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It's Hard to Unplug from the Matrix: Consumers and the Politics of Platform Power

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Abstract

This article articulates a distinctive source of political influence of some technology firms, which we call platform power. Platform power inheres in companies that provide the terms of access through which large numbers of consumers access goods, services, and information. Firms with platform power benefit from a deference from policymakers, but this deference is not primarily a function of direct influence through lobbying or campaign contributions, nor does it come from the threat of disinvestment. Companies with platform power instead benefit from the tacit allegiance of consumers, who can prove a formidable source of opposition to regulations that threaten these platforms. Focusing on the critical role played by consumers in explaining the powers platform firms wield in countries around the world lends insight as well into their distinctive vulnerabilities, which flow from events that split the consumer-platform alliance or that cue citizen, as opposed to consumer, political identities.

Introduction

The past several years have witnessed a renaissance of interest in business power in twenty-first century capitalism. Prompted by the combination of skyrocketing inequality and the increasing prominence of rich people and moneyed interests in politics, scholars have turned their attention back to classic questions of business influence in democratic politics. Marxist sociologists built some of the scaffolding for these modern debates by distinguishing between the instrumental and structural power of business (e.g., Miliband 1969, Poulantzas 1972, Block 1980). Within political science, early formulations of business power stressed direct forms of influence through iron triangles and the "power elite" (e.g., Mills 1956). Subsequent work by scholars such as Lindblom (1977) and Gaventa (1980) explored subtler – less visible but more potent – forms of business power in politics and political economy.

Recent scholarship has brought new insights into how business power in both its instrumental and structural variants is manifest and exercised in contemporary capitalism. With respect to *instrumental power*, we have come a great distance in refining early characterizations suggesting influence through outright bribery, corruption, and backroom deals. We now understand more about the wide range of resources, made possible and amplified by financial resources but reaching far beyond these, that allow economic interests to influence political outcomes. For example, Hacker and Pierson's (2017) analysis of the American Business Roundtable and Chamber of Commerce explored the organizational resources that business interests use to influence policy directly. Alex Hertel-Fernandez's (2014) important study of the American Legislative Exchange Council (ALEC) illuminated the informational resources that business interests offer to influence state legislators. The work of Hertel-Fernandez et al.

(forthcoming) showed how corporate interests exercise especial influence on the way congressional staffers estimate public opinion in their own districts. Culpepper's (2011) cross-national research on quiet politics demonstrated the importance of the informational advantages of business in lobbying legislatures and influencing media coverage. These and other recent works have given us new insights into the sources and nature of the instrumental power exercised by business in politics (Woll 2008, Young 2012, Pagliari and Young 2015).

Recent work on the *structural power of capital* has similarly advanced in comparison with early formulations, providing a nuanced response to the criticism of pluralists like David Vogel (1987), who found the concept of structural power wanting for lack of evidence that business always and everywhere got what it wanted. Classic structural power arguments emphasized how business power operates in the minds of politicians in an anticipatory way. Specifically, politicians forebear in the face of the threat of business exit or disinvestment, worried about what Lindblom called the "punishing recoil mechanism" – as firms leave for more favorable business locations or invest less money, thus depressing growth and employment (Lindblom 1982; Przeworski and Wallerstein 1986). In the meantime, however, the literature has moved beyond the idea of power as a fixed attribute of the business class in advanced capitalism and embraced a more relational view – a situation of "mutual dependency" between governments and business, sometimes but not always asymmetrically skewed toward business (Culpepper 2015: 398). Armed with a more nuanced understanding of the nature of structural power, recent literature has made clear that the structural power of business is something that varies – over time (Hacker and Pierson 2002), cross-nationally (Culpepper and Reinke 2014, Grossman and Woll 2014, Woll 2014, Fairfield 2015), and even across different firms (Culpepper 2015, Young 2015).[1]

As far as we have come in the study of business power, some blind spots remain. As Gerry Davis (2015) has pointed out, modern day capitalism has produced new forms of corporate power that fit only very uneasily into previous formulations and that therefore may require us to rethink our traditional ways of conceiving of power. Perhaps the most glaring paradox confronting scholars of business is that the big five technology companies – Facebook, Amazon, Apple, Google, and Microsoft – exercise enormous power in the advanced economies (Moore and Tambini 2018), at the same moment that the organized business elite in many countries, including the United States, has ceased to project a united political voice (Heemskerk 2007, Mizruchi 2013). An effective political conception of business power therefore needs to be capable of understanding the variation in power held by individual firms, and not just the power of organized business as a collective body (Culpepper 2015). This is not just a difference in the interests of large and small companies, which has a long history in political economy. It is a recognition that a few individual players have an economic – and potentially a political – impact that past work on business power does not immediately illuminate, because in the ontology of much of political science, business is an interest group (Vogel 1987). Yet in fact, firms in the singular form are now influential players in the economy and in politics (Collier et al. 2018).

In this article we consider the political power of a number of technology companies that play the role of central intermediaries to the internet – platform companies. Platform companies

[1] Of course, as especially Emmenegger (2015) and Culpepper (2015) point out, while instrumental and structural power may be distinct analytically, they are closely intertwined empirically.

connect buyers to sellers of goods or services (Amazon, Uber), tourists to available bedrooms (Airbnb), and people to each other, to advertisers, and to information (Facebook, Google). As such, they play an outsized role in modern life. The question is, do they play an outsized role in political life – and if so, how? Do conventional approaches to business power give us sufficient analytical purchase on the political capacities of these new companies? In the next section, we answer the first question in the affirmative – platform companies do indeed occupy a significant space in the political firmament across the universe of democratic countries. In the following section we answer the second question in the negative, and we identify consumers and their alliance with the platforms as the element missing in the conventional toolbox of political economists trying to understand business power. Our enterprise in this article is primarily conceptual – developing a way of understanding an emergent phenomenon of business power that challenges our current understandings. The section that follows thus outlines how the role of consumers, and the eventual limits that tacit alliance creates within the idea of platform power, can most productively be understood by analogy to the idea of the permissive consensus (Hooghe and Marks 2009). Empirically, we apply this conceptual apparatus to a range of recent, high-profile cases involving platform companies in order to illustrate the productive implications of this theoretical approach. Putting the consumer-platform alliance in the analytical foreground helps to explain variations in observed effectiveness of the political power of platform companies around the world. A final section concludes.

