt Stoller: 11:42 But here's how we really should think about internet law. Everybody gets to use the road, and being a violent gang is illegal. So that's the basic problems. Two mistakes that when they interact with each other are really destructive and you can't fix one mistake without also fixing the other.

Demetri Kofinas: 12:02 So I have a number of questions. One immediate question has to do with liability, Matt, which is, how would this work practically, if you were to revoke Section 230? And let's go with the violent gang analogy, even if local police forces and the FBI and all law enforcement work their hardest, they can't eliminate every single incidence of violent crime in the country or violent gangs.

Demetri Kofinas: 12:26 Similarly, no matter what these platforms do, despite all their best efforts, it seems to me a tall order to imagine that they would be able to eliminate all liability generating events from their platforms. So how do you square that circle? How would this practically work?

Matt Stoller: 12:44 So the courts have dealt with this problem for a long time. We have negligence thwarts and harassment thwarts, and all of these have legal elements, which say, if you had grounds to believe that somebody would be injured by your behavior, then you're negligent. If you don't have grounds first to believe that someone might be injured by your behavior, but they are injured, then you're not held liable for negligence.

Matt Stoller: 13:07 There's a whole bunch of really complex legal tests through common law that would allow you to either be found guilty of ... Not found guilty, but been negligent or you've engaged in any number of other problems and caused damages. And so we just would apply these legal frameworks to the platforms, which right now we're not doing. So we don't say there can't be industrial accidents. What we say is, you have to use your best effort to prevent industrial accidents.

Matt Stoller: 13:39 And if you are using your best efforts and one happens anyway, then you are not responsible for it. It's just stuff happens. But if you are doing things that are putting people in danger, that you should knowingly foresee and indeed bad things happens and it's costly, then you are liable for that. So that's how we should apply these things. And so when you say something like, "Well, these platforms, no matter how hard they try, are not going to be able to stop all problems," that's true.

Matt Stoller: 14:07 The problem is, they're not trying at all, because there's no cost. They're completely immunized from any harm that their products cost. So I'll just give you a quick example that has nothing to do with this kind of violent political

behavior. So there's a case against Grindr where this guy who all of a sudden, one day bunch of men started showing up at his door, demanding sex and wanting to do drugs with him. And over the next year ... He was like, "What is going on?"

Matt Stoller: 14:34 And someone was like, "I found your profile on Grindr, which is a gay dating site, and you've been saying all this lurid stuff to me." And he's like, "What are you talking about? I'm not on Grindr." And over the next year, about a thousand men came to his door, harassed him, even were violent with him, demanding sex or other things from him. And it turns out that what was happening is one of his exes was coming up with a fake profile on Grindr and chatting with men and luring them to his apartment as a form of harassment.

Matt Stoller: 15:05 And was doing this across a number of gay dating sites. And all of them, except Grindr, said, "Okay. Well, we're going to block this guy from putting up fake profiles," but Grindr didn't do that. Grindr just said, "We don't care. We're not liable, because of Section 230." And this guy took Grindr to court, because they tried to put restraining orders and did put restraining orders on his ex, but his ex kept doing it, and Grindr wouldn't stop it.

Matt Stoller: 15:28 So they took Grindr to court. They went up and the judges said, "Look, this is horrible. And we would love to hold Grindr liable for what they're doing, but they're not liable, because of this law." And it would have been really easy to stop this guy from being violently harassed and even assaulted, but they didn't bother to do it, because it wouldn't cost them anything, they weren't liable. We need to get rid of that law.

Matt Stoller: 15:51 It's not that Grindr should be responsible for all the things that happen in relationship to their site, but they should have some obligation, the same obligation that everyone else in the economy has, to not cause foreseeable harm.

Demetri Kofinas: 16:05 They should have systems and protocols in place and constantly work towards trying to improve them. And supposedly, that will be mandated as part of a larger regulatory overhaul. Correct?

Matt Stoller: 16:16 Yeah, you can do it in lots of different ways, but this would be ... Basically, what you'd want to do is repeal Section 230 of the Communications Decency Act or reform it, so that businesses, certain forms of businesses are responsible for what happens with their products and services. And then they will change their products and services, so that they are not harmful. And that's, I think, the issue. I don't actually think Parler had anything you do with the riots.

