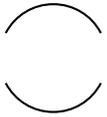


Why Facebook, Google, and Amazon Seem Untouchable

Will Oremus

Facebook, Google, and Amazon are under unprecedented regulatory scrutiny. But investors don't seem to care — yet.



Credit: Chesnot/Getty Images

You might think the world's largest internet companies would be running scared.

The Federal Trade Commission last week [fined Facebook a record \\$5 billion](#) for privacy violations, while the Securities and Exchange Commission is expected to fine it at least [another \\$100 million](#). Google faces an [FTC fine](#) of its own. States are enacting [new privacy laws](#), and [federal legislation](#) is in the works. Earlier this month, the U.S. House of Representatives held a [hearing on tech and antitrust](#), on the same day the Senate held a hearing on alleged [bias in Google search results](#).

There's more to come. The FTC and Department of Justice have [divvied up jurisdiction](#) for antitrust reviews of Amazon, Apple, Facebook, and Google, and Facebook confirmed last week that it is the subject of an FTC [antitrust investigation](#). One of Facebook's own co-founders is [helping the government](#) to build its case. On top of that, the Department of Justice last week announced that it had begun a [broader antitrust review](#) of the dominant tech platforms, including all of the companies named above. Not to mention a litany of privacy scandals, growing dissent among employees, criticism of working conditions for contractors, and controversies over content moderation, hate speech, and surveillance. It's not surprising that a Pew Research Center survey released on Monday found that the percentage of Americans with a positive view of tech companies had [fallen 21 points](#) over the past four years to just 50%, while the percentage of those with a negative view had nearly doubled to 33%.

In short, Big Tech is under unprecedented scrutiny, and its years of going largely unregulated are numbered, if not already over. But if you expected to see any of that meaningfully reflected in stock prices or bottom lines, you were misguided. On the contrary, its businesses are doing better than ever before.

Four of the world's five largest tech companies — Alphabet, Amazon, Facebook, and Microsoft — reported their quarterly earnings last week, as did two other major social platforms, Snapchat and Twitter. All six reported healthy growth, with most beating Wall Street's already optimistic expectations. The only real disappointment, from investors' perspective, was Amazon, and that had nothing to do with antitrust investigations or a privacy backlash: It was because Amazon's cloud service, AWS, is growing more slowly than its top rival, Microsoft Azure. (The remaining member of the big five, Apple, reports earnings on Tuesday afternoon.)

When we talk about the largest tech companies, it's worth noting that we're actually talking about some of the largest companies in the world, period. As of market close on Monday, the [world's five most valuable companies](#) by market capitalization were all U.S. tech giants: Microsoft, Amazon, Apple, Alphabet, and Facebook, in that order.

Why isn't the regulatory cloud casting a pall over these companies? The answer is simple: Despite the bad press, despite the rumblings from Washington, investors simply don't believe the government will take any actions that seriously impact the tech giants' profitability.

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Take Facebook's \$5 billion FTC settlement. It was the largest fine the agency has ever issued, and it came with requirements that the company add new privacy protocols and bureaucratic structures. But the agreement also [indemnified the company](#) against all further claims prior to June 2019, and left its data-huffing business model intact. Two of the five FTC commissioners dissented, arguing that the settlement [let Facebook off so easy](#) that it [wouldn't even deter](#) future privacy violations. Facebook's own former security chief observed that it might actually [inhibit competition](#) by requiring the company to keep user data to itself.

Tellingly, according to the *Washington Post*, the FTC had initially sought harsher penalties but worried that it would be [outmatched in court by Facebook](#), which rakes in more money in a single week than the FTC's annual budget. As the *New York Times*' Charlie Warzel put it, Facebook proved "[too big to fight](#)."

Investors certainly didn't seem spooked. [Facebook's stock actually rose](#) when the fine was announced, and an analyst on the company's earnings call last week described the FTC settlement as "[good news](#)." Asked about the broader regulatory picture, Mark Zuckerberg said he expects a mix of some new laws, some further negotiations with regulatory agencies such as the FTC, and "self-regulation," which is generally a euphemism — common in the corporate world, not just Silicon Valley — for avoiding actual regulation. The word "antitrust" was not mentioned on the call.

Fining Facebook, it turns out, is sort of like fining a mint. Sure, they'd prefer to keep the money they've already made. But as long as the factory that turns consumer data into profit is still in working order, the

mint will just keep printing. Regulate all you want; they'll make more.

Alphabet and Amazon's earnings calls also featured little hand-wringing over regulatory threats. On the former, the only mention came late in the call, when Merrill Lynch's Justin Post asked Google CEO Sundar Pichai how he thinks about "a more intense regulatory environment." Pichai replied, "It's not new to us. We have participated in these processes before." Alphabet's stock jumped 10% following the report.

On Amazon's earnings call, according to *MarketWatch*, the topic of regulation [didn't come up at all](#).

The financial magazine *Barron's* advised investors in June [not to overreact](#) to news of impending antitrust reviews for the big tech companies, and last week it [took a victory lap](#). "History has shown the government tends to either lose in court — such as its bid to block AT&T's acquisition of Time Warner and its order to break up Microsoft — or settle," reporter Tae Kim wrote. "In most cases companies agree to fines and peripheral business-practice changes, but nothing that will affect core business models." The column concluded, "Investors should ignore the regulatory noise and focus on Big Tech fundamentals instead."

"Noise" is a word that seems to be coming up more and more in this context. An equity research director for Wedbush told the *Washington Post* last week that Facebook's stock hinges on the company's performance, not its standing in Washington, D.C.: "As long as they continue to execute, all the other issues... [will become background noise](#)."

From an investor's standpoint, it's easy to see how all the anti-tech talk in Washington might look more like grandstanding than a move toward meaningful reform. In a press release last week, the FTC called its Facebook settlement "[record-breaking and history-making](#)," adding that "when it comes to the business of consumer privacy, it's no longer business as usual at Facebook." FTC Chairman Joe Simons said it sends a message to other tech companies that "if you get yourself in Facebook's position, this is what you'll get."

It's now clear that it is still very much business as usual at Facebook — and the real message the FTC sent to its rivals is that they don't really have to worry about breaking their promises on privacy.

That the FTC failed to rein in Silicon Valley's most notorious privacy offender, after years of deceptive practices and broken promises, doesn't mean the industry is uncontrollable, however. The monopolies of the last century looked awfully tough, too, before the trustbusters came along.

If anything, the resilience that tech companies are showing to traditional forms of regulation, and monetary fines in particular, should convince officials that they really are uniquely powerful — and all the more deserving of antitrust scrutiny. If fining Facebook is like fining a mint, maybe it's time to start tinkering with the machinery.