Platform Power

The observation that platform companies wield outsized power in contemporary capitalism has inspired analogies to the great monopolies of yesteryear, companies such as Standard Oil and US Steel (Posner and Weyl 2018; Rahman 2018). Legal scholars have been quicker than political scientists to consider the challenges that platform companies pose to regulation, focusing especially on issues of market or monopoly power (e.g., Cohen 2016, Lynnskey 2017, Rahman 2018). Sabeel Rahman has succinctly summarized platform power in terms of the central role these firms play in the economic infrastructure of twenty-first century capitalism: “Whether it is Google’s dominance of search and online information, Facebook’s centrality for access to media, or Amazon’s growing control over ... distribution networks for physical goods,” these firms exercise broad control over the term of access to crucial services on which a wide range of other actors depend (2018: 149). Rahman calls this sort of power infrastructural power, and he argues that this de facto public utility status creates a legal justification for states to intervene against problematic concentrations of private power.[2]

We build on Rahman’s insights about the infrastructural character of platforms, but we develop a positive conception of the political power of these firms, which is a product of their economic power but is not equivalent to it. We adopt the term *platform power* to distinguish the political influence that these companies exercise in modern capitalism from their market or infrastructural power. We argue that the advantages these platforms enjoy relate not simply to their dominant position in the market, but also – crucially – to their privileged alliance with consumers. Consumers love the convenience provided by Amazon or Uber, and they have come

[2] Rahman’s usage of the term should be distinguished from that of Michael Mann, who uses the terms infrastructural power and despotic power to denote two main ways in which states exercise power – either through society (infrastructural) or over society (despotic).

to depend on the way that Facebook and Google connect them seamlessly to flows of information. Market power is thus a necessary but not sufficient condition for platform power. The mechanism that translates market power into political clout, we contend, flows from the appreciation, verging on dependence, that consumers have for the convenience these companies provide. Because they are connected to such platforms by their smart phones, they are always only a click away from a cheap ride or a cheap new book or a free piece of information. Once plugged into the Matrix, it can be costly to unplug. In other words, consumers love the platforms, and therefore consumers can prove a formidable source of opposition to the regulation that threatens the convenience provided by these platforms.

Not all and indeed very few firms exercise this form of influence. But the type of influence such firms exercise is not well captured by our conventional understandings of the sources and nature of business power. For starters, it sits uneasily with prevailing accounts of instrumental power. Clearly, firms like Google and Amazon possess tremendous financial resources and have active lobbies in Washington, Brussels and other political capitals around the world. In the US, companies in the internet sector spent $50 million on lobbying, a threefold increase since 2009 (Silicon Valley 2018); the single firm Amazon increased its spending on American lobbying to roughly $13 million in 2017, as opposed to equivalent spending of $2.5 million 5 years earlier (Lynch 2017). Tech companies and their employees are large sources of campaign finance in the US, giving three-quarters of their donations to Democrats. They have been similarly active in the European Union, deploying instrumental power when regulatory issues affecting them come before the European Commission (CEO 2018) and the European Parliament (Rossi 2016).

However, it is not at all clear that these tools and strategies of instrumental power represent the principal form of influence these companies wield. Their political strength does not flow uniquely from the amount they spend on lobbying, but in the way that the political terrain they enter is already tilted in their favor. Who wants to be the politician who shuts down my access to cheap consumer goods delivered the next day through Amazon Prime or the information gateway that connects me to the world through Facebook?

Platform power shares some similarities to older conceptions of structural power. In this case too, the form of influence companies exercise flows from the normal operation of the firm, not from something done as a sideline to their business in order to influence politics. Moreover, and also in common with Lindblom's (1982) punishing recoil mechanism, platform power is largely automatic – it happens in the minds of politicians. The difference, though, is that in the case of platform power, the potential loss is not disinvestment or job loss. Amazon is a large employer, and its hunt for a new headquarters kicked off jurisdictional competition across American cities. But Google and Facebook employ relatively few people, and no one thinks that these firms are going to stop investing in the promotion of their platforms if regulation goes against them. The power these companies wield operates not through politician's fear of the pain that these firms can visit upon the economy so much as the anticipated political fallout to which overeager regulators would expose themselves by messing with the infrastructure of people's lives.

In other words, what unites all of the previous theoretical conceptualizations of business power is the idea that policy makers curry favor with business with *economic incentives* at the front of their minds – whether that is to keep the campaign funds flowing (as in some forms of instrumental power), or out of worries about the impact of business exit or disinvestment on growth and employment (as in structural power). As such, these previous formulations miss a critical new source of business power that stems from the connection that today's platforms have forged, and actively cultivate, with consumers whose displeasure politicians and policymakers are reluctant to unleash.

The Role of Consumers

The role of *consumers* in abetting and shoring up platform power is thus crucial to the exercise of platform power in the twenty-first century. Yet with few exceptions (Trumbull 2006, Rogowski and Kayser 2002, Naoi and Kume 2015, Rahman and Thelen 2018) consumers are undertheorized in the literature on the political economy of the rich democracies. This may have been understandable in the era of manufacturing dominance, but it is increasingly untenable in service-based economies in which consumers are clearly pivotal (see e.g. Thelen 2018). Understanding the role of consumers in shoring up today's platform firms helps to make clear what analogies to infrastructural power as previously exercised, e.g., by railroads in the late nineteenth century, overlook.

What these analogies capture well is that, like the railroads of the nineteenth century, companies such as Google and Amazon are not just service providers in their own right. They also provide the infrastructure to which an entire economic ecosystem – consisting of myriad other businesses – is now attached (Rahman 2018). Third party sellers are in the meantime almost entirely reliant on Amazon (or Google shopping) to reach consumers; content creators need YouTube to monetize their videos.[3] What is different, and politically consequential, is that today's tech firms enjoy a direct link to their users. It is one thing to demonize robber barons; it is quite another to threaten the infrastructure through which I exchange pictures with my mother.

