

## **An open letter to Eric Schmidt from Mathias Döpfner**

Dear Eric Schmidt,

In your text “Die Chancen des Wachstums” (“The Opportunities for Growth”) in the *Frankfurter Allgemeine Zeitung*, you reply to an article which this newspaper had published a few days earlier under the title “Angst vor Google” (“Fear of Google”).

You repeatedly mention the Axel Springer publishing house. In the spirit of transparency I would like to reply with an open letter to highlight a couple of things from our point of view.

We have known each other for many years, and have, as you state, had lengthy and frequent discussions on the relationship between European publishers and Google. As you know, I am a great admirer of Google's entrepreneurial success. In just a few short years, starting in 1998, this company has grown to employ almost 50,000 people worldwide, generated sixty billion dollars in revenue last year, and has a current market capitalization of more than 350 billion dollars. Google is not only the biggest search engine in the world, but along with Youtube (the second biggest search engine in the world) it also has the largest video platform, with Chrome the biggest browser, with Gmail the most widely used e-mail provider, and with Android the biggest operating system for mobile devices. Your article rightly points out what fabulous impetus Google has given to growth of the digital economy. In 2013, Google made a profit of fourteen billion dollars. I take my hat off to this outstanding entrepreneurial performance.

In your text you refer to the marketing cooperation between Google and Axel Springer. We were also happy with it. But some of our readers have now interpreted this to mean that Axel Springer is evidently schizophrenic. On the one hand, Axel Springer is part of a European antitrust action against Google, and is in dispute with them regarding the issue of enforcement of German ancillary copyright prohibiting the stealing of content; on the other hand, Axel Springer not only benefits from the traffic it receives via Google but from Google's algorithm for marketing the remaining space in its online advertising. You can call it schizophrenic – or liberal. Or, to use one of our Federal Chancellor's favorite phrases: there is no alternative.

We know of no alternative which could offer even partially comparable technological prerequisites for the automated marketing of advertising. And we cannot afford to give up this source of revenue because we desperately need the money for technological investments in the future. Which is why other publishers are increasingly doing the same. We also know of no alternative search engine which could maintain or increase our online reach. A large proportion of high quality journalistic media receives its traffic primarily via Google. In other areas, especially of a non-journalistic nature, customers find their way to suppliers almost exclusively through Google. This means, in plain language, that we – and many others – are dependent on Google. At the moment Google has a 91.2 percent search-engine market share in Germany. In this case, the statement “if you don't like Google, you can remove yourself from their listings and go elsewhere” is about as realistic as recommending to an opponent of nuclear power that he just stop using electricity. He simply cannot do this in real life – unless he wants to join the Amish.

Google's employees are always extremely friendly to us and to other publishing houses, but we are not communicating with each other on equal terms. How could we? Google doesn't need us. But we need Google. And we are also worlds apart economically. At fourteen billion dollars, Google's annual profit is about twenty times that of Axel Springer. The one generates more profit per quarter than the revenues of the other in a whole year. Our business relationship is that of the Goliath of Google to the David of Axel Springer. When Google changed an algorithm, one of our subsidiaries lost 70 percent of its traffic within a few days. The fact that this subsidiary is a competitor of Google's is certainly a coincidence.

We are afraid of Google. I must state this very clearly and frankly, because few of my colleagues dare do so publicly. And as the biggest among the small, perhaps it is also up to us to be the first to speak out in this debate. You wrote it yourself in your book: *"We believe that modern technology platforms, such as Google, Facebook, Amazon and Apple, are even more powerful than most people realize (...), and what gives them power is their ability to grow – specifically, their speed to scale. Almost nothing, short of a biological virus, can scale as quickly, efficiently or aggressively as these technology platforms and this makes the people who build, control, and use them powerful too."*

The discussion about Google's power is therefore not a conspiracy theory propagated by old-school diehards. You yourself speak of the new power of the creators, owners, and users. In the long term I'm not so sure about the users. Power is soon followed by powerlessness. And this is precisely the reason why we now need to have this discussion in the interests of the long-term integrity of the digital economy's ecosystem. This applies to competition, not only economic, but also

political. It concerns our values, our understanding of the nature of humanity, our worldwide social order and, from our own perspective, the future of Europe.

