

Peter Thiel, Donald Trump's friend and the Monopoly's fiercest advocate

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Ideological upheavals are like shifts in continental plates. At first, they happen almost imperceptibly, underground, but their tremors can shake the world. **Peter Thiel** triggered such an earthquake with his book, *From Zero to One*. On its cover, the slim volume first published in 2014 claims to be a manual for aspiring startup founders. Inside, it outlines a radical way of thinking that has had a massive influence on Silicon Valley.

Spun out of a course Thiel gave at his alma mater, Stanford University, its main message is that competitive markets destroy profits. Therefore, Thiel writes, aspiring founders should try to seek monopolies wherever possible. "Competition is for losers", as he later summarized it. Weight is given to his claims by his successes: Thiel co-founded PayPal, was turned into a billionaire by the stock market, and invested into Facebook, Airbnb and LinkedIn early on.

His shrewd and ruthless image was reinforced through his creation of Palantir, a data mining company built to serve police and intelligence services, embroiled in constant scandal.

Thiel's admirers in the ranks of tech companies include Facebook founder **Mark Zuckerberg**, who has said that Thiel was "massively influential on my thinking". Zuckerberg is not the only one. Talks by the PayPal founder have become a fixture at right-wing think tanks and conferences in the US, generating hundreds of thousands of YouTube hits. His biographer Max Chafkin contends that "Thielism is the dominant ethos in Silicon Valley".

Through his outsized public persona, the German-born Thiel has become a model for a generation of startup founders, for whom he has acted as monopoly's most forceful advocate. He helped to create intellectual cover for what otherwise might appear as naked power-grab of capital. As policy-makers in Europe and the US are planning measures to reign in the monopolistic powers of Big Tech, they will have to come to grips with the world that Peter Thiel has helped to make.

A blueprint for swallowing the competition

Like few others in recent times, the ideas articulated in *From Zero to One* have helped to provide a rationale for the relentless drive by **Big Tech** companies to buy or crush their competition. This drive has become the crucial feature of a tech world dominated by a few large players.

Zuckerberg credits Thiel, who joined Facebook's board as one of its earliest investors in 2004, for having taught him a model of network effects "that I think is right for making decisions".

Internal e-mails that surfaced in a hearing before US Congress have revealed the Facebook founder's fear that the network effect, where a social network becomes stronger with each user it adds, could work against Facebook, once a competitor scaled up.

Faced with the rising challenger Instagram, still tiny but growing fast, Zuckerberg did not hesitate. In 2012, Facebook bought Instagram for the then unheard-of sum of 1 billion US dollars. "One thing about startups is you can often acquire them", Zuckerberg then told a subordinate. Neutralizing a competitor was about "buying time". A few years prior, after Thiel had invested in Facebook, Zuckerberg said that it was "better to buy than compete".

When asked last year by a Congresswoman how many competitors Facebook has copied over the years to drive them out of the market, Mark Zuckerberg replied: "I don't know." Following his testimony, a report by the US House of Representatives revealed that Facebook has bought nearly 100 companies, many of them rivals with promising technology. Almost all acquisitions went unchallenged by competition authorities.

Rally cry against the "ideology of competition"

In some cases, Facebook's approach seems ripped straight out of Thiel's book. Undeterred by conventional views on economics, Thiel celebrates monopolies as drivers of progress. Markets have the inherent tendency to drive down profits by pitting companies against each other, Thiel observes. He sees this as a deficiency rather than as a necessary feature of a functioning economy. In his view, the "competitive ecosystem pushes people toward ruthlessness or death."

In conventional economist's outlook, in contrast, the invisible hand of the market is considered a force creating public good. In a strange echo of anti-Capitalist thinking, Thiel calls this the "ideology of competition" that "pervades our society and distorts our thinking".

While he gives little consideration to the impact of monopolies on the economy at large, Thiel justifies "creative monopolies" of innovative companies. He separates them from "illegal bullies or government favourites", who do not deserve monopoly rents.

Thiel openly endorses the evasions and untruths used by Big Tech firms to obscure their stranglehold over the market. "Monopolists lie to protect themselves", he writes. Thiel notes how Google was framing itself "as just another tech company" to "escape all sorts of unwanted attention." Evading regulatory scrutiny, in Thiel's account, is little else than a necessary fib to keep going. "Since it doesn't have to worry about competing with anyone, [Google] has wider latitude to care about its workers, its products and its impact on the wider world."

His instructions to founders is to use innovative technology to create a monopoly that will set apart their company and will allow it to dominate others. And indeed, Facebook's leaders made "Domination!" their meeting rallying-cry in the company's early days. Zuckerberg described his global ambition in a remark relayed by his former speech-writer Kate Loss, whom he told he puts "companies over countries".

In other places, Thiel echoes a paradigm pioneered by conservative legal scholar Robert Bork, who first stated in the 1970s that some anti-competitive practices do not negatively impact

consumer welfare, and should therefore not be prohibited. Famously, Bork helped to shift focus from the market power of monopolies to consumer harm through their practices, which softened anti-trust enforcement for decades.