Platform firms share with contemporary (publicly regulated) natural monopolies, such as electricity companies, scale advantages that allow them to provide goods at a cheaper cost. We are all dependent on access to the electric grid, and it is certainly convenient to have the lights stay on and keep my iPhone charged. The risk is that with such market dominance, natural monopolies can then raise prices on consumers, who would then not have alternatives, and would be forced to pay monopoly rents. Being plugged into the electricity grid, I qua consumer am dependent on a power supplier, and I want the state to check that power. That sort of dependence creates a potential for a politician-consumer alliance in favor of regulatory politics.

Like natural monopolies, the efficiency gains of todays' tech platforms are above all a matter of their massive scale and scope. Very differently however from most public monopolies,

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[3] Platforms thus wield enormous monopsony power over the other actors whose economic activities are attached to the platform – the Uber drivers, the third-party sellers on Amazon, the content creators on YouTube. Dominant platforms can issue the threat to these other actors of being excluded from the ecosystem on which their livelihood depends. These actors often have no choice but to accept whatever terms the platform offers them. We thank Sabeel Rahman for this insight.

these platforms (at least at this stage in their development) feel to the consumer like liberation from market distortions that keep them from getting the lowest price for a ride (Uber) or prevent them from finding publicly available information (Google).[4] Being plugged into the internet market via Amazon, I qua consumer am liberated from the need to go to brick and mortar stores. This makes it hard to unplug from the Matrix, and it creates hostility to state regulation that threatens to take away the advantages brought to me by my preferred platforms. Who loves their electricity company? No one. That is not the case with companies that exercise platform power, and this situation creates a bias in favor of deregulatory politics, where consumers and the dominant companies are on the same side – against state intervention. As suggested by the global brand health rankings created by the polling firm YouGov, these companies have so far succeeded in keeping consumers on their side, because they deliver astonishing benefits through our smartphones (see figure 1).

[4] We do not exclude the idea that some of these companies may effectively exercise a stranglehold on certain markets, such as the dominant position of Amazon Marketplace in online commerce. But the common influence about which we are writing does not flow primarily from the economic sources of monopoly power such as railroads, in which natural monopolies are the only possible providers of a service. It flows from a technological capability from which consumers do not want to be liberated and whose capacity for radical innovation is attractive to politicians, regardless of whether they are monopolies or not.

Figure 1: YouGov's Global Brand Health Rankings 2017

Source: [YouGov UK](#).

Business power is classically seen as exercised against the public interest, and in fact the litmus test for structural power has often required the analyst first to demonstrate that what business wants "pushes against substantial opposition in government or in public opinion" (Culpepper 2015: 397). By such a standard, however, today's platform firms mostly fail the test. To the extent that Google delivers superior (faster, better) search results, and to the extent that Amazon makes shopping easier and less expensive, the power of these companies (in the short run anyway) is clearly exercised not *against* the public but in a close and symbiotic alliance with a public that has come to rely on them. This is power that is exercised not against but often decidedly *with* a public that enjoys the fruits of innovation. In this sense, platform firms have succeeded in getting what they want because the public wants it too.

The potential overlap of interests between consumers and the platform companies brings us back to a classic question of business power: does business get what it wants by convincing the public that what's good for General Motors is good for the country? Lindblom (1977) emphasized the importance of business influence through the "molding of volitions," which Smith (2000) later operationalized through the shaping of public opinion. One of the few points of agreement between the two is that American business in the pre-platform age was especially successful not where it tried to influence policymakers (through instrumental power) but where it was able to rally public opinion to its side in political battles. This point was most thoroughly developed in Steven Lukes' conception of the third face of power, in which the powerful get what they want by "determining the very wants" of the powerless, "against the real interests of those [excluded from power]" (1974: 23-5; Gaventa 1980). This was famously known as false consciousness among Marxist scholars. Recent work by Emmenegger and Marx (2017) and Bell and Hindmoor (2014) demonstrates that across a variety of polities, the ability of companies to influence the public about the character of its interests continues to be a formidable component of the structural power of business.

We sidestep this fundamental issue, because we do not have a clear theory of the 'true' interests of platform firms and of consumers. Our theoretical position instead draws on the priming literature in social science, which posits that individuals have multiple identities, the salience of which can influence their political preferences on a given political issue. Most notably, we are all citizens and consumers. Priming citizen identity can lead to more sociotropic preferences, while priming consumer identity can lead to a narrower focus on individual self-interest. Empirical support for this proposition can be found in the area of international trade preferences, where Naoi and Kume (2015) show that the priming of consumer identities in Japan raised support for free trade by up to 9 percent, compared to a control group. This insight builds on the work of Baker (2003, 2005), who argued that consumer preferences explain some part of the cross-country variation in policies for trade liberalization. It can also be found in the field of psychology, where experimental research has shown that cuing consumer identity, as opposed to 'citizen' or 'individual' identities, increases materialistic aspirations and decreases levels of social trust and feelings of responsibility for common pool resource dilemmas (Bauer et al. 2012). Capital and labor platforms are directly oriented to the consumption of goods and services. Information platforms such as Google work on the premise of targeted advertising, exposure to which can readily cue consumer identity. Thus our argument is that citizens have multiple identities, and that thinking about platforms cues the consumer identity, where there may be substantial overlap between the interests of the consumers and the platform in not regulating the platforms, at least in the short-term.

Permissive Consensus: The Limits to Platform Power

Platforms often get what they want, but not always and everywhere. The question structural power theorists faced – and to which some would argue they never provided a satisfactory answer (Vogel 1987, Smith 2000) – was why, if business is so structurally advantaged, it loses so many political fights. Our challenge is similar. If the platform firms have consumers as their natural allies, how do they ever lose regulatory battles? So long as their alliance with consumers lasts, the tacit support of consumers is a powerful source of advantage for platform companies. But when publics turn against them, these firms are vulnerable. To sharpen our expectations about why platform power varies, we need a conceptual apparatus that allows us to understand the sources and limits of consumer support for platform firms. When does the consumer identity dominate preference formation, and when is it subordinated to citizen or other aspects of identity?