Matt Stoller: 16:40 I think that Facebook absolutely did have a lot to do with the riots. I also think that the people that did it, I think Trump caused them and won. There's a lot of people at fault here, but certainly in terms of the radicalization and a lot of bad behavior that's going on, these products are leading people towards that kind of bad behavior. It's knowable, it's foreseeable. The courts should be taking this on. And in order for the courts to deal with that, or in order for state legislatures or Congress to deal with that, they're going to have to get rid of this liability shield.

Demetri Kofinas: 17:11 Yeah. Well, that was going to be my next ... Well, not my next question, but one of my questions about Parler, because I saw an interview by John Matze or John Matze, however his last name is pronounced, the CEO of Parler. And he was adamant that this was effectively a double standard. That they had no evidence that there was any significant organizing on Parler that was in any way comparable to let's say what was going on in the other social media platforms. But that Parler was getting singled out. How do the Europeans handle the issue of Section 230?

Matt Stoller: 17:43 Just to get out of Parler, for a second ... I said before, I don't think this had anything to do with Parler. Actually, that was not quite right. I don't know if this had anything to do with Parler. For all I know, there was organizing on Parler for these riots. A lot more of it was likely organized on Facebook. It's like there was a case, there were arguments about revenge porn and being put onto Pornhub. People were saying, "This is really terrible and it isn't good what Pornhub is doing," but there's far more revenge porn and harassment that's going on on Facebook.

Matt Stoller: 18:14 So if what Parler is doing is wrong, then what Facebook is doing is wrong, and what Twitter is doing is wrong. You can't ... And I think the argument from Parler is that they shouldn't be singling out Parler just because of their politics. They should be applying the law to classes of customers, not just arbitrarily saying, "Well, you're a conservative. So we don't like the fact that you own this business." I think that's true. I think that Parler's business model probably shouldn't be legal, but I also think that Twitter and Facebook, their business models shouldn't be legal either.

Matt Stoller: 18:48 So that's the issue here. It's like, if you're just going to single out people based on their politics and not based on what they're doing, then you're getting into the arbitrary and coercive realm of political behavior.

Demetri Kofinas: 19:01 So what do you mean when you say that Parler's business model should be illegal?

Matt Stoller: 19:06 Well, I think that ... I don't know what Parler's revenue model is, so I guess I shouldn't say that their business model should be illegal. But basically, if they're going to be putting out a product and they can reasonably foresee harm, then they should be liable for that harm if it meets the elements of negligence. I think that the case on Twitter and Facebook is much stronger in terms of their business model being problematic.

Matt Stoller: 19:32 Because what they're doing is monetizing data and user behavior, surveilling users, especially Facebook, and compiling detailed dossiers, and then using trade secret protected algorithms to target those people with advertising. So they are actually an unseen, but an important participant in a lot of these conversations and organizing spaces and spaces where harassment and illegal activity comes together, and they're making money off of it. They're selling advertising while people are organizing violence. So they should be responsible for that.

Matt Stoller: 20:13 I think Parler is probably trying to get to that business model. Right now, I'm imagining they don't really have a business model. But the point here is that we have a social media environment, which has been shaped around the

costlessness of the fact that platforms bear no cost for any of the consequences of the products and services that they create. No, I think that that's really problematic.

- Demetri Kofinas:** 20:36 So if I'm hearing you correctly, your point is that, or one of your points is that their business models are in some cases directly opposed to the public good, what's in the best interest of the public, and can actually drive a lot of the type of liability and suing behavior that they would be liable under, if Section 230 didn't exist.
- Matt Stoller:** 20:56 That's right. They can cause a lot of ... Here's a great example. So there are a lot of scam artists that go onto Facebook. They falsify profiles, so that they pretend to be military personnel. And then they do long distance online dating of lonely women, and then encourage those women to send them money, all the while posing as real soldiers or generals or whatever. The New York Times did a big story on this. Then when these soldiers return, there will be somebody waiting for them, being like, "We're in love."
- Matt Stoller:** 21:27 They think they're in a relationship, but then this soldier didn't even know about this person. This is very common. And Facebook makes money selling advertising against the content that these women and these scam artists are interacting over. And these scam artists, obviously they're criminals, but you can't stop all of them. You can, however, hold Facebook liable for the foreseeable harm that's happening on their platform. And if Facebook had to pay for that, then either they wouldn't let it happen or their business wouldn't exist.
- Matt Stoller:** 21:59 And frankly, I don't think their business would exist, because I don't think it's possible to do moderation at scale. But I also don't think that you should have a social network with billions of people on it, because clearly it's not good. Clearly it causes all sorts of really destructive behavior.
- Demetri Kofinas:** 22:15 That's interesting. I didn't know you felt that way. So in your view, social networks should actually be ... How would you envision these companies scaling? What would they look like in that-
- Matt Stoller:** 22:25 I don't think they would. I think what they would have to do is, Facebook would probably have to, at some point, become a wholesaler and let others effectively run parts of their social network at lease it. And then those people would pay for the-
- Demetri Kofinas:** 22:42 Be like a franchise operator or something?
- Matt Stoller:** 22:44 I don't know. Like, "Do you want to run a Facebook group, then you pay us and you can sell your ads or you can run your feed however you want, but you're then responsible for it?" Or they would simply just become a subscription service and not do ads at all, which would be no.
- Demetri Kofinas:** 23:02 Right. Well, that is one option obviously. And that would be related to the issue of the business model.
- Matt Stoller:** 23:07 But look, the basic deal is the world was better before Facebook. It was a better world before Facebook. And social media is great technology, but the regulatory

