

Why Fake News Is An Antitrust Problem

di Sally Hubbard

Facebook continues to face criticism for its failure to stop the proliferation of fake news. CEO Mark Zuckerberg has responded that Facebook must ensure that any fixes to address the problem do not introduce bias into the system.

But is Facebook already biased?

When viewed through an antitrust lens, news publishers are Facebook's competitors. They compete for users' time spent online, user data and advertising dollars. This competitive dynamic may in part explain why Will Lewis, Dow Jones CEO and WSJ publisher, has accused Facebook (and Google) of "killing news."

Indeed, competitive biases baked into Facebook's design deserve a healthy portion of the responsibility for the rise of fake news. By pulling technological levers that keep users on its platform, thereby lessening clicks to news publishers' sites, Facebook has sped the decline of legitimate news and provided a breeding ground for the fake variety.

While traditional media organizations need to recoup their investment in quality news reporting by capturing web traffic, fake news organizations have no such overhead. Their minimal costs of production mean they need only coax a small percentage of those who interact with their articles on Facebook to click outside of the platform. Articles claiming that Hillary Clinton sold weapons to ISIS are conducive to commenting and sharing on the platform itself, without needing to click away to learn more details.

Although fake news' outrageous nature plays a major role in their virality, ignoring the role of Facebook's design features that deter users from clicking to legitimate news publishers' sites is missing an important contributor to the problem. And it overlooks how the fake news problem is in large part a competition problem.

Facebook is a juggernaut in news distribution, big data and online advertising. Prioritizing content that is either native to Facebook's platform or that does not require clicks to competitors' sites looks a lot like what led to antitrust charges against Google in Europe and an antitrust investigation of Google here in the US.

The EU charged Google with prioritizing its own Google Shopping services in its search results. When a digital platform with huge market share competes against companies that depend on the platform for distribution, the fight is hardly a fair one.

In news distribution, Facebook's share is big indeed. 66% of Facebook's 1.71 billion US users receive news from the platform, according to Pew Research. Since Facebook reaches 67% of US adults, 44% of the US population gets news from Facebook.

At first all seemed rosy for news publishers, as Facebook provided opportunity to expand their reach by referring them traffic. News publishers made a bargain with Facebook: They would fuel Facebook's platform with free high-quality content, and in return Facebook would provide traffic. Facebook did so in spades, with its referral traffic exceeding that of Google in 2015.

Having built up news publishers' dependence on it, however, Facebook stopped fulfilling its side of the bargain. Facebook will still take publishers' news stories, but as for traffic, Facebook is going to keep it.

On Facebook's first quarter 2016 earnings call, Zuckerberg announced that users spend on average more than 50 minutes a day using Facebook, Instagram, and Messenger, up ten minutes from the number reported in 2014. Has Facebook increased this time solely by providing more user value?

To the contrary, Facebook has implemented product changes that deter users from clicking away. Facebook defaulted users to an in-app browser for clicking on external links rather than sending users to an external browser. But the in-app browser is slow. In a test by The Capitol Forum, Facebook's in-app browser loaded on average three seconds slower than regular Safari on iOS. Studies show that 40 percent of desktop users and 53 percent of mobile users abandon websites that take more than three seconds to load.

Facebook then presented news publishers with a purported solution called Instant Articles. With their faster load times, publishers can ensure their articles get read! And while Facebook claims that Instant Articles are not prioritized in the news feed, their faster load times increase engagement, bringing prioritization. According to Facebook, users click on Instant Articles 20 percent more than other articles, and they share Instant Articles 30 percent more than mobile web articles on average. So what's the downside for publishers? Because Instant Articles are housed on Facebook itself, publishers that adopt the format will no longer get the web traffic critical to their survival. The granular user data they collect via cookies on their sites will cede to whatever basic data Facebook chooses to provide, the accuracy of which news publishers cannot verify. (Facebook has four times reported metrics errors in recent months).

With big data conferring competitive advantage and driving online advertising dollars, the resulting loss in data collection is a major blow to news publishers. Instant Articles also decrease users' interactions with news publishers' brand and other features on their sites. As for advertising, Facebook promises to give news publishers 70 percent of ad revenue served up in Instant Articles through the Facebook Audience Network. Expect that split to change in Facebook's favor in the future.

Facebook appears to be following the modus operandi of other tech giants: increase dependence until few viable alternatives exist and then change the terms of the deal. (I'll be writing more about Amazon, Apple and Google in future posts.) Facebook has reneged on its fair exchange with legitimate news publishers, leveraging its market power to capture more user time spent online rather than allowing publishers their share of traffic. And Instant Articles are an even worse deal for news publishers, promising to hasten their fall.

Meanwhile, fake news publishers are flourishing.

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