The orientation of today's consumers with respect to companies enjoying platform power could perhaps best be made by analogy to what Hooghe and Marks (2009) called the permissive consensus in public opinion. The permissive consensus held that public opinion across member states of the European Union (EU) was broadly positive toward the European project, and that this positive orientation gave political leaders some freedom to craft new institutional deals about the evolution of the EU. This expansive attitude lasted only so long as the EU was not perceived by citizens to intrude on the core issues of political difference that structured national political competition (Scharpf 1999). The permissive consensus was seen to have died in the wake of the Maastricht Treaty, which set up the process for adopting the single currency that became the euro. This policy development brought the institutional evolution of the EU into the realm of redistributive political questions: the ability to conduct one's own monetary policy and the limits of permissible public spending and borrowing. These were at the core of national differences among member states, and the political salience of the European dimension of politics thus became much more intense. The public began to think of the EU not as a simple broadening of the market that brought them cheaper goods, but as a constraint on national policymaking autonomy.

The permissive consensus is an inexact analogy for the relationship between companies with platform power and their consumers. Yet it usefully reminds us that the support of consumers may be drained away when the politics of an issue intersects with the core concerns of people as citizens rather than as consumers. So long as the consensus holds, consumers enjoy the free lunch delivered by radical technological innovation. Their political orientation in such situations is likely to be a permissive one, which favors the assumption of company freedom in order to promote innovation. Indeed, one place where the permissive consensus is an inexact guide to behavior is that it does not recognize the potentially close alignment of consumer and platform economic interests: consumers have economic interests that are directly impacted by the potential regulation of these technology companies. They can't catch an Uber to get home easily if regulations limit the number of Uber drivers on the road. They are therefore more engaged, we argue, than are citizens who may have a stake in economic policies, but for whom collective issues are not always of immediate relevance.

Our conceptualization of the permissive consensus recognizes an element of direct material interest in the capacity delivered by platforms as well as a broader indifference on the part of consumers to the potential threats of platform power, given platform convenience. At the same time, however, consumers are not fools. They are at least aware that big companies do not always have their interests at heart. We expect a breakdown of the new permissive consensus in two sorts of situations. The first is one in which a political issue becomes framed in ways that directly pit the interests of the consumer against the interests of the platform companies. The second situation in which the permissive consensus will collapse is one in which political events prime consumers to think of themselves as citizens first (with the sociotropic concerns of citizens) as opposed to consumers first. The latter situation may not involve interest conflict between consumers and platforms so much as interest conflict between citizens and platforms – and all consumers also have a citizen identity, no matter how much time they spend online.

Variation across Platforms, Issues, and Regulatory Arenas

Conceiving of consumer support as a new permissive consensus allows us to account for variation in regulatory outcomes on three distinct dimensions: (1) across different types of platforms (why have mayors of large cities had more success in imposing restrictions on Airbnb than on Uber?); (2) across issue areas and degrees of issue salience (why have Facebook's privacy issues generated more public backlash than Amazon's questionable labor practices?); and (3) across different regulatory venues/arenas (when does Google fear courts more than legislatures?). The answer to each of these questions goes back to variation in the character of the relationship between the platform and its users and the way this affects the permissive consensus on which platform power rests. In this section we discuss each dimension of variation in turn, illustrating both the strengths and limitations of the consumer-platform alliance as a source of political power for these firms.

Platforms, Consumers and Voters

Platforms in which users are the end customers, such as Uber and Airbnb, have the capacity to directly mobilize consumers against adverse political interference.[5] The political advantage of these platform companies is the great dependence consumers have developed on them, based on

[5] Civic technology activist Matt Stempeck (2015) keeps a rolling tab of such lobbying campaigns by platforms on his Tumblr site User Lobbying.

some combination of convenience or price. They have freed consumers from, in the case of Uber, dependence on expensive and unreliable taxi monopolies. Thus the threat to take away such convenience, when imposed by regulators, can serve as a red flag to consumers. Platform companies can then – using the device that is already in every consumer's pocket – mobilize them into low-cost political action. Such action can support the deregulatory push they need to grow and thrive. Indeed, Uber in 2017 included in its terms and conditions the following language: "Uber may also use the information [we collect] to inform you about elections, ballots, referenda and other political and policy processes that relate to our services."[6]

The capacity of companies to enlist consumers as activists, however, depends on having sufficient concentrations of them in a relevant voting jurisdiction. In other words, companies can only mobilize their end users effectively when the end users are themselves electors of the politicians whose jurisdiction they wish to influence. Thus it matters whether the service is consumed by locals (as in the case of Uber), or instead by visitors (Airbnb) to whom local politicians may not feel particularly beholden, and indeed may be cross-pressured by local citizens with competing interests. Platforms whose services are consumed locally, such as Uber or Lyft, typically benefit from an expanding user base, as more and more users come to rely on the service. Platforms that benefit from these sorts of dynamics understand the political potential this implies and are not shy about exploiting it by weaponizing their users when threatened with unwelcome regulation.

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[6] Hal Hodson, technology correspondent for the *Economist,* on Twitter: https://twitter.com/halhod/status/912323028519936000.

Uber pioneered and perfected the strategy of using its app to mobilize consumers and apply pressure on politicians through social media campaigns. The most famous case was the De Blasio app, named for the New York City mayor who proposed limiting the number of Ubers in the city. The company responded by adding a tab to its app through which users could register their disapproval to the city government with the push of a button – so much easier than writing a letter or marching on city hall! As Collier, Dubal and Carter (2018) emphasize, Uber was thereby able to channel the way in which the preferences of 'the public' were presented, 'solving' consumers' collective action problems while also controlling the message they sent to policymakers. Such strategies are often rhetorically and politically powerful, allowing these firms to portray themselves as defending the consumer against "stifling" regulation in the interests of efficiency, innovation, and consumer choice.