scheme that we've created for social media is highly, highly destructive. So we're ultimately going to have to get to a place where social media doesn't look like it does today. I don't know what it looks like, but the point is, if you put the incentives in place for people to bear the costs that they create, then you're going to have a more equitable and just and stable system. If you don't, then you're going to destroy self-government, which we're seeing right now.

- Demetri Kofinas:** 23:44 I totally agree with you that this is a huge problem. There are pros associated with social networks. Of course, there are so many, but there are also many cons. And I think one of them is contributing to driving increased levels of polarization in our society. I'm curious to know, what is happening now, where are we on the regulatory front and in terms of pushing forward new types of legislation to regulate the space? And also, is there anyone that's doing interesting thinking around how these companies would look if they were broken up? Because I haven't heard anyone talk about that.
- Matt Stoller:** 24:16 There are a lot of different ways to break them up. So let me just offer a different point of view. So let's say that you were to break up these companies, and then you could have three different ... You'd have Instagram and Facebook and WhatsApp. They would now be separate. What that would look like is you'd probably see what you saw when MySpace and Facebook were competing, which is Facebook competed back in the mid-2000s and said, "We're not like MySpace. MySpace is this dirty place with no privacy where there's lots of sleazy stuff going on."
- Matt Stoller:** 24:46 "We're safer. You get to only meet with the people you know at your college or the people that you know in general, after they opened up their own colleges. And also we keep your data private and we even let you vote on the terms of service." This is the way that they operated before they killed all their competitors. Once they killed all their competitors, they said, "We're going to surveil you everywhere, and we're going to try to connect you and addict you and keep you on the site." But they used to compete based on privacy and safety.
- Matt Stoller:** 25:12 So if you split them up, what you'd probably find is that these different social networks would start to compete with each other on grounds of differentiated quality, which includes safety and surveillance. We saw the same thing in WhatsApp. They competed with Facebook by saying, "We are private. We keep your data safe," and then Facebook bought them and they reversed it. So that's what that would look like.
- Matt Stoller:** 25:31 But if you did a broader reform and you said, "We're not just going to break them up, but we're also going to get rid of Section 230 and we're going to force them to pay for the consequences of the cost that they create," what would happen is the \$70 billion or \$80 billion of revenue that they have every year would go back into ... It's all advertising money. It would go back into media. And so immediately, all of these newspapers that are dying and all of these publishers and podcasters, the prices for their ads would skyrocket.
- Matt Stoller:** 25:59 And a whole bunch of people would say, "Wow, it's time to start a media outlet, because we could make money at this again." And so you'd see this enormous flowering of journalism and publishing and art, and a lot of small businesses would have to figure out what to do while that new ecosystem got set up. But

you'd see a restoration of a lot of pro-social spaces, as a lot of the money that used to flow into targeted advertising would start to flow into healthier publications who could sell advertising, but also took responsibility for the content that they created, because they are the media outlets. They are the publishers.

