CS 182: Ethics, Public Policy, and Technological Change

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Today’s Agenda

1. Why Political Economy?
2. Feasible Options for Systemic Reform
   - Anti-trust/competition
   - Worker ownership
3. More Radical Possibilities
   - Platform utilities
   - Nationalization
4. Maybe We Need to Revolutionize the System?
   - Rethinking democracy
   - Rethinking capitalism
Recap: Political Economy

• The **conventional story of SV’s emergence** emphasizes brilliant and wildly creative founders, risk-taking venture capitalists, and the benefits of disruptive innovation.

• This story is **missing a bunch of key details**: foundational government investments in creating the internet, a regulatory environment designed to be maximally conducive to private sector growth, and a deliberate choice to commercialize the internet (when other business models were also possible).

• These details matter because they help us understand what kinds of choices have brought us into an environment in which technology’s externalities are having large social impacts.
Business Models Matter

• The “Platform” model
  • Make money by serving as an intermediary between two+ parties
    • Ex: Uber, AirBnB, DoorDash, Facebook, Apple/Google Store
  • Capture value by taking a cut as a middle-man, often exploit regulatory gray areas

• Service providers
  • Firms offer a service for free and collect data on user activity and make money on that data (e.g., target advertising, use it to improve services, use it to compete against companies)
    • Ex: Google, Facebook

• Infrastructure
  • Make money by providing core infrastructure and charging rent
    • Ex: Amazon AWS, Google cloud services
The Private Sector Path

• Tech companies are **privately owned and governed**

• Many tech companies are funded by **venture capitalists** (who are focused on scaling quickly and getting out)

• They have a legal requirement to **maximize share-holder profit**, potentially at the expense of other socially-important values

• In part because of network effects and in part as a function of policy choice, there are rising concerns about **market competition** and **monopoly power**
  • Acquisition of competitors (e.g., Facebook buys Instagram)
  • Integration of services (e.g., promote own apps in search results)
  • Cross-promotion of products (e.g., Amazon selling own products)
  • Use of gatekeeper power (e.g., who can sell in App Store)
  • Etc.
Milton Friedman

A Friedman doctrine—

The Social Responsibility
Of Business Is to
Increase Its Profits

By MILTON FRIEDMAN

TAXING O.M.—Chairman James Baker of General Motors (right) Refers, wearing "Tame O.M." buttons, at the corporation's stockholders meeting in May. Representa- tives of the corporation demanded that O.M. make those new directors to represent "the public interest" and set up a committee to study the com- pany's performance in such areas of public concern as safety and pollution. The stockholders defeated the proposal overwhelmingly, but management, apparently in response to the demand, recently named two directors to a "public-policy committee." The author calls such drives for social responsibility in business "pious and unadulterated assertions" adding: "Businessmen who talk this way are anomalously pockets of the intellectual forces that have been undermining the basis of a free society."
“When machines and computers, profit motives and property rights are considered more important than people the giant triplets of racism, economic exploitation and militarism are incapable of being conquered.”

--- Martin Luther King Jr.

“The Three Evils of Society” Address Delivered at the National Conference on New Politics August 31, 1967
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Options for Reform

Example: Anti-Trust
• **Promise:** Increase competition, so users have more choice
• **Peril:** Is five Facebooks is better than one?
  • More competition might cause "race to bottom" to maximize profits
  • Requires more than breaking up companies

Example: Unions, Greater Employee Ownership
• **Promise:** Give workers job security to improve working conditions and have greater participation in company profits
• **Peril:** Unions don’t necessarily give workers “management rights” to make business decisions about a company
A Brief History of Anti-Trust in Tech

- **U.S. v. IBM**
  - Dominant company in computing
    - “Nobody ever got fired for buying IBM” in the 1960s and 70s
  - DOJ charged IBM in Jan. 1969 with monopolizing digital computer market
    - Trial began in May 1975
    - Case is dropped in 1982, dismissed as “without merit”

- **The tech landscape is dynamic**
  - Apple founded in 1976
    - Lost battle for personal computer to IBM in 1980s
    - Now, most valued company in world
  - Microsoft founded in 1975
    - Could have been acquired by IBM (they didn't see value of software)
    - Now, second most valued company in world
  - IBM no longer in the top 100 most valued companies
Recall the Platform Wars

Global market share of personal computing platforms by operating system shipments

Image: "Why Steve Ballmer Failed" By Derek Thompson, The Atlantic, August 23, 2013
More History of Anti-Trust in Tech

