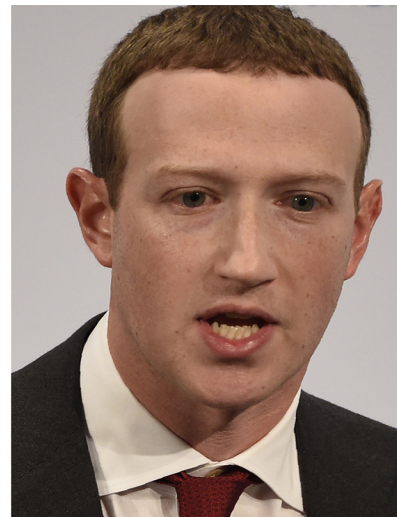


The New Inquisition

By John Mauldin | July 3, 2021



Freedom of the Press Was a Hot Mess

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The World Is Upside Down

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It is as essential to democracy that the minority should voluntarily submit to the measures adopted as it is that the majority should voluntarily approve them. Democratic government rests upon the principle that it is better to count heads than it is to break them. The principle is a good one, but unfortunately, men will not, under certain conditions, so regard it. By and large the principle works well enough, at least in countries where the democratic tradition is well established, only as long as the issues to be decided do not involve those interests which men will always fight for rather than surrender.

Democratic government, being government by discussion and majority vote, works best when there is nothing of profound importance to discuss, when the rival party programs involve the superficial aspects rather than the fundamental structure of the social system, and when the minority can meet defeat at the polls in good temper, since it need not regard the decision as either a permanent or a fatal surrender of its vital interests. When these happy conditions no longer obtain, the democratic way of life is always in danger.

—Carl Becker, winter 1941, *“The Dilemma of Modern Democracy”* (h/t Neil Howe), a very dark time indeed

This is July 4 weekend, when in the US we celebrate American independence. Rather than my usual economic/investment letter, this week I want to take a more philosophical tack, looking at some of the challenges we face as a country and culture, beginning with the freedom of the press but then turning to technology and even wealth disparity. We will have to consider what freedom of speech meant in the 1800s, what it meant at the turn of this last century, and what it means today in a world of social media.

The divisions within our country lead to some very worrisome potential economic outcomes and difficult choices. I will admit upfront I have more questions than answers, and am looking forward to seeing what your answers might be. And if you find this letter to be interesting and thoughtful, consider forwarding it to your friends and holding your own discussions.

Freedom of the Press Was a Hot Mess

Let's rewind the wayback machine to the late 1700s and specifically to 1800. Although the printing press had been around for over 250 years, the concept of press freedom was rather amorphous. But it was certainly discussed in political circles, and our founders enshrined it in the Constitution's First Amendment. Culturally, however, we really didn't understand what that concept meant. The majority of the early newspapers were highly partisan, many of the writers wrote under pseudonyms, harshly and not always truthfully.

In what is arguably one of the worst laws that was passed in the United States, [The Sedition Act of 1798](#) permitted the deportation, fine, or imprisonment of anyone deemed a threat or publishing "false, scandalous, or malicious writing" against the government of the United States.

Many newspapers had been writing aggressively about George Washington. It got worse with the election of John Adams in 1796, and a slim majority (44–41) of Adam's supporters, the Federalists, decided to pass the Sedition Act. It was immensely unpopular and helped Jefferson beat Adams in 1800, not without numerous [scandalous things](#) said. For example...

Jefferson's camp accused President Adams of having a "hideous hermaphroditical character, which has neither the force and firmness of a man, nor the gentleness and sensibility of a woman."

In return, Adams' men called Vice President Jefferson "a mean-spirited, low-lived fellow, the son of a half-breed Indian squaw, sired by a Virginia mulatto father."

As the slurs piled on, Adams was labeled a fool, a hypocrite, a criminal, and a tyrant, while Jefferson was branded a weakling, an atheist, a libertine, and a coward.

Trust me, this was the mild stuff. An intense survey of newspapers not just in 1800 but going on for almost the entire 19th century showed massive partisan slander and libel. It took well over a century for laws and court rulings to define slander and libel, causing newspapers to be far more circumspect in what they actually published.

The key point is that as a culture we were not prepared to deal with such a new concept as freedom of the press and what it really meant. It took a lot of discussion and debate to frame the concept that worked.