- Matt Stoller:** 26:36 So that's what I think would happen. It would be a tremendous improvement in the world and it would be worldwide. You probably still have amazing social media technology. It would just be much less addictive, much less coercive and probably a lot less profitable. So that's where we should go.
- Demetri Kofinas:** 26:54 So I have a few questions about that, and I'm going to try to rattle a couple of them off coherently and merge them into one. One has to do with the observation that there are certain types of companies that exist within certain types of industries that are natural monopolies. And I've always thought that that may in fact be the case for social networks. So I wonder, one, is the issue here really the issue of monopoly, or is it really about setting clear rules of the road? Things having to do with the business model, for example, or things that you can do with customer data, et cetera. That's one question I'd like for you to answer.
- Demetri Kofinas:** 27:31 And the other question has to do with the fact that so many of the innovations that we all want ... And one great place where this is true is in medicine and in diagnostics, come from scaling large datasets. And so how do you balance these two things? In other words, the desire to break up these companies. Also, the observation that maybe some of these are natural monopolies. And then the other one is that you're also losing a lot of the benefits that could come from that. Couldn't there be a case to be made that these companies, some of them should in fact stay monopolies, but should be regulated like utilities?
- Matt Stoller:** 28:09 No. I don't believe that at all. I think there are some technical and operational economies of scale, but by and large, there's no such thing as a natural monopoly. And most of the arguments about a-
- Demetri Kofinas:** 28:20 Isn't the postal service an example of that?
- Matt Stoller:** 28:22 No, that's a politically determined monopoly that we just specifically just say, "We're going to have this public network system." There are economies of scale with network systems, but the idea that there are all of these natural monopolies everywhere, I think is nonsense. There's also diseconomies of scale, and that's what we're seeing. And you know what? I'm actually pretty tired of hearing this, because we see catastrophic diseconomies of scale all over the place, but because there are no people doing PR about the diseconomies of scale, all we hear are-
- Demetri Kofinas:** 28:53 What is a diseconomy of scale?
- Matt Stoller:** 28:53 A diseconomy of scale is when an institution is too big, and we see this all the time. Amazon just accidentally cuts people off from their services all the time. Facebook does it too. Google does it too. Accidentally sending people to ... Like Google just gets manipulated all the time by all sorts of sleazy actors, because they're just too big. And the same thing is true with Facebook. The same thing is true with Amazon. The same thing is true with banks. Anytime you've been

treated badly by a large private bureaucracy, it's a diseconomy of scale and people are treated like crap all over the economy all the time.

- Matt Stoller:** 29:31 And so I am really tired of hearing that we have all of these wonderful economies of scale everywhere. It's garbage. It's just not true. It is completely made up. There are some economies of scale in certain areas of the economy, and there are some reasons that you want to have network systems. But that has literally nothing to do with whether a certain number of assets are under a certain legal structure. And I guess I'll just finish with this, the internet TCP/IP protocols or email standards represent enormous economies of scale.
- Matt Stoller:** 30:04 Nobody says that that one company has to own email, but that's an economy of scale, even though you have lots of different participants. And what you often hear from the corporatist community is that economies of scale that are technical in nature or are operational in nature also have to be legal in nature. The fact that there are some benefits to scale and search means that Google also has to own YouTube. That's just total nonsense. That's just total garbage.
- Matt Stoller:** 30:31 I'll also note that when you do have all of these big data structures for things like medicine, you also can have things go really, really, really wrong. And an example would be when you put in lots of data around, say a diagnostic of say a test for a machine that looks at lung x-rays and determines whether there's cancer, you could feed it with lots of data. And what has happened, and this has happened quite frequently, is that there will be hospitals where there's just more incidents of lung cancer for a variety of reasons.
- Matt Stoller:** 31:04 And so the algorithm will get tricked into thinking that the brand of the machine is correlated with incidences of lung cancer, because nobody notices that that's actually what's going on there. So they will just say, "Oh, if you just feed it into this algorithm, you feed the image into the algorithm, then the algorithm will say, 'Oh, well, you have lung cancer, because you were looked at with this brand of machine.'" But really what's happening is they just didn't notice the dataset was feeding that certain kinds of machines in the dataset were correlated with lung cancer.
- Matt Stoller:** 31:36 So there are economies of scale, but there are also serious diseconomies of scale. And a lot of this stuff is not simplistic, but there is a large, massively funded, public relations apparatus that is just constantly saying, "We need to be bigger. We need economies of scale. Look at all of these cool stuff." And there is no one on the other side, because team democracy doesn't have a PR budget.
- Demetri Kofinas:** 31:58 The thing you said about TCP/IP is an interesting analogy. Are there any people doing work on open social networking protocols?
- Matt Stoller:** 32:07 I'm sure there are, but you have to actually force Facebook to open up their protocols if that's what you want. Facebook has privatized that protocol, and some of the others have as well.
- Demetri Kofinas:** 32:19 How far along are we? Where are we in this push? You wrote an article recently with ... Oh, I'm blanking on her name. It was in The Guardian. She's-
- Matt Stoller:** 32:28 Sara Miller?