By contrast, Airbnb's growth in large cities has often prompted a backlash. In New York City, for example, it triggered a countermovement that brought together a wide range of local interests who don't often find common cause. Thus, Airbnb confronted a broad-based coalition of hotel unions, industry leaders, affordable housing advocates, tenants, and senior citizens (under the moniker "Share Better"; see, for example, Dubin 2014).[7] Share Better ran a $3 million grassroots campaign that rallied around the goal of preventing the trend of taking personal homes off the market by renting units to tourists on the platform.[8] Airbnb attempted to "rally its hosts to fight . . . but it turned out to be too little too late. Airbnb's customer base is scattered around the country and the world – not ideal for lobbying legislators who listen to their

[7] See also http://assembly.state.ny.us/member_files/075/issues/community_update/?update=201406.php
[8] Some of these groups also organized sting operations to expose violations (e.g., Griswold 2017).

own constituents" (Mashable 2017). Similar dynamics played out in other cities including San Francisco, New Orleans, Seattle, and Berlin. The result in many of the most lucrative urban markets has been to envelop the company in stronger regulations involving some combination of registration requirements for Airbnb hosts, rules on the length of allowable stays, arrangements for payment of taxes, and other measures that have placed limits on the company's growth within particular jurisdictions.

Airbnb's response to political opposition expressed by local governments in Europe shows that it understands the need to align its political strategy with its consumer base. Faced with pressure from localities like Barcelona and Paris, the company has taken its lobbying to the European Union level. Europe as a whole has a lot more tourists looking for deals on rooms than Barcelona or Berlin. Armed with a better match between its user base and jurisdictional authority, Airbnb has pressed at the level of the European Commission for rules that favor the sharing economy and limit local initiatives that curb the use of Airbnb and services like it. This lobbying has led to interpretive rulings from the European Commission that allow platform companies not to share their data with local jurisdictions and that require Commission approval of efforts to place quantitative limits on the amount of housing rented through the sharing economy (CEO 2018).

As a lobbyist, the legitimacy of Airbnb representatives is reinforced by the perception that the company is on the side of consumer, even if they are lobbying *against actual consumer groups*. According to Michela Vuerich of the consumer group ANEC, Airbnb's efforts acquired legitimacy with European Union policymakers because of the company's perceived connection to consumers: "what I found frustrating is that Airbnb is often seen as representing the consumer view in meetings, while they obviously represent their business only…" (CEO 2018: 11). We contend that the reason Airbnb can effectively don the mantle of consumer advocate is because consumers have come to depend on the platform as a way to avoid high hotel prices.

Our focus on consumers explains the difference between Uber and Airbnb in both their success with local governments and in their choice of political strategies. Politicians are more likely to bend to platforms where the platform's users are their own constituents/voters, which helps to explain why mayors across a range of cities in different countries have imposed more regulations on Airbnb than Uber. Airbnb has sought to turn the tables by taking its bargaining to the European Union, where it can claim to speak for consumers across Europe, as opposed to local governments that are not responsive to consumers who live elsewhere. In both cases, the platform companies became aggressive political players who based their lobbying strategy on an explicit consumer alliance.

Variations in Issues and Issue Salience

Platforms such as Google and Facebook, which exchange access to information for the data of users, have created and now dominate new markets and services. Once these firms reach scale, it is not so much consumer loyalty that inspires the coalition between users and platform as consumer dependence. The dependence is in some sense mutual, in that these information platforms depend on the consumer willingness to trade their data in return for free use of the platforms and the convenience use of the platform allows. The key to making this deal sustainable is to have brands that consumers have no reason to mistrust – in other words, when Google says "don't be evil" is its motto, that consumers believe it.

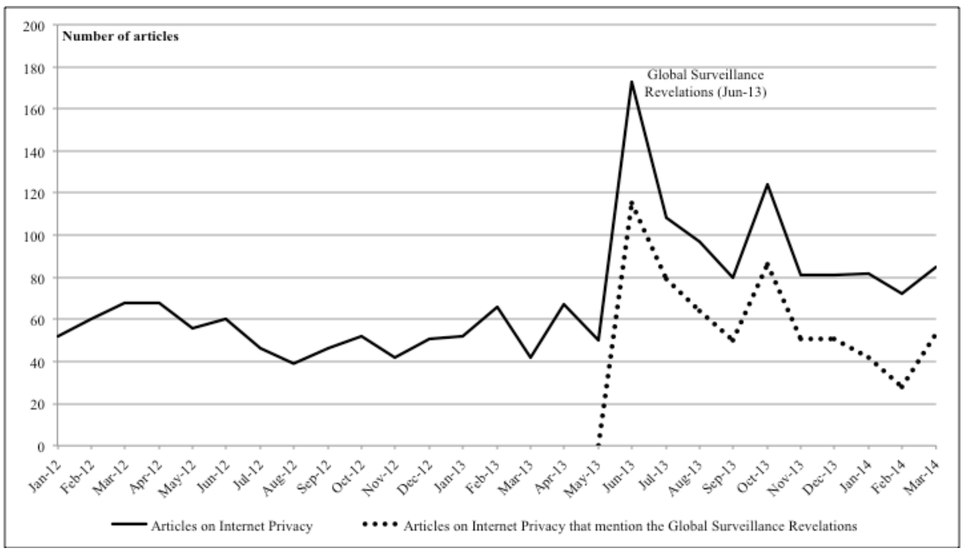
This leads to our second observed type of variation among companies: that across the sorts of issue areas that drive a wedge between the platform and its users. Platform companies are as vulnerable as any other company to events that put them in a bad light with the public. But the character of their vulnerability has distinctive characteristics, tied to the ways in which the salience of some issues undermines the alignment of interests between consumers and platforms, or primes citizen identities as opposed to consumer identities. Issues that put the consumer and the platform on the same side will have trouble gaining traction in the public eye. For example, Amazon's Prime delivery service is predicated on harsh labor practices that allow the company to deliver goods more quickly and cheaply than ever before. However, taking a hard look at what makes it possible for the company to fulfil our shopping needs so swiftly and inexpensively would require consumers to share blame in the exploitation these practices may entail. Consumers are unlikely to mobilize around this issue since they themselves are complicit in it. To update the famous observation of Upton Sinclair, it is difficult to get a person to understand something when the cheapness of their goods and services depends on their not understanding it.