In a riff on that theme, Thiel has claimed in a debate with his bête noire, then-CEO of Google Eric Schmidt, that it was “quite legal” for innovative companies to have a “world-class monopoly like Google has in search”, as long as these firms do not abuse their power.

EU and US turn up the heat on Big Tech

Meanwhile in the US, President Joe Biden has appointed the 32-year old anti-trust scholar Lina Khan as head of the Federal Trade Commission. In her work *Amazon's Antitrust Paradox*, Khan has outlined a view on monopoly that is almost the diagonal opposite of Thiel's and a clear refutation of the Bork doctrine.

It is not possible to understand the potential harms to competition posed by Big Tech, Khan writes in her seminal work, “if we measure competition primarily through price and output”. In her view, the integration of different services in platforms such as the one built by Google, Amazon or Facebook has allowed the companies to control vital infrastructure on which their rivals depend.

This has helped them “to exploit information collected on companies using its services to undermine them as competitors”. It comes as little surprise that Amazon and Facebook have both asked Khan to recuse herself from her FTC role.

The European Union's planned **Digital Markets Act** also seeks to address the issue by prohibiting practices such as self-preferencing, where a platform company will use a dominant service to benefit its other products. The act will further limit the combination of personal data from core platform services with other other data. While details of the law are still being negotiated, policy-makers hope to use the new law to address the market power of “gatekeepers” and radically curb their anti-competitive practices

The Digital Markets Act aims at regulating how fast digital enterprises can take over markets. While the DMA is still being worked on, regulations to Big Tech monopolies are likely to come to birth, as other EU countries, such as France or Germany, are in favor of a stricter stance against internet gatekeepers. “We need alternatives and choices in the tech market, and must not rely on a few big players, whoever they are.” tweeted Margrethe Vestager, who prepared the Digital Markets Act. “That's the aim of the DMA.”

Such measures won't go without pushback. While regulatory pressure on Big Tech is rising in the United States and the European Union, companies have built up an extensive network of lobby groups and think-tanks aligned with their vision.

Direct lobby spending by tech companies has reached dozens of millions per year in Brussels and Washington, while Google alone funds over two hundred trade associations and NGOs to advance its interests. The search giant wants its “academic allies” to raise questions in Brussels

about new EU rules to regulate Big Tech, a leaked lobby memo revealed. In this game, to obfuscate their own monopoly position is among tech companies' most important maxim.

The strange libertarianism of Peter Thiel

Meanwhile and amid rising scrutiny for the technology sector, Thiel has thrown himself into politics. Among Silicon Valley tycoons, who are mostly voters and donors of the Democratic Party, Thiel stands out as one of few high-profile Republicans and Trump supporters. Over the past years, he made high-profile appearances such as his address to the 2016 Republican National Convention, while contributing millions of campaign dollars to Republican candidates and conservative causes.

Like other key figures among the Silicon Valley elite, Thiel has described his political views as libertarian. Yet according to his own telling, he broke with a key belief of libertarian orthodoxy, which extols the power of free markets, already as early as the 1990ies. "The higher one's IQ, the more pessimistic one became about free-market politics", Thiel wrote in his 2009 essay, *The Education of a Libertarian*, published by the libertarian Cato Institute.

While Thiel states that he remains committed to libertarian tenets such as a stance against "confiscatory taxes [and] totalitarian collectives", yet the financial crisis and the return to Keynes-inspired state-interventionism "shatter any remaining hopes of politically minded libertarians".

Capitalism was simply "not that popular with the crowd", Thiel noted. Having surveyed the political landscape in the aftermath of the crisis, he finds it impossible to imagine a landscape not dominated by political forces that wish to limit free markets. Thiel says he therefore found it necessary to draw new conclusions about the limits to his libertarian political goals: "Most importantly, I no longer believe that freedom and democracy are compatible."

It remains unclear whether Thiel still holds openly anti-democratic views. If so, they have not kept him from using his money to influence politics. Earlier in 2021, Thiel gave ten million US dollars each to the US Senate campaigns of two former protégés-turned-Republican-candidates. One is Blake Masters, an ex-student of Thiel's running for a Senate seat in Arizona for the Republican party (Masters has been defeated by Democrat Mark Kelly). Masters' class notes on Thiel's Stanford lecture formed the basis for *From Zero to One*. His young acolyte went on to become president of the philanthropic Thiel Foundation.

In public statements, Thiel has toned down his love of monopoly, but spouts a belligerent form of nationalism. While he provides a justification for higher military spending with the claim that "our nuclear bases still use floppy disks and our newest fighter jets can't even fly in the rain", he has attacked Google for its "seemingly treasonous" refusal to take certain defence contracts.

His public appearances have given him a certain notoriety, but this has for a long time obscured the wider impact of Thiel's ideas. More recently, his growing influence in conservative circles and financial support for his acolytes has led some commentators to predict the "rise of the Thielists" in the ranks of the Republican party.

It remains unclear whether this new cohort will embrace the entire range of quixotic beliefs Thiel has espoused, his pro-monopoly views, his anti-democratic libertarianism or his ardent nationalism. But in the utter ideological confusion of the American right, it seems likely that Thiel's echo in the ranks of the Republicans will grow louder in the future. We are yet to see a reckoning with the force of his ideas.