DRAFT: PLEASE DO NOT CITE WITHOUT PERMISSION OF AUTHORS

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

Version: June 3, 2018

Pepper D. Culpepper and Kathleen Thelen

pepper.culpepper@bsg.ox.ac.uk kthelen@mit.edu

Abstract

This article articulates a distinctive source of political influence of some technology firms, which we dub platform power. Platform power inheres in firms that provide the terms of access through which large numbers of consumers acquire access to goods, services, and information. These companies exercise a form of political power that is distinct from conventional notions of business power. Firms that exercise platform power benefit from a deference from policy makers, but this power is not primarily a function of direct influence through lobbying or campaign contributions (as in instrumental power arguments), nor does it derive from the threat of exit or disinvestment (as in structural power arguments). Companies with platform power instead benefit in a distinctive fashion from the allegiance of their users, who so enjoy the convenience of the platform that they can prove a formidable source of opposition to forms of regulation that threatens these platforms. Thus while previous conceptions of business power all pointed to the economic costs that business could inflict on politicians or on the economy, our analysis draws attention to policy deference due to the anticipated political fallout that politicians could incur if they attempt to regulate these companies. Focusing on the critical role played by consumers in explaining the powers platform firms in the twenty-first century lends insight as well into their distinctive vulnerabilities.

Paper prepared for Third Conference on the Crisis in the Theory of the Firm, Blavatnik School of Government, University of Oxford June 9 and 10, 2018. Comments welcome. As this is an early draft, please do not circulate more widely with permission of the authors.

Introduction

The past several years have seen 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 in the 1960s built some of the scaffolding for the debates by distinguishing between the instrumental and structural power of capitalism (e.g., Miliband 1969, Poulantzas 1972). Within political science, some early formulations of business power stressed direct forms of influence through iron triangles and the "power elite" (e.g., Mills 1956), but scholars such as Lindblom (1977) and Gaventa (1982) subsequently 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 to expand on 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. These and other recent works have given us new insights into the sources and nature of capital's instrumental power.

Recent work on the *structural power of capital* has similarly advanced in comparison with early formulations, providing again 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 calls the "punishing recoil mechanism" – as firms leave for more favorable business locations or invest less month, thus depressing growth and employment (Lindblom 1982; Przeworski and Wallerstein 1986). In the meantime, however, the literature has mostly abandoned 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, Woll 2014), and even across different firms (Culpepper 2015).[1]

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

Platform power

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. For starters, while the big five technology companies exercise enormous power in the American economy, the broader American business elite has ceased to project a united political voice (Mizruchi 2013). As Culpepper has argued (2015), an effective political conception of business power 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. 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). But in fact, firms in the singular form are now influential players in the economy and in politics.

The observation that individual companies wield outsized power in contemporary capitalism has inspired analogies to the great monopolies of yesteryear, companies such as Standard Oil and US Steel (e.g., Posner and Weyl 2018; Rahman 2017). A growing number of scholars observe that firms like Amazon, Facebook and Google, like their nineteenth century predecessors, exercise what Rahman calls infrastructural power. As Rahman (2018: 51) puts it: "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.

We build on Rahman's insights, but we adopt the term "platform power" to distinguish the political influence that these companies exercise in modern capitalism from Michael Mann's concept of "infrastructural power."[2] 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 to depend on the way that Facebook and Google connect them seamlessly to flows of information. Some legal scholarship has used the term platform power to refer to the market position of these companies. Our use of the term is different, and it is political. Market power is 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 platform, and therefore consumers can prove a formidable source of opposition to the regulation that threatens the convenience provided by these platforms.

[2] Mann 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).

The phenomenon of infrastructural power confirms Culpepper's (2015) point that business power varies not just across countries but across firms as well. Not all and indeed very few firms exercise this form of influence. But the type of influence such firms do exercise is not well captured by our conventional understandings of the sources and nature of business power. For starters, it sits uneasily with our conventional understandings of instrumental power. Clearly, firms like Google and Amazon possess tremendous financial resources and have active lobbies in Washington DC. Lobbying and campaign donations play a role of course: in the US, companies in the internet sector spent $50 million on lobbying, a threefold increase since 2009 (*Economist* 2018); the single firm Amazon increased its spending on lobbying to roughly $13 million in 2017, as opposed to equivalent spending of $2.5 million 5 years earlier (Lynch FT 2017). Tech companies and their employees are large sources of campaign finance in the US, giving three-quarters of their donations to Democrats.