Other issues, however, directly undermine the perception of the platform company and its consumers as notional allies. For example, in the case of information platforms that trade data for services, scandals that focus attention on what is happening with individual data are particularly damaging because they activate privacy concerns and alert consumers to the reality that the information they are getting in fact comes at a cost. One early and notable instance of this took place in the European Union in the wake of the 2013 revelation of Edward Snowden about data collection practices of the US government.[9] At the time, the European Parliament

[9] The following paragraphs rely on the PhD dissertation of Agustin Rossi (2016).

was already developing draft legislation to govern privacy, the Global Data Protection Regulation (GDPR). The GDPR had attracted sustained lobbying from private companies but very little public attention. However, as figure 2 illustrates, the Snowden affair immediately raised the salience of internet privacy, effectively moving the issue out of the realm of quiet politics, where business lobbying generally excels (Culpepper 2011).

Figure 2: Salience of Internet Privacy and Snowden Revelations



Source: Rossi 2016: 31. Data are from Lexis Nexis for the largest two newspapers in each of France, Germany, Italy, Spain, and the United Kingdom.

Moreover, the Snowden episode revealed that platform companies were the key vector through which the American and British intelligence agencies were gathering data, directly from the servers of “Microsoft, Yahoo, Google, Facebook, PalTalk, AOL, Skype, YouTube, [and] Apple” (Gellman and Poitras 2013). As Rossi (2016) in particular has shown, these events caused a stark reversal in how consumers perceived the major platform companies, which were no longer viewed as benign resources for sharing information but as active collaborators in the project of government surveillance (see also Ash 2013 and Packer 2013). That is, the Snowden revelations drove a wedge into the alliance between platforms and consumers by revealing to consumers that there was a hidden cost of their reliance on information platforms. The ensuing public outrage contributed to a significant strengthening of the GDPR (Rossi 2016).

The more recent Facebook scandal brought the same issue home to American consumers. Facebook was scraping our data all along, completely under the radar until Cambridge Analytica brought high salience to privacy issues. Suddenly the company became politically vulnerable, as evidenced in the copious portions of humble pie consumed by CEO Mark Zuckerberg in the wake of the news about Cambridge Analytica. Although it is too early to assess the full fallout, one early result of the Facebook scandal is a sweeping new online privacy law in the company's home state of California, a law that sailed through the state legislature ("from draft to law in one week") with strong bipartisan support.[10] In this case as well, we would argue, Facebook's vulnerability came from the fact that the scandal drove a wedge between the company and its users, at least temporarily.

Indeed, the recent travails of Facebook illustrate that the privacy issue specifically may be their Achilles heel of information platforms generally. This is an area in which these firms have reason to fear the spectre of a user-regulator alliance against the platforms, as the permissive consumer consensus that has allowed their conquest of new markets can give way to a more malign consumer view: that their domination of and access to information will come to be seen by consumers as a scary invasion of privacy, which needs to be regulated, or that their

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[10] Lawmakers were faced with the prospect of a ballot measure, so they rushed to pass preemptive legislation (NYT June 28, 2018). https://www.nytimes.com/2018/06/28/technology/california-online-privacy-law.html

ability to distort information (in response to advertising algorithms or Russian payments) leads to a problematic perversion of the public sphere. The salience of privacy is thus the most pressing political concern of these companies, because a consumer focus on privacy undermines the notion that consumers are getting a good deal by trading their data for access to information.

Looking beyond information platforms and privacy issues, we also observe variation in the relative salience of different issues, depending on the details of political contestation and media coverage in different polities. Some issues are more likely to prime citizen than consumer identities (Naoi and Kume 2015). When that happens, we expect platforms to face greater political headwinds. The contrast between Uber's reception in the United States and Denmark can serve as an example. Almost everywhere, Uber's arrival was met by ferocious opposition from established taxi companies, but from that point on, the politics often diverged (for a full analysis see Thelen 2018). In the United States, Uber itself was able to frame the terms of the conflict, portraying its own role as promoting innovation and consumer choice against inefficient, rent-seeking local taxi monopolies.

In Denmark, by contrast, the central flashpoint around which the conflict over Uber centered was taxation. Taxi companies drew attention to the possibility that Uber's competitive advantage was underwritten by widespread tax evasion on the part of drivers, and in so doing enlisted tax authorities, unions, and most political parties as allies in the fight. Danish unions, concerned about the financial underpinnings of a welfare regime that relies heavily on tax-financed universalistic benefits, took up the cause with gusto. The country's largest union, 3F hired a public relations firm that employed a well-known Danish comic actor to produce a series of videos featuring "Poul Uberman," who touted the benefits of the new service, only to have work colleagues or his mother-in-law in a nursing home underline how Uber was undermining core services of the welfare state. The Danish-language films went viral, achieving over 2.4 million views in a country of 5.7 million people.[11] Politically, the union's campaign made taxes and the welfare state the salient points in the discussion over Uber Denmark, attaching labor's concerns to a broader coalition that channeled the interests of "the public" around a discourse centered on community norms of fairness. The point is that people can be primed to respond as consumers (then pro Uber) or as citizens (also taxpayers). The Danish unions were able to reframe the issue of Uber's entry into the market – appealing to voters as (tax-paying) citizens rather than (convenience-loving) consumers – a winning strategy, since it cast Uber as based on a business strategy that was at odds with the preservation of a model which works only if everyone is paying their fair share.