As the situation stands, your company will play a leading role in the various areas of our professional and private lives – in the house, in the car, in healthcare, in robotronics. This is a huge opportunity and a no less serious threat. I am afraid that it is simply not enough to state, as you do, that you want to make the world a “better place.” The Internet critic Evgeny Morozov has clearly described the position that modern societies need to take here: This is not a debate about technology and the fascinating opportunities it presents. This is a political debate. Android devices and Google algorithms are not a government program. Or at least they shouldn't be. It is we the people who have to decide whether or not we want what you are asking of us – and what price we are willing to pay for it.

Publishers gained their experience here early – as the vanguard for other sectors and industries. But as long as it was simply a question of the expropriation of content (which search engines and aggregators use but don't want to pay for), only a few were interested. But that changes when the same thing applies to people's personal data. The question of who this data belongs to will be one of the key policy issues of the future.

You say in your article that those who criticize Google are “ultimately criticizing the Internet as such and the opportunity for everyone to be able to access information from wherever they happen to be.” The opposite is true. Those who criticize Google are not criticizing the Internet. Those who are interested in having an intact Internet – these are the ones who need to criticize Google. From the perspective of a publishing house, the Internet is not a threat, but rather the greatest opportunity in

the last few decades. 62 percent of our corporate profit today comes from our digital business. This means that we are not talking about the Internet here, but only about the role that Google plays within it.

It is in this context that of the utmost importance are competition complaints submitted four years ago by various European publishers' associations and Internet companies against Google at the European Commission in Brussels. Google is a prime example of a market-dominating company. With a seventy-percent global market share, Google defines the infrastructure on the Internet. The next largest search engine is Baidu in China with 16.4 per cent – and that's because China is a dictatorship which prohibits free access to Google. Then there are search engines with market shares of up to 6 percent. These are pseudo-competitors. The market belongs to a single company. Google's share of the online-advertising market in Germany is increasing from year to year and is currently around 60 percent. For comparison: The *Bild* newspaper, which has been considered as market-dominating by the German Federal Cartel Office for decades (which is why Axel Springer was not allowed to buy the TV company Pro Sieben Sat.1 or regional newspapers), has a 9 percent market share of printed advertisements in Germany. By comparison Google is not only market-dominating but *super* market-dominating.

Google is to the Internet what the Deutsche Post was to mail delivery or Deutsche Telekom to telephone calls. In those days there were national state monopolies. Today there is a global network monopoly. This is why it is of paramount importance that there be transparent and fair criteria for Google's search results.

However, these fair criteria are not in place. Google lists its own products, from e-commerce to pages from its own Google+ network, higher than those of its

competitors, even if these are sometimes of less value for consumers and should not be displayed in accordance with the Google algorithm. It is not even clearly pointed out to the user that these search results are the result of self-advertising. Even when a Google service has fewer visitors than that of a competitor, it appears higher up the page until it eventually also receives more visitors. This is called the abuse of a market-dominating position. And everyone expected the European antitrust authorities to prohibit this practice. It does not look like it will. The Commissioner has instead proposed a “settlement” that has left anyone with any understanding of the issue speechless. Eric, in your article you talk about a compromise which you had attempted to reach with the EU Commission. What you have found, if the Commission does decide on the present proposal, is an additional model for Google of advertising revenue procurement. There will not be any “painful concessions” but rather additional earnings.

The Commission is seriously proposing that the infrastructure-dominating search engine Google be allowed to continue to discriminate against its competitors in the placement of search results critical to success. As “compensation,” however, a new advertising window will be set up at the beginning of the search list, in which those companies who are discriminated against will be able to buy a place on the list. This is not a compromise. This is an officially EU-sanctioned introduction of the business model that in less honorable circles is referred to as protection money – i.e. if you don't want me to kill you, you have to pay me.

Dear Eric Schmidt,

You know very well that this would result in long-term discrimination against and weakening of any competition. Meaning that Google would be able to develop its superior market position still further. And that this would further weaken the European digital economy in particular. I honestly cannot imagine that this is what you meant by compromise. But I do not want to reproach you and Google for this. You, as the representative of the company, can and must look after its interests. My criticism is directed at the European Competition Commission. Commissioner Almunia ought to reflect once again on whether it is wise, as a kind of final official act, to create a situation that will go down in history as a nail in the coffin of the already sclerotic European Internet economy. But it would above all be a betrayal of the consumer, who will no longer be able to find what is most important and best for him but what is most profitable for Google – at the end a betrayal of the basic idea behind Google.