However, it is not at all clear that these tools and strategies represent the principal form of influence these companies control. 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 shut 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 exert 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 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 sum, 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 wrath politicians and policymakers are loathe to unleash.

Consumers

The role of *consumers* in abetting and shoring up platform power is thus crucial to the exercise of platform power in the 21st century. Yet with a very few exceptions (Trumbull 2006, Rogowski and Kayser 2002) consumers are completely 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 2017). Understanding the role of consumers in shoring up today's Robber Barons 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 19C, companies such as Google and Amazon are not just service providers in their own right. They also provide the infrastructure on which an entire economic ecosystem—myriad other businesses – are now attached. 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. 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 ae above all a matter of their massive scale and scope. Very differently however from most public monopolies, 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).[3] 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 for deregulatory

[3] 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.

politics, where consumers and the dominant companies are on the same side – against state intervention.

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 power 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 is highly complicit.[4]

Consumers as source of strength, and vulnerability

Platforms often get what they want but not always and everywhere. So long as their alliance with consumers lasts, this is a powerful source of advantage. But when publics turn against them, these firms are vulnerable. Consumers are both a foundational strength and potentially their Achilles heel.

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) once

[4] Lindblom and Smith both anticipated this—Lindblom (1977) through the "molding of volitions" and Smith (2000) through the shaping of public opinion. One of the few points of agreement between the two is that American business in the pre-platform eco age was especially successful where it tried not to influence policymakers (through instrumental power) but where it tried to change public opinion. We return to this point in the conclusion.

called the permissive consensus in public opinion. The permissive consensus held that European public opinion across member states of the EU was broadly positive toward the European Union, and that this positive orientation gave political leaders some freedom to craft new institutional deals about the evolution of the European Union. 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 that had been at the core of national differences, and the salience of the European dimension of politics thus became much more intense.

The permissive consensus is an inexact analogy for the relationship between companies with platform power and their consumers. Most importantly, consumers have economic interests that are directly impacted by the potential regulation of these technology companies. They are 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 economic relevance. The autonomy the platform companies give consumers is something that could be taken away by regulation, and thus they are in some sense more invested in protecting it than citizens may be in supporting policies that do not directly affect them. 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. So their orientation is a permissive one, that favors the assumption of company freedom in order to promote innovation.

Conceiving of consumer support as a sort of permissive consensus allows us to account for variation in regulatory outcomes on several dimensions: (1) across different types of platforms (why have mayors of large US cities had more success in imposing restrictions on Airbnb than on Uber?); (2) across issue areas (why have Facebook's privacy issues generated more public backlash than Amazon's questionable labor practices?); and (3) across different regulatory venues/arenas (why does Google fear courts more than Congress?) We think 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 translates affects the permissive consensus on which the platform's political power rests. We discuss each dimension of variation in turn.

Mobilizing Consumers vs. Riding Consumer Trust

Consumers are connected to different types of platforms in different ways. To schematize somewhat, we distinguish between platforms in which users are the end customers and those in which the customers (their data) are monetized for sale to other end users. Uber and Airbnb are the exemplars of the first category of platforms; Facebook and Google embody the second group. The character of consumer dependence differs over the two cases, and so therefore does its political implications.

Where users are the end customers, the primary political advantage of such companies is the great dependence consumers have developed on them, based on some combination of convenience or price. These companies 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 platform that means they are 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.

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 by visitors (Airbnb) to whom local politicians may not feel particularly beholden, and indeed may be cross-pressured by locals 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 mobilizing and weaponizing their users when threatened by unwelcome regulation.

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. 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 voting! As Collier, Dubal and Carter emphasize, Uber in this way was 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 send to policy makers (2017:3). 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 sometimes prompted a backlash. In New York City, for example, Airbnb's growth mobilized a countermovement that included community groups (e.g. West Side Neighborhood Alliance, the Illegal Hotels Working Group) that included a wide range of constituents (tenants and senior citizens, hotels). Airbnb confronted a broad-based coalition of hotel unions, industry leaders, affordable housing advocates (under the moniker "Share Better").[5] Share Better ran a $3million grassroots campaign that rallied around the goal of preventing the trend toward taking personal homes off the market by renting units to tourists on the platform.[6] 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 own constituents."[7] Similar dynamics played out in other cities including San Francisco, New Orleans, Seattle, and Berlin.

