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The Dystopia of Tech Corporations

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Abstract

The growing dominance of tech corporations has raised the question of the government's role in facilitating the industry and its innovation. As market abuse and malfeasance rise, critics have argued that the government needs to intervene to help promote competition and establish stronger regulations to protect consumers. To exemplify this, we point out previous and ongoing issues caused by tech companies exploiting their power, such as antitrust practices, scandals, and major breaches. Without government intervention, it is clear that their control over the industry will expand, hurting consumers and stifling innovation.

Introduction

The Gilded Age, marked by rapid industrial expansion in the late 19th century, was a period of significant economic growth in the United States. Factories sprang up, infrastructure improved, and the US emerged as a global industrial leader by 1894. However, this era also saw widening wealth gaps, labor exploitation, and discrimination, primarily fueled by the ambitions of figures like Andrew Carnegie, John D. Rockefeller, and Cornelius Vanderbilt. Known as "robber barons," these industrialists amassed fortunes through practices that often disadvantaged the lower echelons of society, supported by government policies and the creation of monopolistic corporations, laying the groundwork for America's first monopolies.

In the 21st century, the digital revolution has ushered in a new Gilded Age, with tech giants like Google, Amazon, Facebook, and Apple dominating the landscape much like their industrial counterparts did. These companies have transformed consumer markets and communication, yet their rise has also been accompanied by issues similar to those of the past: monopolistic practices, privacy concerns, and social divides. The power of these digital barons, coupled with limited regulatory oversight, poses significant challenges to democracy and individual rights, underscoring the importance of learning from history to navigate the complexities of the modern digital era more effectively. This article aims to explore the ex-

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tent to which tech corporations have been engaging in unethical and illegal behavior and thus justify a need for government intervention. This aim was achieved but also requires a deeper look into the relationship between government and business in the future.

In the context of this modern Gilded Age, where tech corporations hold immense power, a nuanced understanding of the effects of regulation emerges from the literature. On one hand, studies advocating for more regulation highlight the parallels between historical monopolies and today's tech giants. Manns (2020) emphasizes the necessity of preemptive regulation in oligopolistic markets, which could be applied to the dominance of companies like Google and Facebook [1]. The presence of so few and so powerful companies signifies the likelihood of market abuses. Similarly, Frieden (2020) identifies shortcomings in government responses to the monopolistic behaviors of these tech corporations, suggesting a need for stronger regulatory frameworks. On the other hand, arguments against strict regulation caution about the potential stifling of innovation and market dynamics [2]. Vardi (2019) points out that tech companies are often natural monopolies due to the inherent effect of digital growth, suggesting that regulation might not be the most effective solution [3]. Kilovaty (2019) takes a look at the current state of cybersecurity regulations and points to countries' inability to create international standards in this realm as the cause of tech corporations' necessary ventures into privatizing cybersecurity practices [4].

These viewpoints illustrate the complexity of regulating tech corporations in today's digital age. Regardless, in the past few years, there have been clear areas of breach in acceptable conduct, and this article contains 3 of these areas in the argument for regulatory changes. In the first section, we review various companies' antitrust behaviors that alert us to market abuse to gain unfair advantages. Similarly, the second section reviews tech corporations' consumer-facing exploitation, as they seek to increase profits in unethical ways. Finally, the third section addresses one of the most egregious practices, selling data, that these companies have been indulging in at the expense of the user's safety and privacy. Thus, governments must realize these acts of malfeasance and take steps to prevent them from exacerbating. The research was done through a monitoring of news throughout 2023 and a look into the past 10 years of major events that have constituted government intervention.

Tech Corporations and Antitrust

Antitrust practices refer to actions taken by a company that can be viewed as anticompetitive or monopolistic. In the tech sector, this has increasingly been occurring with companies employing tactics like walled ecosystems, exclusivity deals, and reducing competition. To this end, in 2023 the Federal Trade Commission of the US (FTC) filed a lawsuit against Amazon for using "interlocking anticompetitive and unfair strategies to illegally maintain its monopoly power" [5]. The FTC furthers allegations by claiming that their practices extend to both sides of their platform: consumers and sellers. On the consumer side, Amazon has continued to hike the price of its Prime service for faster shipping and has made searching for products increasingly convoluted to bring extra revenue from advertising. On the seller's side, Amazon forces sellers to let them take a large cut of the sale so that they can get the Prime badge on their product and get better search rankings. Additionally, if Amazon finds out the seller has offered lower prices elsewhere they will be buried in search results until they become "effectively invisible." These practices prevent competition with other e-commerce platforms thanks to Amazon's huge market share. As it is increasingly being walled off to sellers, this forces them to sacrifice more and more margin to exist on their website. The result of all of this is the consolidation of power by Amazon at the expense of the general welfare of those below. Unfortunately, the case has not yet gone to court. Even worse, these practices existed for years before the FTC filed their lawsuit, indicating a level of negligence in government regulation that has exacerbated conditions in the marketplace.