Demetri Kofinas: 32:29 That's right. Sarah is a lead thinker on a lot of this stuff. There are a lot of people working in this area. I know that the Trump administration ... Didn't they file an antitrust recently against Google? Isn't that correct? So where are we in all of this?

Matt Stoller: 32:43 There's a number of suits against Google and Facebook. And yeah, some of the suits are asking for interoperability as one of the remedies, and that would be useful. If I have a Verizon phone and you have an AT&T phone, I can still call you, because you're associated with a telephone number and I don't have to only call people in my telecom network. But if I want to talk to you on Facebook and you're on Facebook and I'm on Signal or something else, I can't do that. And there's no technical reason for that. It's just a business model choice.

Matt Stoller: 33:17 It's actually similar to, if you notice, when you go to a restaurant, you have the choice of a number of different beer brands who are all competitors with one another, but you have a choice of Coke or Pepsi. You will not have a restaurant that-

Demetri Kofinas: 33:33 Sure.

Matt Stoller: 33:33 ... that stocks both. The reason isn't technical. The reason is simply because in the case of soft drinks, the soft drink maker also owns the distributor. But in the case of beer, they don't, or at least they're separated. So it's the market structure that causes this. And that's what we're seeing with interoperability mandates and social networking versus telecom.

Demetri Kofinas: 33:59 I mentioned The Guardian article, but you also wrote recently a post on your blog, BIG, related to the FTC and how the FTC should be, but it has not been properly used in order to reign in some of these companies and ensure a more level playing field. Can you tell me a little bit about what you wrote in that article and what your hope is for the FTC under a Biden administration, and how perhaps the Georgia Senate runoffs impact the viability of that?

Matt Stoller: 34:30 Yeah. So there's basically the current social media model. I want to divide up the problem that we saw with the riots into two different problems, one of which is that you have a very polarized and frustrated country, and that's the case for a lot of reasons. We've been in pointless wars for 20 years. You have a lot of returning soldiers with traumatic brain injury. You have a lot of monopolization and cheating all over the economy. So people often have few economic and political opportunities, and that's just going to generate a sense of rage. And we've seen that rage come out in various protest movements.

Matt Stoller: 35:09 You've seen it come out in the frustration in alienation, come out in the form of a suicide epidemic, an opioid epidemic. And I think you have to look at things like QAnon and these riots is part of that soup of an unhappy people. But you also have these radicalization engines. And these radicalization engines are companies like Google and Facebook and Twitter. And what they do is they compile detailed dossiers on users, and then they sell ads. They follow those users around the web, and selling them ads.

Matt Stoller: 35:42 And they want to keep these people using their sites, so they create addictive user interfaces, and they want to surveil them. And they want to redirect the revenue that used to go to pro-social institutions like newspapers to

themselves. And so what happens is they destroy a lot of the legitimate local press, and then they substitute it with these conspiracy theories and addictive products. And this has all sorts of effects in terms of depression and susceptibility to these kinds of lurid fantasy worlds.

Matt Stoller: 36:19 But it's because of the business models, because the business model of social media is this targeted ad model. So the piece that I wrote described this dynamic and then said, "And the reason this business model exists is because over the past 15 years, the regulator of social media, the laws behind it, is the federal trade commission. And they have, through their policy choices, structured the legal framework this way. They did it by allowing a whole bunch of mergers."

Matt Stoller: 36:45 So in particular like Google/DoubleClick, Google/Admob, and then also Facebook, Instagram, and WhatsApp. And then they also did it by refusing to take action on the anti-competitive behavior, and then by refusing to do things like creating a do-not-track lists or various other refusals to deal with privacy and data concerns. And then most recently in 2018, when there was a violation ... Facebook actually were under ordered by the FTC, because they had been caught in 2011 deceiving their users about data.

Matt Stoller: 37:16 Well, they violated that order with Cambridge Analytica. And so the FTC had this moment when they had enormous leverage to tell Facebook to change their behavior, and they didn't really bother to ... They just levied a big fine, but didn't say you have to do anything differently. And so the structure that we're dealing with today, this targeted ad, addictive business model is really a result of the FTC's poor regulatory choices.