This does not mean that companies such as Airbnb are without resources in politics. Faced with local opposition, they can then take a leaf out of the business playbook and seek to intervene through lobbying in a more favourable regulatory environment. Thus Airbnb, faced with pressure from localities like Barcelona and Paris across the European Union, took its lobbying to the EU level. And, as noted by Michela Vuerich of the consumer group

---

[5] http://observer.com/2014/12/manhattan-bed-breakfasts-face extinction/ and http://assembly.state.ny.us/member_files/075/issues/community_update/?update=201406.php
[6] Some of these groups also organized sting operations to expose violations (e.g., https://qz.com/1084108/1084018/ (30 September 2017).
[7] (https://mashable.com/2017/03/airbnb-nyc-no-vacancy/#H8swsXDPLPqZ).

ANEC, the lobbying of Airbnb acquired legitimacy with European 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 skirt high hotel prices. Armed with a better match between its consumer base and its jurisdictional reach, Airbnb has lobbied at the level of the European Commission for rules that favour the sharing economy and limit local initiatives that curb the use of Airbnb and services like it. This has led to interpretive rulings from the European Commission that allow platform companies not to share their data with local jurisdictions and required Commission approval of efforts to place quantitative limits on the amount of housing rented through the sharing economy.

Our focus on consumers explains the difference between Uber and Airbnb in both their success with local governments and in their choice of 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 have imposed more regulations on Airbnb than Uber. The EU has a lot more consumers than Barcelona or Berlin. Airbnb has been quick to seize this advantage in taking its bargaining, putatively on behalf of consumers who appreciate the convenience of its innovation, to the European Commission as opposed to local governments. In both cases, however, the platform companies became aggressive political players who based their lobbying strategy on an explicit consumer alliance.

In the case of information platforms such as Google and Facebook, the connection to consumers and the way it is politically useful differ. These firms have created and now dominate new markets and services, which consumers love, but which are more like utilities: everyone has to use them, but not with a gush of consumer appreciation for all the money saved. After all, neither of the authors has ever saved money by using Facebook. Once these firms reach scale, it is not so much consumer loyalty (which inspires coalition between users and platform) as consumer dependence. The dependence is in some sense mutual, in these information platforms depend on the consumer willingness to trade their data in return for free use of the platforms and convenience use of the platform allows. The key to making this deal sustainable is to have brands that consumers trust – in other words, when Google says “don’t be evil” is its motto, that consumers believe it. 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.

Figure 1: YouGov's Global Brand Health Rankings 2017

Information platforms like these do not have to mobilize consumer unrest the way Uber does. What they fear is that the permissive consumer consensus that has allowed their domination of new markets gives way to a 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 ability to distort information (in response to advertising algorithms or Russian payments) leads to a problematic perversion of the public sphere. They dread being saddled with regulation as a natural utility by regulators. Indeed, the recent travails of Facebook illustrate that the privacy issue specifically may be their Achilles heel, and an area in which firms that rely on user data have reason to fear the spectre of a user-regulator alliance against the platforms. The salience of privacy is the most pressing political concern of these companies, we contend. Because a consumer focus on privacy undermines the notion that consumers are getting a good deal by trading their data for access to information. This leads to our second observed type of variation among companies: that across issue areas.

Issue Salience and the Consumer-Platform Coalition

Platform companies are as vulnerable to the effects of a scandal that puts them in a bad light with the public as any other company. But the character of their vulnerability to scandal has distinctive characteristics, tied to the ways in which consumers depend on them. In the trade of data for services, scandals that focus attention on what is happening with individual data are particularly dangerous for platform companies, because they undermine the perception of the platform company and the consumers as notional allies. Privacy scandals and those that involve data being sold on to third parties are dangerous for platform companies, as exemplified by the recent Facebook scandal. Facebook was scraping our data all along, completely under the radar until Cambridge Analytica brings high salience to privacy issues. Suddenly the company was more vulnerable, as evidenced in the copious portions of humble pie consumed by CEO Mark Zuckerberg over recent months.[8] Its vulnerability came, we would argue, from the fact that the scandal drove a wedge between Facebook and its users, at least temporarily.

On the other hand, scandals that put the consumer and the platform on the same side – for example, against the 'contractors' who get exploited by the latter and allow cheap goods to be delivered to the former – will have trouble gaining traction in the public eye.

---

[8] It is of course too early to draw lessons from the Facebook/Cambridge Analytica story, since it is not yet clear what (if any) regulatory consequences will follow.