Thankfully, the FTC is not the only entity that can file antitrust lawsuits. On December 11, 2023, a jury ruled that Epic Games was correct in accusing Google of maintaining monopoly power in the Android app marketplace [6]. But, quite confusingly when Epic Games brought the same case against Apple's lawsuit in 2021, a judge ruled that it was not an illegal monopoly and Apple won the case. The difference? Apple's app store was the only app store allowed on the iPhone, while Google allowed sideloading but clearly had practices in place (like offering individual contracts to the biggest app developers on the platform) to try and maintain a monopoly with their Play Store. The Apple case therefore ignores the oppressive 30% cut Apple takes on transactions in their App Store, and instead has tunnel vision when it comes to applying its antitrust perspective. These violations are clear to the outside viewer, but without government regulation, there is simply too much legal maneuvering allowed for companies to find their way out of antitrust allegations.

Anti-consumer Practices

At this point in time, anti-competitive behavior is quite clearly rampant in the industry. The ultimate losers here are the consumers, not just in the US, but all over the world as tech corporations can unilaterally raise prices and lock down their products. These sets of changes are known as anti-consumer practices. While it seems counterintuitive to hurt the customer you sell to, these practices happen due to companies trying to prevent competition and increase user dependence on a brand. Almost all large tech firms are at fault here, and there is no better example than Apple. Apple is famously said to have a "walled garden," which essentially means that once a consumer buys a product, they are heavily influenced to keep to the brand and invest in other products in the same ecosystem. In Apple's case, this can be seen especially with its reluctance to adopt the RCS standard in messaging. While the difference may seem benign, where an iPhone user messaging an Android one will see green bubbles instead of blue, the truth is that Apple kneecaps other features like video sharing capability to create psychological barriers with competing products. People who have iPhones will generally be less enthused when conversing with Android users, and this has led to many people falling into the garden and forming a cult-like opinion based on the message color. While this rift may seem superficial, the truth is that practices like these increase consumer reliance on Apple's brand while degrading the experience of their own product. The purchase of a product should allow the person to have full control over their item, and not have to invest in more products to get the best experience.

Another part of walling the garden is repairability. Instead of allowing people to go to a third party for much cheaper repairs, companies like Apple lock hardware repairs with software to force consumers to pay full price on things like screen repairs when in reality the service could have been done for much less. This serves no other purpose than to help increase business for the company and raise prices for consumers. Additionally, it increases electronic waste as products slowly fall into obsolescence. This has led to the formation of the "right-to-repair" movement, arguing for more user power in deciding what to do with their electronics and being able to repair them themselves. The movement has begun receiving support from the government, but it has been quite a slow start. In December 2022, the governor of New York signed what was referred to as a "watered down" right-to-repair bill, since lobbying groups like Technet had majorly weakened the proposed bill before its signing [7]. As it stands, the new bill provided loopholes for manufacturers, for example allowing them to sell expensive sets of parts to consumers to help them "repair" singular parts. The bill reflects growing tensions between corporate interests and consumer interests, and the government has seemed to side with corporations. The problem with this pattern of governance is that as time goes on, products and services offered by tech companies will continue to degrade or move to subscription services so that the consumer does not have a real say over the products they purchase.