Platforms Prefer Legislatures over Regulators

To this point we have argued that platform companies often benefit from the tacit support of their consumers. Other things being equal, we therefore expect platform companies to regard appeals to the public to be much more attractive than they typically are for non-platform companies. Consumers as a group are often organized into politics with associational structures or legal protections that see them as having conflicting interests to business (Trumbull 2006). Consumer protection law is after all based on the principle of protecting consumers from someone, and that someone is *business*. But with carefully cultivated reputations for competence

[11] http://www.mu.st/case/3f-uberman/. We thank Niels Fuglsang for drawing out attention to the Uberman campaign.

and deep ties to the consumers who depend on their services, platform companies often think they are likely to benefit from including the consumer viewpoint. In its current fight with the London government, for example Uber did not seek a public controversy, but the company clearly thought it could successfully rally its users against the elected mayor and the local transport authority, and it embraced the public fight with a vigorous PR campaign.

Where platforms can plausibly present themselves as representing consumer interests (for disruptive new entrants, for example, in the interests of competition over "entrenched incumbents," or more generally, as champions of choice and innovation fighting against over-regulation) and where politicians have to worry about user/voter backlash, elected politicians have reason to tread carefully in making laws that affect platform companies. This claim has implications for the ways in which we expect platform companies to engage in politics, and thus the political forum in which they may prefer to press their case.

Business typically prefers to deal with regulators or courts rather than with legislatures. Regulators puts a premium on expert knowledge of the subject and carefully crafted argument, while legislatures are considered more volatile and thus less reliably pro-business, as a venue for action. Empirical work in the EU has suggested that business is most likely to succeed when the role of the European Parliament is circumscribed (Dür et al. 2015). Stigler's (1971) classic argument about the incentives for regulatory capture underline the strength of this logic of business shying away from the hurly-burly of legislative politics. Representatives of business have traditionally engaged in forum-shopping, to find the arena in which the tools of quiet politics are likely to be most effective (Culpepper 2011).

Platform companies are as likely to forum-shop as any other business, but they sometimes have good reason to prefer incorporating the public – and the legislative actors most likely to be influenced by public opinion – even as they try to influence public views on quickly changing questions of policy. Where independent bureaucratic agencies or courts regulate platforms, they are more politically insulated from such influence. We expect this insulation to shift the balance of power toward courts or regulators, such as the European Competition Authority. Where elected officials (city councils, legislatures etc.) are involved, this can tilt things toward the platforms. Where issues are in the courts or with regulators, we may expect to see platform companies draw in the public to try leverage the consumer alliance as a weapon in their favor.

The 2015 battle between Facebook and the telecommunications regulator in India illustrates these dynamics. As part of a project initially entitled Internet.org, Facebook proposed to offer Indian consumers a free, stripped-down version of the Facebook app. The app, whose name was changed to Free Basics, disallowed VOIP (voice over internet protocol) calling services and reserved the right for Facebook to reject other services. As initially explained by Facebook CEO Mark Zuckerberg, the idea was for tech and telecom companies to provide “free access to basic internet services in a way that enables everyone with a phone to get on the internet and join the knowledge economy while also enabling the industry to continue growing profits and building out this infrastructure” (cited in Prasad 2018: 417). The Free Basics proposal ignited opposition in India, spearheaded by a loose coalition of technology workers and other young professionals who called themselves “Save the Internet” (STI) (Soni 2016). STI released viral videos mocking Free Basics as an attack on the principle of net neutrality. Facebook retaliated with a publicity campaign that cost $45 million and featured billboards promoting "digital equality." Zuckerberg himself published an op-ed in the *Times of India* in which he asked, "Who could possibly be against this?" (Hempel 2018). Zuckerberg and the Indian Prime Minister, Narendra Modi, held a joint town hall meeting at Facebook headquarters in Menlo Park California in September 2015.

The ultimate decision about Free Basics was taken not in parliament, but by the Telecom Regulatory Authority of India (TRAI). TRAI held several rounds of public consultation in 2015, in which both STI and Facebook actively campaigned for individuals to leave comments supporting their respective political stances. STI was a successful movement, circulating a series of comic videos with hashtags such as #netneutrality and #savetheinternet (Prasad 2018: 417). Opposition politicians in the Congress Party also seized on the question of net neutrality to attack the government (Basu 2015). Because the issue was under the formal authority of the regulator, STI's campaign worked through the open comment process of the regulator. TRAI officials repeatedly accused Facebook of not following the appropriate procedures of such a consultation, claiming the company had submitted a "a templated response" to their queries, rather than actually answering the question posed by TRAI. The regulator also challenged the company's "self-appointed spokesmanship" on behalf of its users, without their consent, observing that "your urging has the flavor of reducing this meaningful consultation exercise designed to produce informed decisions in a transparent manner into a crudely majoritarian and orchestrated opinion poll" (Soni 2016). In February 2016, TRAI ruled against Free Basics, determining that differential pricing and "zero-rating plans" violated net neutrality in India (Prasad 2018).

A further example of the circumstances in which platforms favor open and highly politicized avenues over the quiet politics of courts and administrative venues can be seen in Amazon's early efforts to resist taxation of internet sales in the United States (see especially Hertel-Fernandez forthcoming: 208ff). The early days of the online retailing boom were governed by a 1992 Supreme Court ruling (*Quinn v. North Dakota*) which held that states and localities could only tax retailers that had a physical presence in their jurisdiction. The prevailing rules thus gave platforms such as Amazon (and Overstock.com and ebay) clear sailing across much of the vast American market. However, after the 2008-09 financial crash, large states such as California and New York confronted intense fiscal pressures and began to look for ways to tax the ballooning internet retail sales market.

Amazon's response was telling. In California, the company teamed up with Overstock.com to promote a referendum campaign against the resulting legislation. Amazon poured millions into an initiative that flew under the banner "More Jobs Not Taxes" (Lifsher and Chang 2011). In the words of the company's vice president for global public policy: "We support this referendum against the recent sales tax legislation because, with unemployment at well over 11 per cent, Californians deserve a voice and a choice about jobs, investment and the state's economic future" (quoted in Jopson and Garrahan 2011). The referendum was opposed by brick-and-mortar competitors including Walmart, Home Depot, Best Buy, and Target, whose lobbying group (Alliance for Main Street Fairness) complained that "the lengths Amazon will go to evade collecting sales taxes – even spending tens of millions of dollars on a ballot initiative – should concern all Californians" (quoted in Jopson and Garrahan 2011). The referendum campaign was called off when Amazon reached a deal with legislators to delay collection of sales taxes for a year.