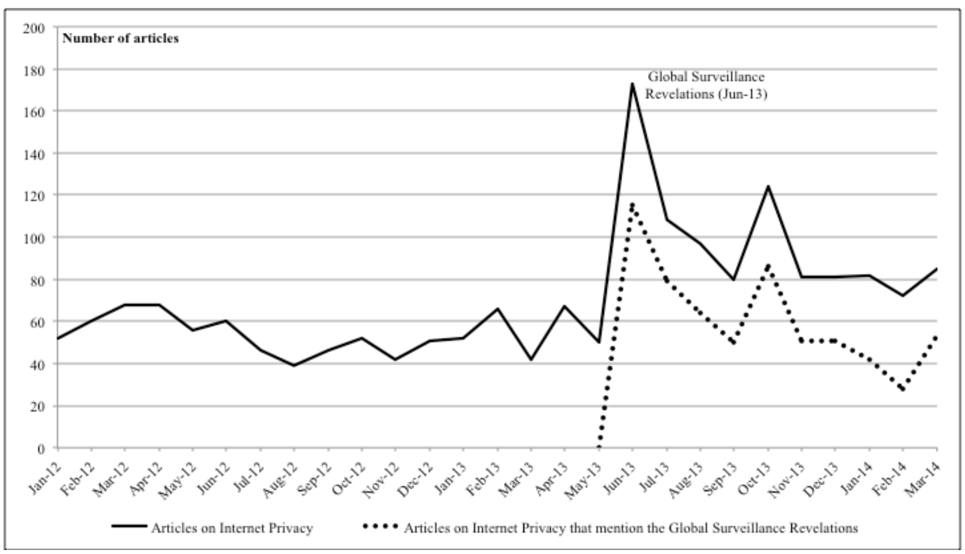
Recognizing platform services as scandals requires consumers to recognize that the cheap Uber ride is not really a free lunch. Scandals, to be effective generators of political salience, draw attention to a behaviour that violates collective norms or expectations. Amazon's Prime delivery service delivers goods more quickly and cheaply than ever before. Taking a hard look at Amazon's labor practices would require consumers me to share blame in the potential exploitation; that is what makes it possible for the company to be so fast and so cheap. 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.

One notable breakdown of the consumer-platform alliance 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] As demonstrated in the work of Agustin Rossi (2016), the Snowden affair created a stark reversal in perception of the major platform companies. Prior to Snowden's leak of the information, technology companies launched a comprehensive lobbying offensive to weaken the draft legislation governing privacy, the Global Data Protection Regulation (GDPR). One European Commission official claimed that Google alone had more people lobbying the European Commission than the Commission had people working on the new regulation (Rossi 2016: 32). The European Privacy Association initially registered itself in Brussels as an independent think-tank, but later was forced to reclassify itself as an "in-house lobbying group," when it revealed that

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

almost all its funding came from Google, Facebook, Microsoft and Yahoo (Fontanella-Khan 2013). Jan-Philipp Albrecht, rapporteur of the bill, observed at the beginning of June that the bill had received 3000 amendments, "80% of those amendment proposals arriving from abroad, from companies, primarily from Silicon Valley giants" (cited in Rossi 2016: 57). The GDPR, in other words, was the subject of sustained lobbying and little public attention. Until the Snowden revelations, that is.

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.

The Snowden affair had two important consequences on the discussion, from the perspective of the large platform company. First, it raised the salience of internet privacy, as illustrated in the figure above. In other words, Snowden moved lobbying out of the realm of quiet politics, where business lobbying generally excels (Culpepper 2011). Moreover, the stories revealing the Snowden information showed 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). The media observed a sea change in opinions, summarized by historian Timothy Garton Ash (2013) in the *Guardian*: "The reassurance we are offered from Facebook, Google and others – 'trust us' – is not good enough. After all, it now turns out they've been sharing some of it with the spooks." *The New Yorker* asserted that "the [NSA's] data-mining story has fundamentally changed the public's picture of Silicon Valley and its relation to the state [...]. It turns out, the biggest companies in the computer business—Microsoft, Yahoo, Google, Facebook, and Apple, among others—have been giving vast amounts of user data to the government's chief surveillance agency, in some cases for years" (Packer, 2013). In the wake of these transformations, the GDPR was strengthened substantially (Rossi 2016).