Data Privacy

In today's digital age, we have seen the growth of one of the most influential industries: digital marketing. Estimated to be worth 322 billion dollars in 2022, information has become more important than ever as advertisers try to maximize data about their customers [6]. This has led to the rapid development of data collection, where every tech company has seized the opportunity to keep information about their users and sell it to the highest bidder. There are two main points of issue with this development, and both require some level of higher intervention to resolve the pattern. The first regards tech companies' willingness to sell personal data. As mentioned before, this is extremely useful for targeted advertising, and thus personal data is an extremely valuable asset with a tangible market. Companies have taken this opportunity for extra revenue and turned it into part of their business. For example, Google Advertising is posed as the biggest competitor in the online marketing industry (of which Google has been sued for antitrust issues) and revenued about 224 billion in 2023 alone. This prospect has convinced many to sacrifice their users' data privacy, and sadly these transactions go unnoticed by the average person. However, when news does break there is often enormous amounts of outlash as people become aware of the invasions of privacy and trust. In one of the biggest scandals in recent years, the Cambridge Analytica debacle shows us the need for proactive government involvement to secure citizens' data being used for personal and monetary gain. Essentially, a company by the name of Cambridge Analytica had received data from Facebook on its platform of users and created psychological profiles of them. Through Facebook, the company managed to gain millions of profiles that could then be used for extremely personal ads. Their involvement in the 2016 US elections demonstrated the use of such data, as candidates such as Ted Cruz and Donald Trump could send emails and show ads specific to a person's likely political affiliation and their stances on controversial issues. This practice was considered not only unethical but also an invasion of privacy, and the outcry eventually resulted in the FTC fining Facebook 5 billion dollars in fines. The issue with this fine, however, is its representation of the backward attitude of the government towards technological regulation. Rather than restricting the flow of information as tightly as possible to ensure safety, the government lets the majority of data-collecting practices move freely and only acts retrospectively when scandals like Cambridge Analytica are made known to the public. This duty lies not only with the US government but also all other governments, as the general public marks the collateral of the decisions made by tech firms. Indeed, even the most basic practices of ethical data collection and use are often not met, exemplified by Mozilla's finding that all 25 of the car brands they tested earned a "privacy not included" badge [8]. This indicated that the car manufacturers had been collecting extraneous data (not related to the function of the car) and had clearly marked in their terms of service that they had full discretion over the data.

The danger, however, is not only with how frugal these companies are with customer info but also how secure they keep it. Every day, bad actors attempt to steal data from these companies and sell it or leverage it for their own means. This has led to many of the major tech firms to establish cybersecurity divisions on their teams, yet. unfortunately, this is not enough. Major data breaches happen often and result in user information and sometimes user passwords being compromised, which means effects can range from having one's data stolen all the way to having multiple accounts being compromised. This is the reason behind the push for multi-factor authentication (where extra authenticators make it harder to gain access to an account), but even then the defense from hackers is not foolproof. Therefore, any negligence on the company's side must be dealt with first before blame can be put on the consumer for bad security practices. For example, in late 2023 ancestry company 23andMe announced that it had been breached earlier that year. In the months between announcing the breach and its beginning, the bad actors had stolen millions of accounts' worth of data and were selling it on black markets. The data included information about the user's date of birth, name, and relationship status, as well as more specific info like DNA and health reports. When thinking about the ramifications of such data for even a fraction of a second it is quite obvious that a company should be punished for not keeping this data under more heavy lock and key. Having these profiles sold to an insurance provider would allow them to discriminate the rates different users will receive based on their susceptibility to disease. Life insurers would outright refuse service to people with high risk for terminal illnesses, and drug companies could use the data to give targeted ads to people who may need their medication in the future. Of course, the government has been made aware of the situation and will be investigating, but as it stands there are not enough measures in place to keep companies like 23andMe from securing sensitive information. Like with the Cambridge Analytica scandal, retroactive punishment does little to mitigate future risk and there will continue to be breaches that hurt consumers more than businesses.

Conclusion

In reflecting on the similarity between the Gilded Age and today's era, it becomes evident that while the tools and technologies have changed, the fundamental challenges of economic power, social equity, and governance remain. This paper has highlighted the critical need for vigilance, regulatory innovation, and collective action to ensure that the future digital landscape fosters fairness, privacy, and democracy. Without this, the tech sector stands to be dominated by a handful of companies, turning innovative startups into aggregated empires. Society will be stratified by these megacorporations, and as they amass power they will also play heavier roles in politics and social issues. In the development of this topic, however, we must also take a look at current government interventions with tech companies. Military contracts, private deals, and coercion go untold to the public as governments in various countries take advantage of the data these companies have. Thus, we must become aware of the full situation in our fight to decrease the control of tech corporations in the industry.

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