Matt Stoller: 37:38 Now, the FTC has started changing and it's because of this guy that I was profiling in the article named Rohit Chopra, who's a Democratic commissioner on the FTC. He's much more aggressive and much smarter and understands how to address social media and also how to address some of the systemic cheating in the economy. And the piece was basically saying Joe Biden should make him the chair of the FTC, because he can start to unwind some of the addictive and problematic nature of the social media business model, which is of course driven by the public policy that I was just talking about.

Demetri Kofinas: 38:11 So do you see him being selected as chairman of the FTC?

Matt Stoller: 38:15 Maybe. I don't know what how Biden thinks about the world.

Demetri Kofinas: 38:18 Well, that was my question, basically. Maybe not so much, what does Biden think of the world, but are you in touch with people in his administration? Do you have some sense of how they're going to approach this?

Matt Stoller: 38:30 I don't know. I think that they are really scattered and they're focused, I think rightly, on the pandemic, first and foremost. And I think that competition policy, it's something they understand is there. I'm not sure that they are prioritizing it. I just don't know.

Demetri Kofinas: 38:54 I want to draw a connecting line to what you just said and what we've been talking about in terms of the pandemic. The pandemic's a great example in which our broken communications and information landscape has made it

difficult to implement policy to save lives. And when it comes to the vaccine rollout and people's willingness to take the vaccine, that's directly impacted by the type of business models that we've described here today.

Demetri Kofinas: 39:26 So while I certainly understand what you're saying in terms of, where's the urgency? At some point, and I know you agree with this ... Obviously, I'm not telling you. This needs to be addressed. I think, again, this is your area. This is an area of strong focus for you, but it's an area that we've covered on this show ad nauseam with all sorts of guests. And I've beaten the table about it for years. It concerns me deeply. And I'm even more concerned ... Forget even the vaccine rollout. I'm more concerned about our democracy.

Demetri Kofinas: 39:56 I don't know how you feel about that, but maybe you can just give me your closing thoughts and then we can wrap it up, Matt, because I know you have a limited amount of time today.

Matt Stoller: 40:05 Yeah. You're concerned about, broadly speaking ... I'm concerned about our democracy too. I think that the basic problem that we have is that our institutions are dysfunctional. The mandate of the institution doesn't represent what the institution does. So then this is unusual in American history. America is a place that has traditionally been pretty well-governed. We did a lot of bad things. There's been a lot of injustice in America, but generally speaking, if an institution said it was dedicated to A, it was usually dedicated to A. And if we wanted to do something, we could do it.

Matt Stoller: 40:41 Often, we wanted to do bad things and we were able to do those bad things, and we also wanted to do some good things and we were able to do those good things. Now, the problem that we have now is that our institutions are just incompetent. So that's what you're seeing. I think the really horrific governance during this pandemic, I think our public health experts have been just a disaster, and people don't trust our institutions anymore. And I think that that's rightfully so.

Matt Stoller: 41:12 So now we have the pandemic is a great situation where people are really afraid to take this vaccine. They don't trust the safety data and they don't necessarily trust the medical system. Hospitals are also screwing up the rollout. So are public health experts. But at the same time, it's a miracle cure that we got in record time. So there's reason for hope. But I agree with you. I think that there's ... I do a lot of tracking of private equity. I do a lot of tracking of bad software and monopolization.

Matt Stoller: 41:44 And I went over this in BIG by issue BIG. There are reasons why people are really frustrated, and it isn't just that there's racism or whatever. It's because they're often being cheated or mistreated by political or commercial institutions. So this is a crisis. It is a real crisis. It's a crisis of what I would consider elite lawlessness. I think it's manageable. But when you have a situation where people can openly commit crimes, and as long as they are powerful, they get away with it, that's really bad. That's just no.

Matt Stoller: 42:17 One example is, a couple of days ago, Boeing just settled for \$2.5 billion with the 737 Max fiasco, which they lied about and covered up to investigators. They just had to pay a relatively small fine, and nobody is going to go to jail or anything. If you can lie and block investigators after you put up airplanes that

fall into the ground and kill hundreds of people and get away with it and make millions of dollars, what can't you get away with? That is a crisis of democracy, and I think we've seen that for a really long time.