• U.S. v. Microsoft
  • Microsoft charged with monopolizing OS market to stifle competition
    • Specifically, bundling Internet Explorer with Windows
  • Trial began in May 1998. Microsoft ordered to be broken up in 2000.
  • Overturned after appeal
  • Case settled in 2001 with agreement by Microsoft to share APIs with third parties (and appointment of oversight panel)

• Real impact: Microsoft takes care to avoid actions that could be perceived as anti-competitive
  • 1997: Microsoft invested $150M in Apple (was on brink of bankruptcy)
    • Steve Jobs (at time of investment): "We have to let go of this notion that for Apple to win, Microsoft has to lose."
  • Companies like Amazon and Google founded in 1990s at a time when Microsoft's marketplace aggression was more muted
  • Anti-trust action can impact marketplace in many ways
Acquisitions

- **Google**
  - **2006**: Acquisition of YouTube (video)
    - At the time, Google's own video efforts were getting less traction
  - **2007**: Acquisition of DoubleClick (advertising)
    - Allowed for more targeted advertising
    - Ironically, Microsoft raised anti-trust concerns at the time
  - **2011**: Acquisition of Motorola Mobility (mobile phones)
    - Substantial patent portfolio for mobile/wireless technology
  - **2013**: Acquisition of Waze (mapping)
    - Integration with Google Maps
  - **2014**: DeepMind
    - More expertise in deep learning
    - Preventing competitors from getting technology/talent
And More Acquisitions

- **Facebook**
  - 2012: Acquisition of Instagram
    - Immense growth among younger users
    - Seen as threat to Facebook
  - 2014: Acquisition of WhatsApp
  - 2014: Acquisition of Oculus VR
    - Hello, metaverse!

- Stopping anti-competitive mergers may be effective strategy
  - Fosters competition in a more dynamic landscape

Possible Legislation in the U.S.

• Five bills introduced by the Antitrust committee of the House in the last Congress with bi-partisan support collectively called, “A Stronger Online Economy: Opportunity, Innovation, and Choice”

• Prevents designated platforms from favoring their own businesses
• Prohibits dominant firms from acquiring competitors in ways that enhance their monopoly power
• Prohibits “dominant online platforms” from owning another line of business that presents a conflict of interest
• Requires platforms to make user data portable and interoperable
• Increases the budget of the FTC and DOJ
Greater Worker Ownership/Control

• Have more worker ownership and collective decision-making
  • E.g., efforts to unionize at Amazon, Google, others

• Require that gig platforms treat workers as employees
  • E.g., AB5 in California: platform workers (e.g., Uber drivers, DoorDash deliverers, etc.) should be considered employees, not contractors
  • Employees have more rights and protections (e.g., minimum wage, overtime pay, etc.)
  • Could also get more ownership rights (e.g., stock options)

• Rank-and-file employee representation on boards
  • Promotes communication of employee perspectives
  • Provides more diverse viewpoints than company executives
    • *Story time: Delta airlines*
Drivers steer our company.

We are a driver-owned ridehailing cooperative in New York City.

Support us as we build the **100% worker-owned** rideshare company of the future.

Donate
Normative Considerations

• Equity
  • Workers share in the profits that they generate

• Autonomy and Self-respect
  • Workers have more control over their day-to-day life
    • Better alignment with worker welfare

• Democracy
  • Workers have greater control of their workplace and direction of the company/cooperative
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Progressive Era Concerns Redux

- Sherman Anti-Trust Act (1890) designed to rein in the “curse of bigness”
- Targets included railroads, oil, steel, finance
- Concerns about extractive pricing, inability of small or new firms to enter market or compete, exploitation of workers, and political domination
- Reformers saw these industries as socially vital, providing foundational goods and services, on which society depended
Beyond Antitrust

• Treat information platforms – Facebook, Google, and Amazon – as essential infrastructure and regulate them as public utilities.

• What would this mean in practice?
  • Mandates for fair treatment
  • Common carrier/carriage requirements
  • Nondiscrimination
  • Limits on extractive “pricing”
  • Constraints on utility business models

• Used originally to address monopolistic behavior by railroad barons but also to address concerns about the telegraph (early control over information environment!)
Why Do This?

- Network effects already lead to dominant platforms. Let’s lock in this dominance formally and ensure it serves the broader public interest.

- Public utility regulation is designed to mitigate the risks of private control of essential infrastructure. The ambition is to ensure that exploitative and exclusionary uses of critical infrastructure for private profit are constrained.