It is worth reflecting on what is old and what is new in the story of the GDPR passage. Clearly, the early lobbying initiative of the platform companies recall the strategies seen in many other industries – try through repetition to convince lawmakers of the risks of economic regulation to innovation and growth, when the public is not paying attention. Yet because platform companies are the allies of consumers, they do not necessarily stand to lose when issues gain salience. The cost of the GDPR episode is that it made the American platform companies look like willing accomplices of the US government's collection of data about European citizens. That is, the Snowden revelations deprived them of their natural consumer allies. Like the recent Cambridge Analytica event, Snowden was the source of an exogenous privacy shock that undermined the core political strength of the platform companies.

In other words, on some issues platforms clearly benefit from quiet politics and flying under the radar, but once they reach a critical point – and where they are sure they have consumers on their side and can mobilize them against incumbents and hostile regulators -- these platforms are often spoiling for a public fight. In its current fight with the London government, Uber did not seek the controversy, but if they think they can rally their users, they may welcome the public fight. 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, high public salience can help platform companies.

Platforms do not Need 'Quiet Politics'

To this point we have argued that, absent an exogenous privacy shock such as the Snowden affair, platform companies benefit from the tacit support of their consumers. This claim has implications for the ways in which we expect platform companies to engage in politics, and thus the forum in which they may prefer to press their case. Other things being equal, we expect platform companies to regard appeals to the public to much more attractive than they are typically for non-platform companies. This is because 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 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. This leads to a distinctive set of expectations about their political strengths and their likely political strategies.

First, business typically prefers to deal with regulators or courts rather than with legislatures. The former puts a premium on expert knowledge of the subject and carefully crafted argument, whereas the latter is considered more volatile and thus less reliably pro-business, as a venue for action. Thus 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 have good reason to prefer incorporating the public, even as they try to influence public opinion on quickly changing questions of policy. Where independent bureaucratic agencies or courts regulate platforms, they are more politically insulated. We expect this to tilt the balance of power toward courts or regulators (e.g., 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.

Google’s response to court rulings over the Right to be Forgotten (RTBF) usefully illustrate this dynamic. The European Court of Justice (ECJ) ruled in May 2014 that EU citizens enjoyed a right to be forgotten in a case known as Google v. Spain. The case, which established that individuals have a right to appeal for the delisting of their data from Google search results under certain conditions, has set precedent in the EU and beyond, where it has since been cited in similar data privacy and removal cases against Facebook, websites, and news sites from China to Mexico to Canada (Columbia Global Freedom of Expression 2015). Google was later sued in France, where the data protection regulator, the CNIL, had ruled that Google must extended the delisting of links from just the country of the complainant, and delist them globally (Hern, 2017). The latter extension remains before the courts. The RTBF, which was subsequently incorporated into the GDPR, has had some take-up: as of May 1, 2018, Google had received 684,048 requests for delisting, with 2,552,388 URLs captured in these requests (Transparency Report 2018). While significant, the number of deindexing requests has been dwarfed by the number of copyright infringement requests which Google receives.[10]

Google continues to fight cases in court, but its political response to the ruling of the ECJ in 2014 was to establish an advisory board of experts from a variety of fields. Those experts held seven public consultations across Europe, publishing their final report online at the beginning of 2015. The report is a sophisticated analysis of the challenges of RTBF, examining the trade-offs among right to privacy, the right to information, and the challenge of aligning national jurisdictions with the post-national structure of cyberspace. It includes the statements of dissenters, some who find its conclusions not sufficiently protective of privacy, others (notably Jimmy Wales of Wikipedia) who criticize RTBF as a hopelessly

[10] We are grateful to Viktor Mayer-Schoenberger for drawing this to our attention.

confused legal ruling. By establishing this report, Google showed it was willing to use the public forum as a way promote an alternative form of expert deliberation to that of the ECJ. This public set of hearings – which is markedly similar to how governments do negotiated rule-making with the public – shows off a Google that has nothing to fear by taking expertise to the people. Public deliberation, on average, favors Google.

Our claim about the centrality of the consumer alliance to platform power also has implications for our cross-national institutional expectations. Ron Rogowski and Mark Kayser have argued (2002) that majoritarian electoral systems, by virtue their greater seat-vote elasticities, will bias policy in favor of consumers, in comparison with proportional representation (PR) voting systems. They support their claim by showing that majoritarian systems have a consistently lower price level than do PR systems. If the Rogowski/Kayser claim is correct, then we would expect PR systems to be more difficult terrain for platform companies than majoritarian ones. PR systems are often coterminous with political economies in which organized employer groups play a strong role – so-called coordinated market economies (Iversen and Soskice 2009). Thelen's research on Uber suggests that in CMEs such as Germany, disruptive market entrants with winner-take-all ambitions will encounter stronger headwinds not just from unions but also from organized business interests. Platform firms thrive where other economic interest groups are disorganized. Thus, for two overlapping reasons, we expect platform companies to be more likely to succeed politically in majoritarian liberal market economies as opposed to PR coordinated market economies.