This also applies to the large and even more problematic set of issues concerning data security and data utilization. Ever since Snowden triggered the NSA affair, ever since the close relations between major American online companies and the American secret services became public, the social climate – at least in Europe – has fundamentally changed. People have become more sensitive about what happens to their user data. Nobody knows as much about its customers as Google. Even private or business emails are read by Gmail and, if necessary, can be evaluated. You yourself said in 2010: “We know where you are. We know where you’ve been. We can more or less know what you're thinking about.” This is a remarkably honest sentence. The question is: Are users happy with the fact that this

information is used not only for commercial purposes – which may have many advantages, yet a number of spooky negative aspects as well – but could end up in the hands of the intelligence services and to a certain extent already has?

In Patrick Tucker's book *The Naked Future: What Happens in a World that Anticipates Your Every Move?*, whose vision of the future was considered to be "inescapable" by Google's master thinker Vint Cerf, there is a scene which sounds like science fiction, but isn't. Just imagine, the author writes, you wake up one morning and read the following on your phone: "Good morning! Today, as you leave work, you will run into your old girlfriend Vanessa (you dated her eleven years ago), and she is going to tell you that she is getting married. Do try to act surprised!" Because Vanessa has not told anyone yet. You of course are wondering just how your phone knew that or whether it's a joke, and so you ignore the message. Then in the evening you actually pass Vanessa on the sidewalk. Vaguely remembering the text from the phone, you congratulate her on her engagement. Vanessa is alarmed: "'How did you know I was engaged?' she asks. You're about to say, 'My phone sent me the text,' but you stop yourself just in time. 'Didn't you post something to your Facebook profile?' you ask. 'Not yet,' she answers and walks hurriedly away. You should have paid attention to your phone and just acted surprised."

Google searches more than half a billion web addresses. Google knows more about every digitally active citizen than George Orwell dared to imagine in his wildest dreams in *1984*. Google is sitting on the entire current data trove of humanity like the giant Fafner in *The Ring of the Nibelung*: "Here I lie and here I hold." I hope you are aware of your company's special responsibility. If fossil fuels were the fuels of the 20th century, then those of the 21st century are surely data and user profiles. We

need to ask ourselves whether competition can generally still function in the digital age if data are so extensively concentrated in the hands of one party.

There is a quote from you in this context that concerns me. In 2009 you said: “If you have something that you don't want anyone to know, maybe you shouldn't be doing it in the first place.” The only sentence that is even more worrying comes from Mark Zuckerberg when he was on the podium of a conference with you and I in the audience. Someone asked what Facebook thinks of the storage of data and the protection of privacy. And Zuckerberg said: “I don't understand your question. If you have nothing to hide you have nothing to fear.” Ever since then I have thought about this sentence again and again. I find it terrible. I know that it was certainly not meant that way. Behind this statement there is a state of mind and an image of humanity that is typically cultivated in totalitarian regimes – not in liberal societies. Such a statement could also have come from the head of East Germany's Stasi or other secret police in service of a dictatorship. The essence of freedom is precisely the fact that I am not obliged to disclose everything that I am doing, that I have a right to confidentiality and, yes, even to secrets; that I am able to determine for myself what I wish to disclose about myself. The individual right to this is what makes a democracy. Only dictatorships want transparent citizens instead of a free press. Officials in Brussels are now thinking about how the total transparency of users can be avoided by restricting the setting and storage of cookies on the Internet (with which it is still possible today to find out which website you clicked on at 10.10 a.m. on 16. April 2006), in order to strengthen consumer rights. We do not yet know exactly how this regulation will turn out, any more than we know whether it will do more good than bad. But one thing is already certain – if it comes to pass, there will

be a winner: Google. Because Google is considered by experts to be the absolute leader in the development of technologies which document the movements and habits of users without setting cookies.

Google has also made provisions as far as the antitrust proceedings in Brussels on fair search are concerned. It is expected that the whole procedure will be decided in Google's favor. But if not, it would also be safeguarded. Concessions and restrictions that have been wrung out in lengthy proceedings, limited to Google's European domains, would be ineffective in an agreement because Google is able, using Android or Chrome, to arbitrarily determine that the search will no longer be carried out from a web address but by using an app. This means that Google will be able to withdraw from all the commitments it has given, which to this day are still bound to the Google domains such as google.de.

Will European politics cave in or wake up? The institutions in Brussels have never been so important. An archaic question of power is to be decided. Is there a chance for an autonomous European digital infrastructure or not? It is a question of competitiveness and viability for the future. Voluntary self-subjugation cannot be the last word from the Old World. On the contrary, the desire of the European digital economy to succeed could finally become something for European policy, which the EU has so sorely missed in the past few decades: an emotional narrative.