A similar New York law imposing sales tax on internet retailers prompted Amazon to turn to the American Legislative Exchange Council (ALEC), a pro-business group, to try to stanch the tide of state legislation by discussing with the organization "how to mobilize grass roots opposition to new state sales taxes" (2010 ALEC Task Force Agenda, quoted in Hertel-Fernandez forthcoming: 211). The company's efforts through ALEC were successful in "staving off further state action for several years" (Hertel-Fernandez forthcoming: 212), but the company was less successful in court. The New York State Court of Appeals upheld that state's law, a ruling that was also reinforced when the US Supreme Court declined to consider the case (Stohr 2013).[12]

Clearly, platforms do not always prevail in highly politicized public campaigns, as the case of Uber Denmark showed. Nor do they always lose in closed legal and administrative rulings, as the different outcome for Uber in the UK demonstrates. The point, rather, is that what distinguishes platform firms from most other types of business interests is that their capacity to mobilize consumers means that they do not always seek out the familiar terrain of quiet politics – and indeed on some issues they may be actively spoiling for an open political fight.

Conclusion

[12] In the meantime, Amazon has abandoned its previous support for state-by-state regulation, and now favors national leglislation, which at this point in the company's development will pose a much greater burden on its competitors. Thanks to Alex Hertel-Fernandez for insights into the most recent developments.

Social science generally lags the world that it studies, and probably more so when economic and technological change are proceeding as briskly as in the current moment. It seems incontrovertible that some platform firms exercise outsized power in many political economies today, and notably in the United States and the European Union. We expect that Tencent and Alibaba are similarly disrupting the world of those who study corporate power in China, though the representative democratic context is a likely scope condition for the sorts of dynamics of influence we have put forward here. What we do know is that useful debate about the distinction between instrumental and structural power – or indeed the three faces of power – do not capture well the strengths that Facebook, Google, and Amazon exercise in the modern economy. Likewise, although their market power and the legal debates over monopoly are very important for the future political influence of these companies, a simple market power view misses what is most distinctive about the political advantages enjoyed by platform firms.

Many of those advantages flow from the way that consumers experience the fruits of radical platform innovation. Both structural and instrumental power have emerged from a conceptual worldview according to which there is a demand for public policy that captures a governing majority in parliament, which business is then able to thwart, drawing on its various power resources (Fairfield 2015). By bringing in consumers, who enjoy and intimate dependency on the platform companies, we highlight that radical innovation has brought us radically different potential monopolists than in the past. These companies are good at quiet politics, but they don't require it in order to get their way. Some of these companies can actively mobilize consumers, while others can count on a wellspring of trust and dependence. "What would we do without Amazon?" may not excite the revolutionary fervor of class warriors, but it is an effective statement of a distinctive source of the power that Amazon enjoys in today's politics. In much of political economy, consumers have been left outside of the central models of political conflict, or if included as consumers, included as voters who consume. We reverse that identity: the bulwark of platform companies in the democratic countries are consumers who vote.

We have spoken about conceptualizations of the third face of power associated with the work of Steven Lukes and John Gaventa, or Lindblom's work on volitions. The third face of power involves changing people's preferences, such that they want that which the powerful also want. Thus, they become tacit or even active supporters of policies that may harm their objectively defined material interests. Defenders of such a view might usefully point to the fact that Google can influence where we go on the internet by its auto-complete function; Facebook is the news portal of choice for many; and Jeff Bezos (the founder and CEO of Amazon) has bought the influential US newspaper, the *Washington Post*. Indeed, the machine learning capacities of Google and Facebook may allow them to predict consumer preferences better than consumers themselves can, and that capacity may have important political implications for preference formation.[13] The influencing of public opinion is an important source of business power, and it certainly has a role to play in the political arsenal of the platform firms, particularly given how they depend on a wellspring of public goodwill for their political influence. Yet platform companies in these respects resemble companies in other sectors more than they differ from them. And where they differ from them is in the way they benefit from consumer dependence and the terms of the new markets they have created for consumers.

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[13] We are grateful to Josh Simons for this insight.

Our broader intellectual objective in this paper is to open up the discussion on business power in at least two ways. First, we think that the radical innovation associated with platform companies is not the last and possibly not the most significant change in business power in twenty-first century capitalism. Understanding the new sources of business influence requires grasping what is new about the new economy while putting it in the context of what we know about existing sources of business influence. Technological change does not merely lead to an updating of old ways of doing things; sometimes it leads to profoundly new ways of skinning a cat. Second, and less boldly, we build on the work of prior scholarship in making a plea for a more central role for consumers in the study of political economy (Schor 1999, Rogowski and Kayser 2004, Trumbull 2006, Naoi and Kume 2015, Rahman and Thelen 2018). The way in which consumption defines political preferences, and way it intersects with older and more organized cleavages such as that between labor and capital, seem to us promising exploratory avenues for modernizing how we think about power in politics and the economy.

Finally, however, we want to end on a cautious note. While the relationship between key platform firms and consumers is critical to what we call platform power, we remain skeptical about the possibility that unorganized consumers can play an effective role in durably countervailing the political influence of platform companies. We have discussed the role of exogenous privacy shocks in weakening the influence of platform firms at particular legislative moments: during the amendment process of the European Union's GDPR legislation in 2013 and possibly in present moment, with the Facebook/Cambridge Analytica imbroglio. These are politically consequential events, and they have the capacity of overturning the permissive consensus that has until now been a strong source of platform power. But the aftermath of the

Snowden revelations reminds us that consumers can get angry, but they can also have short memories. If democracies do decide that platform power gives these companies unfair advantages in politics, then we suspect that the role of consumers will be only part of the story. Indeed, we have already hinted that we suspect courts and competition authorities are the biggest threats to platform power, because of their insulation from consumer pressure. We predict that if the power of these companies is to be countervailed in a durable fashion, these are the actors who will lead that change.

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