- One version of this proposed by Rahman and Teachout: prevent essential infrastructure from being financed by surveillance and targeted ads to charging fees. **Est. $25 per Facebook user to generate equivalent revenue.**
Addresses 5 Problems

1. Price of access to critical public infrastructure = surveillance
2. Strong incentives to maximize your time on platform
3. Algorithms prioritize inflammatory content
4. None of the rules of the public sphere are stable
5. The public spaces treat people differently based on their individual characteristics

Thought exercise: Imagine if the public library system operated with a personalized advertising business model?
Why Not?

PG&E
Why Not?

1. Consumers can opt out – not locked into a single provider (e.g. Neeva, DuckDuckGo)
2. Disincentivizes innovation, R&D (e.g. need Facebook to leapfrog MySpace)
3. Makes it more difficult to attract talent/human capital in the absence of financial returns
4. Would government oversight make things better? (e.g. airline deregulation)
Ex: Internet Broadband

- **Broadband** = high-speed internet access seen as essential to economic opportunity and growth

- Most broadband provided by **four private companies**: Comcast, AT&T, Verizon, Time-Warner

- **Challenge:**
  - Most consumers only have access to one broadband provider in their area
  - American’s have some of the most expensive, slowest, and least accessible broadband in the world, especially in rural areas where it is not profitable to deliver services
Public Investment

INFRASTRUCTURE BILL

- Roads and Bridges: $110B
- Electric Grid Upgrade: $73B
- Passenger and Freight Rail: $66B
- Broadband: $65B
- Improved Water Quality: $55B
- Climate Change Protection: $50B
- Airports & Ports: $42B
- Public Transit: $39B
- Environmental Clean-Up: $21B
- Electric Vehicles: $15B
- Transportation Safety: $11B
- Reconnecting Communities: $1B
Going Further

- Platform utility models envision private ownership under public oversight. One could go further and envision a greater public role in essential digital infrastructure and platforms.

- This could involve:
  
  - **Public Ownership:** Can be owned by a government or elected body representing the public and/or the public themselves
  - **Public Funding:** Services are funded via taxes, fees (as opposed to venture capital funding or stock offerings)
  - **Public Governance:** Services are governed (more) democratically by people who use them or are affected by them
Ex: Uber as Public Transportation
(James Muldoon)

Not all public goods have to operate on the national level - we can avoid some of the problems with national ownership by considering ownership at a more local level.

Example: Incorporate Uber and Lyft into existing city-wide public transportation
• Basic idea: operating a fleet of cars is no different than operating a fleet of buses
• Funded by the same agency that runs the public transportation service
• Board would include workers, commuters, appointments made by authorities, who collectively decide on the conditions of work, how ride allocation is organized, etc.
Say we decide that we want to provide basic goods and services such as food, water, COVID-19 tests, and medicine to the public. This came up as a major priority during the pandemic. How can we achieve that?

Amazon is very skilled at distributing goods across the country – but only for paying customers. There are also concerns about how Amazon treats its workers, impacts small business, and controls both the marketplace and businesses on the marketplace.

Marx: We can solve both problems at once by nationalizing Amazon and integrating it with the US Postal Service.

- Allows for “large-scale delivery of packages containing food staples and essential items to every home in the country, making use of the combined labor power of USPS and Amazon delivery workers.”
- Allows Amazon workers to get covered by the same union as postal workers, improving working conditions, proper cleaning and protective equipment, and the wages and benefits
Owners of private firms benefit directly when innovation reduces costs and boosts profits; bureaucrats usually lack such a clear financial incentive to improve performance. Firms with the backing of the state are less vulnerable to competition; as they lumber on they hoard resources that could be better used elsewhere ... State-owned firms pose risks beyond that to dynamism. Government-run companies may prioritise swollen payrolls over customer satisfaction. More worryingly, state firms can become vehicles for corruption, used to dole out the largesse of the state to favoured backers or to funnel social wealth into the pockets of the powerful. As state control over the economy grows, political connections become a surer route to business success than entrepreneurialism.
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Traditional Reforms to Our Democracy

- Campaign Finance Reform
- Lobbying Reform
- Getting Rid of the Electoral College
- Multi-party System
- Term Limits
- Tax Reform
Radical Reforms to Democracy

Maybe the problem with democracy is a central feature of modern democratic societies – representation and elected politicians.