16 years of data storage and 16 years experience by tens of thousands of IT developers has established a competitive edge which can no longer be offset with economic resources alone. Since Google bought "Nest" it knows in even more detail what people do within their own four walls. And now Google is also planning

driverless cars, in order to compete in the long term with the car industry from Toyota to VW. Google will then not only know where we drive our cars but how we are occupying ourselves when we are in the car. Forget Big Brother – Google is better!

Against this background it greatly concerns me that Google – which has just announced the acquisition of drone manufacturer “Titan Aerospace” – has been seen for some time as being behind a number of planned enormous ships and floating working environments that can cruise and operate in the open ocean. What is the reason for this development? You don't have to be a conspiracy theorist to find this alarming, especially if you listen to the words of Google founder and major shareholder Larry Page.

He dreams of a place without data-protection laws and without democratic accountability. „There's many, many exciting and important things you could do that you just can't do because they're illegal“, Page said back in 2013, continuing „...we should have some safe places where we can try out some new things and figure out what is the effect on society, what's the effect on people, without having to deploy kind of into the normal world.“

Does this mean that Google is planning to operate in a legal vacuum, without troublesome antitrust authorities and data protection? A kind of superstate that can navigate its floating kingdom undisturbed by any and all nation-states and their laws?

Until now the concerns were the following: What will happen if Google continues to expand its absolutely dominant market power? Will there be even less competition? Will the European digital economy be thrown back even further compared to the few

American super corporations? Will consumers become even more transparent, more heteronomous and further manipulated by third parties – be it for economic or political interests? And what impact do these factors have on our society?

After this disturbing news you need to ask yourself: Is Google in all seriousness planning for the digital supra-state in which one corporation is naturally only good to its citizens and of course “is not evil”? Please, dear Eric, explain to us why our interpretation of what Larry Page says and does is a misunderstanding.

I am aware that the problems which are caused by new digital super-authorities such as Amazon and Facebook cannot be solved by Google alone. But Google could – for its own long-term benefit – set a good example. The company could create transparency, not only by providing search results according to clear quantitative criteria, but also by disclosing all the changes to algorithms. By not saving IP addresses, automatically deleting cookies after each session, and only saving customer behavior when specifically requested to do so by customers. And by explaining and demonstrating what it intends to do with its floating group headquarters and development labs.

Because the fear of growing heteronomy by the all-determining spider in the web is not being driven by any old analog dinosaurs, who have not understood the Internet and are therefore afraid of everything new. It is rather the digital natives, and among them the most recent and best-informed, who have a growing problem with the increasingly comprehensive control by Google.

This also includes the fiction of the culture of free services. On the Internet, in the beautiful colorful Google world, so much seems to be free of charge: from search services up to journalistic offerings. In truth we are paying with our behavior – with

the predictability and commercial exploitation of our behavior. Anyone who has a car accident today, and mentions it in an e-mail, can receive an offer for a new car from a manufacturer on his mobile phone tomorrow. Terribly convenient. Today, someone surfing high-blood-pressure web sites, who automatically betrays his notorious sedentary lifestyle through his Jawbone fitness wristband, can expect a higher health insurance premium the day after tomorrow. Not at all convenient. Simply terrible. It is possible that it will not take much longer before more and more people realize that the currency of his or her own behavior exacts a high price: the freedom of self-determination. And that is why it is better and cheaper to pay with something very old fashioned – namely money.

Google is the world's most powerful bank – but dealing only in behavioral currency. Nobody capitalizes on their knowledge about us as effectively as Google. This is impressive and dangerous.

Dear Eric Schmidt, you do not need my advice, and of course I am writing here from the perspective of those concerned. As a profiteer from Google's traffic. As a profiteer from Google's automated marketing of advertising. And as a potential victim of Google's data and market power. Nevertheless – less is sometimes more. And you can also win yourself to death.

Historically, monopolies have never survived in the long term. Either they have failed as a result of their complacency, which breeds its own success, or they have been weakened by competition – both unlikely scenarios in Google's case. Or they have been restricted by political initiatives. IBM and Microsoft are the most recent examples.

Another way would be voluntary self-restraint on the part of the winner. Is it really smart to wait until the first serious politician demands the breakup of Google? Or even worse – until the people refuse to follow? While they still can? We most definitely no longer can.

Sincerely Yours

Mathias Döpfner