- Matt Stoller:** 42:50 So that's ultimately what we have to do is we have to rebuild our institutions and start applying the rule of law to the powerful, as well as powerless.
- Demetri Kofinas:** 43:00 It's interesting you say that, Matt. I want to ask you this. I'm curious to get your reaction. When I heard that ... Obviously, the events that occurred on Wednesday at the Capitol were awful. They gave me a sick feeling in the pit of my stomach. And it's something that I think I talked about in a recent introduction to today's episode that came out. This is Monday. We're recording this. But I also watched Joe Biden's speech, and he said in the very beginning of the speech that our democracy is under unprecedented assault, unlike anything we've seen in modern times.
- Demetri Kofinas:** 43:33 And not to draw a direct comparison or to suggest that it's either, or, but I have to say, in the 2008 crisis, when I watched our leaders and officials make very clear decisions about who to save and who not to save and how to allocate trillions and trillions of dollars up the ladder to institutions that were run by people that gave them money, I got the exact same feeling of darkness and hopelessness and sickness in my stomach as I got when I watched the events of the Capitol. And I think that speaks to something you said earlier. You referred to it as elite lawlessness.
- Demetri Kofinas:** 44:12 And I wonder if you have a similar reaction, if you feel your eyes glaze over when you listen to that talk.
- Matt Stoller:** 44:20 I think for me, when I worried about more autocratic political trends since the financial crisis, maybe a little bit before the war in Iraq, because if you look at the founders and how they thought about democracy, and what they perceived as democracies, they believed that democracy ... To have a smaller Republican form of government, you needed both political rights, but you also needed broad distribution of property. So you needed some level of economic equality. And they thought about it in terms of probably distributing land to white men.
- Matt Stoller:** 44:58 But they believed, "Look, if you're not an independent farmer, then you can't inter-operate on equal political terms with your neighbors. And so you should have some economic rights, and those are conjoined with political rights." And this has been updated. So Brandeis used to talk about industrial democracy and saying, "If you are in a political democracy, but you're not in an industrial democracy, a.k.a. where you work, the economy, then it's pretty dangerous. You can't have a democratic system if there isn't some level of democracy and equality in the commercial sphere."
- Matt Stoller:** 45:29 So when I saw the foreclosure crisis, or when I've seen any number of really dangerous concentrations of economic power, I look at them and I say, "This is as bad as confiscating people's voting rights or overturning elections." It's really, really bad. It's really awful to confiscate what people have. If they're just normal people that have a little bit of something, if you take that away from them, they become unmoored from society. You can't make a society if you do that.

Matt Stoller: 45:59 And so I've been really scared about that for a really long time. And when you start to see the political reaction to that, which I think we've seen with the Trump administration, where there's just enormous anger about this, and you've seen Black Lives Matter, you've seen this outrage, it's political outrage. You see a lot of liberal elites ... And I'm a liberal elite, so I know these people, so I'm ... pay more attention, more sensitive to it. But in 2016, 2017, 2018, they're preening about fascism and how, "Oh my God, fascism is here."

Matt Stoller: 46:33 And it's all in the form of this guy, Donald Trump. And it's like, "No, this stuff has been creeping up for a long time." And it was creeping up in the choices that Obama made to confiscate what people have, and in the choices that Bush made to do the same thing. Bill Clinton too." This stuff, if you really believe that economic independence makes up a democracy, then the confiscation of economic independence is as dangerous to a democracy as the confiscation of political rights.

Matt Stoller: 47:00 Now, I think we could quibble about the seriousness of what happened last week, but I get where you're coming from. I get what you're saying when you're like, "Look, that's just one more, really, really dangerous, bad thing." And maybe it was more dangerous. Maybe it was less dangerous, but it's part of a trend. And I think I probably would say that it's like trying to stop the voting of the electoral college. This stuff does cross a line for me, but it also is part of a series. It is part of a series, and I don't think you can disassociate them.

Demetri Kofinas: 47:29 Yeah. Well, it's symbolic in a way that's very important, what happened at the Capitol. But the events that we were describing before, in 2008, were more practical in terms of how they shifted and moved power around the system and helped to concentrate that power. And I think the long-term repercussions of that, we're living with today. Matt, thanks so much for coming on the program. I really appreciated speaking with you. And I definitely recommend for anyone who is interested in these topics to subscribe to your Substack blog, because it's a really great resource. Can you give that URL out again for our listeners?

Matt Stoller: 48:05 Yeah. So you can find it at mattstoller.substack.com or just mattstoller.com. That's my website, mattstoller.com. Can I just say one other thing about the riots?