Could we re-invent the institutional arrangements of democracy to move beyond representation?
“Open Democracy... is based on the simple idea that, if government by the people is a goal, the people ought to do the governing.”

— Nathan Heller, *The New Yorker*

**Open Democracy**

Reinventing Popular Rule for the Twenty-First Century

Hélène Landemore
The political scientist Hélène Landemore asks, If government is for the people, why can't the people do the governing?

By Nathan Heller
February 19, 2020
Beyond Representative Democracy

Democracy Next

Another Democratic Future is Possible
New Institutions for Citizen Voice and Deliberation

Who we are

DemocracyNext is an international non-profit, non-partisan research and action institute. Our mission is to build new institutions for the next democratic paradigm of citizen participation, representation, and deliberation. We want to create a more just, joyful, and collaborative future where everyone has meaningful power to shape their societies.

There is another democratic future beyond broken electoral politics or autocracy, and we want to help make it a reality.

We believe that by tapping into the ideas, energy, and collective wisdom of everyone, we will be able to better address societal challenges, overcome polarisation, and strengthen trust.
What is a citizens’ assembly?

A citizens’ assembly is a new form of democracy which allows to make decisions at a city, national or even at the international level. A citizens’ assembly is a randomly selected group of residents according to the demographic criteria such as gender and age. It constitutes a city or a country in miniature.

A role of a citizens’ assembly is an in-depth analysis of a given issue, a deliberation over different solutions, hearing of the pros and cons, and then, making informed decisions.

Marcin Gerwin's guide is a step-by-step presentation of how to organise a citizens’ assembly, with the primary focus on the city level.

New:
- Deliberative Café: An Easy to Organise Citizens’ Assembly

Latest publications:
- Citizens' Chamber in the Canton of Vaud
- European Citizens' Assembly: A New Model for Decision-Making
Citizens’ assemblies are increasingly popular

Do they work?
America in One Room

America in One Room was a national experiment in deliberation by the public about the major issues facing the country. It brought a state-of-the-art scientific sample of 523 registered voters from around the country September 19-22, 2019 for civil discussion. The entire sample took the same in-depth questionnaire before and after the event. This process yielded important data concerning how Americans think about values, candidates, and policy issues when given the chance to think deeply, engage with different opinions, and deliberate in a fact-rich and respectful environment. Learn more.
Iceland’s crowd-sourced constitution: hope for disillusioned voters everywhere

Published: October 28, 2016 8.22am EDT
So far, we have only talked about democracy in the political sphere (the government.)

Are there other spheres (social, economic, educational) in which we have similar or other forms of democracy?

Should we have democracy in these other spheres?
“We live in capitalism, its power seems inescapable – but then, so did the divine right of kings. Any human power can be resisted and changed by human beings. Resistance and change often begin in art. Very often in our art, the art of words.”

---Ursula Le Guin
“Philosophers have only interpreted the world in various ways. The point, however, is to change it.”

---Karl Marx
Democracy in the Economy?

- How might we increase democracy in the economy?
  - Firm level: worker-owned and operated companies
  - Local level: citizen-run and governed companies
  - National level: public gets to decide what types of products it wants to produce
“Anderson may be the philosopher best suited to this awkward moment in American life.”
—Nathan Heller, New Yorker

Private Government

How Employers Rule Our Lives (and Why We Don’t Talk about It)

Elizabeth Anderson
Democratic Socialism

- **Democratic Socialism**: Political philosophy in which citizens have control over their workplaces and economy.

- **Basic Idea**: People collectively decide what kind of work they want to do, what kind of goods they want to produce, what kind of working conditions they want
We propose a program of transformative regulation, nationalization, social ownership, and internationalism that builds the solidarity and democratic power necessary for us to succeed. We call for the nationalization of businesses like utilities and critical manufacturing and technology companies, alongside regulation of corporate, communications, data, and financial sectors. We seek to ensure social and worker control over these businesses. We support an expansion of worker cooperatives, mutual aid institutions, cooperative media, physical infrastructure, care work, and collective land ownership. To ensure the well-being of everyone, we

- **Ensure public control of communications technology and expand infrastructure**
  - Implement public or commonly owned WiFi networks with high-speed broadband, internet management, technology services, internet service providers, and data storage to curtail the unprecedented power of technology companies over media, communications, and political life
  - Extend individuals’ rights to data privacy, control, and portability with respect to all applications, providers, and devices
  - Expand physical, green infrastructure such as transportation, technology and data centers, and building retrofitting

Source: DSAUSA.org