Conclusion

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 the context Xi Jinping's 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 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 these power resources. 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 mobilize consumers while other can count on a wellspring of trust and dependence. "What would we do without Amazon?" may not excite the revolutionary tendencies 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 aside 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, the 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*. The influencing of public opinion is an important of business power, and we do think it 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 other companies 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.

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 both 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). 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 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 remind 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.

Bibliography

CEO (Corporate Europe Observatory). 2018. "UnFairbnb: How online rental platforms use the EU to defeat cities' affordable housing measures."

Culpepper, Pepper D. 2011. *Quiet Politics and Business Power*. New York: Cambridge University Press.

Culpepper, Pepper D. and Reinke, Raphael. "Structural Power and Bank Bailouts in the United Kingdom and the United States." *Politics & Society* 42(4): 427-454.

Culpepper, Pepper D. 2015. "Structural power and political science in the post-crisis era." *Business and Politics* 17, no. 3: 391-409.

Davis, Gerald F. "Corporate Power in the Twenty-First Century," in Subramanian Rangan, ed. In *Performance and Progress: Essays on Capitalism, Business, and Society.* Oxford: Oxford University Press.

Garton Ash, Timothy. 2013 "If Big Brother came back, he'd be a public-private partnership." *The Guardian*. 27 June.

Gaventa, John. 1982. *Power and powerlessness: Quiescence and rebellion in an Appalachian valley*. University of Illinois Press, 1982.

Gellman, B., and Poitras, L. 2013.. "U.S., British intelligence mining data from nine U.S. Internet companies in broad secret program." *The Washington Post* 7 June.

Hacker, Jacob S., and Paul Pierson. 2017. *American amnesia: How the war on government led us to forget what made America prosper*. Simon and Schuster.

Hertel-Fernandez, Alexander. 2014. "Who passes business's "model bills"? Policy capacity and corporate influence in US state politics." *Perspectives on Politics* 12, no. 3: 582-602.

Hooghe, Liesbet, and Gary Marks. 2009. "A postfunctionalist theory of European integration: From permissive consensus to constraining dissensus." *British journal of political science* 39, no. 1: 1-23.

Iversen, Torben, and David Soskice. 2009. "Distribution and redistribution: The shadow of the nineteenth century." *World Politics* 61, no. 3: 438-486.

Lindblom, Charles E. 1977. *Politics and Markets.* New York: Basic Books.

Lindblom, Charles E. 1982. "The market as prison." *The Journal of Politics* 44, no. 2: 324-336.

Miliband, Ralph. 1969. *The State in Capitalist Society*. London, UK: Quartet Bo.

Mills, C. Wright. 1956. *The power elite*.

Mizruchi, Mark S. 2013. *The fracturing of the American corporate elite*. Harvard University Press.

Packer, G. 2013. "Big Brother and Silicon Valley." *The New Yorker* 17 June.

Posner, Eric and Glen Weyl. 2018. The Real Villain Behind our New Gilded Age." NYT May 1, 2018.

Poulantzas, Nicos. 1973. *Political power and social classes*. London: NLB.

Przeworski, Adam, and Michael Wallerstein. 1988. "Structural Dependence of the State on Capital." *American Political Science Review* 82(1): 11–29.

Rahman, K. Sabeel. "Private Power, Public Values: Regulating Social Infrastructure in a Changing Economy," *Cardozo Law Revie* 39(5).

Rossi Silvano, Agustin. 2016. "Internet Privacy in the European Union and the United States." PhD. Thesis, European University Institute, Florence, Italy.

Schor, Juliet B. 1999. *The overspent American: Why we want what we don't need*. New York: HarperPerennial.

Smith, Mark A. 2000. *American Business and Political Power*. Chicago, Ill.: University of Chicago Press.

Trumbull, Gunnar. 2006. National Varieties of Consumerism. *Jahrbuch für Wirtschaftsgeschichte / Economic History Yearbook*. 47(1): 77-94.

Vogel, David. 1987. "Political Science and the Study of Corporate Power: A Dissent from the New Conventional Wisdom." *British Journal of Political Science* 17, no.4: 385–408.

Woll, Cornelia. *The power of inaction: Bank bailouts in comparison*. Cornell University Press, 2014.