



## Tech Giants Are Lobbying Themselves to Death

By Adam Clark Estes January 28, 2013

---

Get a load of this: Over the course of the past few of decades, we've seen the tech industry grow from a loose network of hackathons in garages to one of Washington's most powerful lobbies. Companies that didn't even exist ten years ago are now spending tens of millions of dollars trying to sway lawmakers one way or the other, and Silicon Valley's so busy bustling around Capitol Hill that now, regulators are actually yelling at them to get back to work. That seems unlikely, though, as the tech industry lobbying trend makes its way to Europe, in a gesture that tells the world, "We know what we're doing."

People that actually work for the government so far disagree. Federal Trade Commission Chairman Jon Leibowitz is the bureaucrat who recently wrote a letter to the editor of *The Wall Street Journal* to complain about how tech companies should spend less time lobbying and more time inventing. More specifically, he simply couldn't believe that Google spent \$25 million to wiggle its way out of a recent antitrust case and fairly unapologetically calls the effort useless. "Stop! Invest your money in expansion and innovation," Leibowitz wrote. "Google's lobbying expenses had no effect on the care, diligence or analysis of the agency's incredibly hard-working staff or the decisions reached by any of the FTC's five commissioners."

Well, Google is hardly the only tech company shelling out seven- or eight-figure sums on foot soldiers in the nation's capital. In recent years, everyone from Facebook to Twitter has been staffing up their Washington offices and forging alliances with like-minded companies so that they can work together on lobbying initiatives. The power of this collective effort was probably most evident in the fight against SOPA, when Silicon Valley giants joined forces to face off against the very powerful and well funded entertainment industry lobby. As dozens of companies from the tech industry ponied up and tried to match Hollywood's efforts, Google alone spent \$5 million to stop SOPA, and they succeeded.

Success in the SOPA battle must've turned everyone on to this lobbying idea, because spending was through the roof in 2012. Google's spending spiked 70 percent to \$16.48 million last year. Facebook tore the door off the hinges with a 196 percent increase in spending, as it dodged a fine from the FTC and rolled out its new privacy-threatening Graph Search. Other major tech companies boosted their efforts as well, albeit not as dramatically. Amazon's annual spending on lobbyists was up 12.6 percent to \$2.5 million, while Microsoft raised its spending 10.2 percent to \$8.1 million. The money went towards dozens

of issues, but it's safe to say that the Silicon Valley elite are, like many industries, generally lobbying against greater regulation of the tech industry.

This is an old idea that's been given new life since the recent string of tech companies successfully dodging some bureaucratic bullets. It's true that Google and Facebook avoided facing more oversight by helping to defeat SOPA, and while the FTC chairman might disagree, Google's expensive effort to avoid an antitrust case against it resulted in no antitrust trust case. Whether you call it a victory or call it a coincidence, Google got its way. The situation is not unlike Microsoft's own antitrust scare back in 1998, when Bill Gates and his competitors took the stand in a series of congressional hearings to discuss the company's alleged anti-competitive behavior. Long story short: Microsoft included Internet Explorer with Windows, which ended up being a death sentence for Netscape. Nevertheless, at the hearings, Microsoft and Netscape agreed that the government should not impose any unnecessary regulations on the technology industry for fear that it might quash innovation. Microsoft avoided any serious consequences.

And history is already repeating itself again. In Europe, a whole host of technology companies are sending their lobbyists to Brussels to put a stop to a new suite of laws that would enable 500 million Europeans to opt out of several types of online tracking. This is exactly the kind of regulation that these tech companies hate because tracking helps them talk advertisers into giving them hundreds of millions of dollars to reach those consumers. The laws are currently under consideration in the European Parliament, and the lobbying effort is apparently working. The U.S. lobbying on this has been very effective so far," Jérémie Zimmermann of the French digital rights group La Quadrature du Net told The New York Times last week. "It is impossible to tell what will happen."

Well, economist Milton Friedman has some ideas about the outcome. He came up with them almost 15 years ago, in fact. Not long after the Microsoft case, Friedman addressed the issue of lobbying and regulation in the burgeoning tech industry at a Cato Institute conference. Like a good neo con, Friedman ballyhooed the notion of letting the government step in to regulate companies like Microsoft, while pointing out that spending money on lobbying will only attract undue attention and -- flash forward to the FTC chairman's remarks -- distract them from building better products.

"Is it really in the self-interest of Silicon Valley to set the government on Microsoft?" Friedman asked the powerful audience at the Cato Institute. "Your industry, the computer industry, moves so much more rapidly than the legal process that by the time this suit is over, who knows what the shape of the industry will be? Never mind the fact that the human energy and the money that will be spent in hiring my fellow economists, as well as in other ways, would be much more productively employed in improving your products. It's a waste!" He added, "You will rue the day when you called in the government."