Demetri Kofinas: 48:19 Sure.

Matt Stoller: 48:19 Because this was a big part of the piece. So I started off the piece by profiling one of the writers, the woman who got shot in the Capitol and died, and her name is Ashley Babbitt. And look, we know who Donald Trump is. He's a bad person. He didn't believe in liberal democracy. He incited these rioters. But who are these rioters themselves? And I got interested in that question. So I looked at Ashley Babbitt. There's been an in-depth profile of her. And who was she? She was a 35-year-old. Lives in California. Working class. Didn't go to college. Served in the air force for 14 years.

Matt Stoller: 48:53 So that's more than half of her adult life. 35, served in the air force for 14 years. And she was sent to Iraq and Afghanistan for four years. She had a total of eight deployments, which makes 20% of our soldiers come back from war zones with traumatic brain injuries. I don't know if she had one or not, but eight deployments is a lot of deployments. And then she came back. She settled into

civilian life. Propensity for violence, which is the thing you see when people have these kinds of injuries.

- Matt Stoller:** 49:24 Then she bought a small business with her husband, which was in a monopolized sector. So the business wasn't doing particularly well, because she was up against a monopoly. And then she borrowed money from a lending company to keep her business afloat. That lending company charged her an interest rate of 169%. She quickly defaulted. Went to court. Lost, because the judge said, "Well, you know what? Technically, it's not a lending company. It does what's called merchant cash advances," which is the same thing. So usury laws don't apply to them.
- Matt Stoller:** 49:56 And so she's not doing well. She comes back from a violent war, not doing particularly well economically, and then she gets into social media, which is this addictive product. And she becomes obsessed with QAnon and gets into a lurid cult of personality. Now, it's someone like that. She's not a sad -sack victim. There are a lot of people that have circumstances like that and they don't choose to do what she did or they have worst circumstances and they don't choose to do what she did.
- Matt Stoller:** 50:21 So she clearly made some really bad choices, but also she didn't have a lot of choices to make. And one of those choices was a really simple on-ramp into a really lurid and dangerous, violent cult of personality. And that's the one that she chose. So you don't have to have sympathy for her to recognize that if you structure a society that way, a lot more people than we would want are going to turn into those kinds of Ashley Babbitt type of people.
- Matt Stoller:** 50:53 And you don't have to have sympathy for what happened to recognize that somebody like that is a creature of George Bush's choices to go to war as much as they are somebody who just decided that they wanted to overthrow democracy. I think we have really deep rooted policy problems here that we can actually affect. And we don't have to say that the people that did this are all just bad people, which many of them are. There's a lot of racist, a lot of really terrible people there, but there are always bad people.
- Matt Stoller:** 51:27 What is pushing our society to the breaking point is not that there are bad people. It's that we have set up a reward system that pushes those people to be the worst part of themselves and a lot of other people to be the worst part of themselves. And that's something that we don't have to do. That's something that ... We don't have to let Mark Zuckerberg make money doing that, but we've chosen to let the richest people in our society earn their money by selling tickets to the end of democracy.
- Matt Stoller:** 51:57 And that's totally fixable, but if we don't fix it, then we get this plus stuff that's much worse.
- Demetri Kofinas:** 52:03 Yeah. I couldn't agree more. I couldn't agree more. This strikes directly at the heart of democracy and the mechanisms you need to operate a liberal society and a democracy, quite frankly, because you need an informed citizenry. Matt, thank you so much for coming on the program.
- Matt Stoller:** 52:20 Hey, thanks for having me. Talk to you later.

- Demetri Kofinas:** 52:23 Today's episode of Hidden Forces was recorded in New York City. For more information about this week's episode, or if you want easy access to related programming, visit our website at hiddenforces.io and subscribe to our free email list. If you want access to overtime segments, episode transcripts, and show rundowns full of links and detailed information related to each and every episode, check out our premium subscription available through the Hidden Forces' website or through our Patreon Page at patreon.com/hiddenforces.
- Demetri Kofinas:** 53:00 Today's episode was produced by me and edited by Stylianos Nicolaou. For more episodes, you can check out our website at hiddenforces.io. Join the conversation at Facebook, Twitter, and Instagram, [@HiddenForcesPod](https://www.instagram.com/HiddenForcesPod), or send me an email at dk@hiddenforces.io. As always, thanks for listening. We'll see you next week.