

# Would society be better off were Facebook to divest WhatsApp and Instagram?

The US Federal Trade Commission and 46 states have brought antitrust cases against Facebook, which could potentially require the company to unwind its acquisitions of Instagram and WhatsApp. The Initiative on Global Markets at the University of Chicago Booth School of Business invited both their US and European panels to express their views on this issue by asking the experts whether they agree or disagree with the following statement, and, if so, how strongly and with what degree of confidence:

## Requiring Facebook to divest WhatsApp and Instagram is likely to make society better off

Of our 43 US experts, 38 participated in this survey; of our 48 European experts, 43 participated – for a total of 81 expert reactions.

Weighted by each expert's confidence in their response, 3% of the [US panel](#) strongly agree, 56% agree, 24% are uncertain, 8% disagree, and 8% strongly disagree. Among the [European panel](#) (again weighted by each expert's confidence in their response), 22% strongly agree, 56% agree, 17% are uncertain, and 5% disagree.

Overall, across both panels (weighted by confidence), 14% strongly agree, 56% agree, 20% are uncertain, 6% disagree and 3% strongly disagree. A considerably larger proportion of experts on the European panel agree or strongly agree with the statement than the US panel (78% compared with 59%); nearly a quarter of US experts are uncertain; and just over a sixth of US experts disagree.

More nuances among the experts' views come through in the short comments that they are able to include when they participate in the survey. Among those who agree or strongly agree with the statement, several refer to Facebook's market power and the potential benefits of greater competition for consumer welfare.

Marco Pagano at Napoli Federico II comments: 'After acquiring Instagram and WhatsApp, Facebook has monopolised the social network market. Breaking it up would restore competition in this market.' Peter Neary at Oxford adds: 'Clearly a reduction in market power, reducing ability to coordinate across brands, would raise consumer and total welfare.' And Barry Eichengreen at Berkeley says: 'In the short run, uncertain; in the long run, lower entry barriers and more competition make for innovation and consumer welfare.'

Others who agree with the statement also look at possible effects of required divestment. Daron Acemoglu at MIT argues: 'Big tech has an oversized and negative effect on direction of technology. Reducing their size and economic/social power is a first remedy.' David Autor at MIT states: 'My main hope is that the forced breakup would deter other future anticompetitive merger attempts.' And Richard Thaler at Chicago speculates: 'I don't know why these acquisitions were allowed. Could Amazon buy Walmart? Each could be sold for big bucks.'

Two panellists who agree with the statement mention concerns about the use of personal data. Jan Pieter Krahnert at Goethe University Frankfurt suggests: 'The two major elements in restoring consumer sovereignty are: strong(er) data protection rights, and competition in the use of data.' And Antoinette Schoar at MIT notes: 'Less concentration in social media is important. But the benefits to society depend on how the ownership of personal data will be regulated.'

Two others who agree with the statement raise questions about how divestment might play out. Oliver Hart at Harvard says: 'Facebook is too powerful and so this might help. But it may be messy. Perhaps a better strategy is to stop future acquisitions.' And Richard Schmalensee at MIT warns: 'Probably, but omelettes are hard to unscramble, and failure of the spun-out firms could reduce consumer choice.'

Judith Chevalier at Yale, who says she is uncertain, continues that analogy: 'Allowing those acquisitions was a likely mistake, need a little more data on unscrambling the eggs.' Similarly, Christian Leuz at Chicago concludes: 'Uncertain, not because there is no issue; many good reasons to take action. But not clear breakup is the best solution. Need new approach for digital providers.'

Among other panellists who are uncertain, Kjetil Storesletten at Oslo notes: 'We lack a thorough understanding of products, competition, and market power in social media markets. Difficult to see quick fixes.' Pinelopi Goldberg at Yale states: 'Many of the social ills one associates with Facebook might get worse with more competition leading to a race to the bottom (see TikTok).' And Aaron Edlin at Berkeley who disagrees with the statement, shares those concerns: 'When firms produce bads instead of goods, then competition leads to more bads, which is... bad. A breakup could backfire.'

Among other panellists who disagree or strongly disagree with the statement, there are a number of different perspectives. Robert Hall at Stanford says: 'Standard industrial organisation theory says mergers of sellers of complements are good.' Robert Shimer at Chicago adds: 'The direct benefits of forced divestment are likely minimal or non-existent. The costs from increased uncertainty are significant.' And Nicholas Bloom at Stanford concludes: 'I do not think governments should be so massively altering private sector firm structures like this unless absolutely necessary.'

Several panellists draw our attention to background information and related research by themselves or colleagues. Pete Klenow at Stanford refers to his joint work on [falling growth and rising firm concentration](#). Daron Acemoglu links to his column on [antitrust and innovation](#). Aaron Edlin points to his opinion piece with Carl Shapiro arguing that [breaking up Facebook would backfire](#). And Christian Leuz references the 2019 report by the [Stigler Committee on Digital Platforms](#).



#### Notes:

- All comments made by the experts are in the full survey results here: [European expert panel](#) and [US expert panel](#).
- This blog post expresses the views of its author(s), not the position of LSE Business Review or the London School of Economics.
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