Social Media, Freedom of the Press, and Censorship

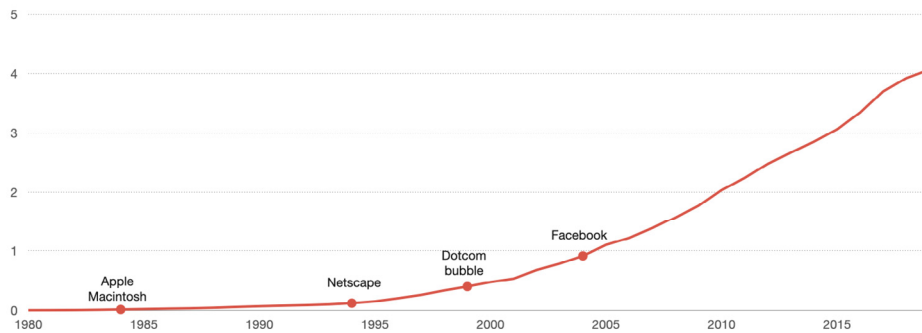
Now we as a culture/country (meaning almost every country) have to deal with a brand-new medium of information exchange called “social media.” Tech was really quite small until recently, in the grand scheme of things. By recently I mean starting with 2010. I am going to quote liberally (emphasis mine) from a Benedict Evans [essay](#). He wrote this last year, prior to the 2020 censorship controversies surrounding Facebook, Twitter, and Google, which makes the complexity he describes even more challenging. (For those who like to keep up with difficult issues surrounding technology, Benedict Evans should be one of your go-to’s.)

In 1994 there were about 100 million PCs on the planet. Today, 4 billion people have a smart phone, three-quarters of the adult population, and in most developed countries 90% of the adult population is online.

Tech was very small until very recently

The number of global computer users has quadrupled even since Facebook launched in 2004

Global computer users (bn)



Source: Gartner, ITU, Apple, Google, CNNIC, @BenedictEvans

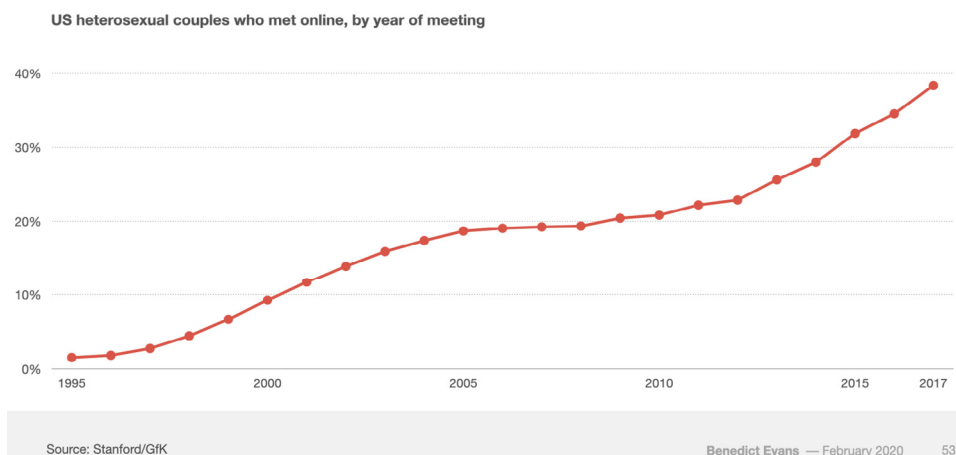
Benedict Evans — July 2020 53

Source: Benedict Evans

The change isn't just that almost all of us have a computer now, but that we've changed how we use them. This is my favorite chart to show this—in 2017, 40% of new couples in the USA met online. It's probably over 50% now. Anyone does anything online now.

Today, anyone does anything online

In 2017, 40% of Americans met their partners online



Source: Benedict Evans

Tech has gone from being just one of many industries to being systemically important to society. My old colleague Marc Andreessen liked to say that ‘software is eating the world’—well, it did.

The trouble is, when software becomes part of society, all of society’s problems get expressed in software. We connected everyone, so we connected the bad people, and more important, we connected all of our own worst instincts. All the things we worried about before now happen online and are amplified, changed, and channeled in new ways. Meanwhile, the problems that tech always had matter much more, because they become so much bigger and touch so many more people. And then, of course, all of these combine and feed off each other, and generate new externalities. The internet had hate speech in 1990, but it didn’t affect elections, and it didn’t involve foreign intelligence agencies.

When something is systemically important to society and has systemically important problems, this brings attention from governments and regulators. All industries are subject to general legislation, but some also have industry-specific legislation. All companies have to follow employment law, and accounting law, and workplace safety law, and indeed criminal law. But some also have their own laws as well, because they have some very specific and important questions that need them.

We certainly regulate automobiles, but we don't expect Ford to fix traffic congestion or make General Motors responsible for all car accidents. Regulating big industries involves trade-offs.

'Tech', of course, has all of this complexity, but we're having to work this out a lot more quickly. It took 75 years for seatbelts to become compulsory, but tech has gone from interesting to crucial only in the last five to 10 years. That speed means we have to form opinions about things we didn't grow up with and don't always understand quite so well as, say, supermarkets.

[JM: and we have to try to do this when we are at the largest partisan divide of our lifetimes, and when whatever we mean by regulation is inevitably going to be intertwined with censorship and freedom of the press. And we don't have 150 years to figure it out.]

...If you ask the average person on the street why they worry about 'big tech', they're unlikely to reply that Facebook and Google might be overcharging Unilever for video prerolls.

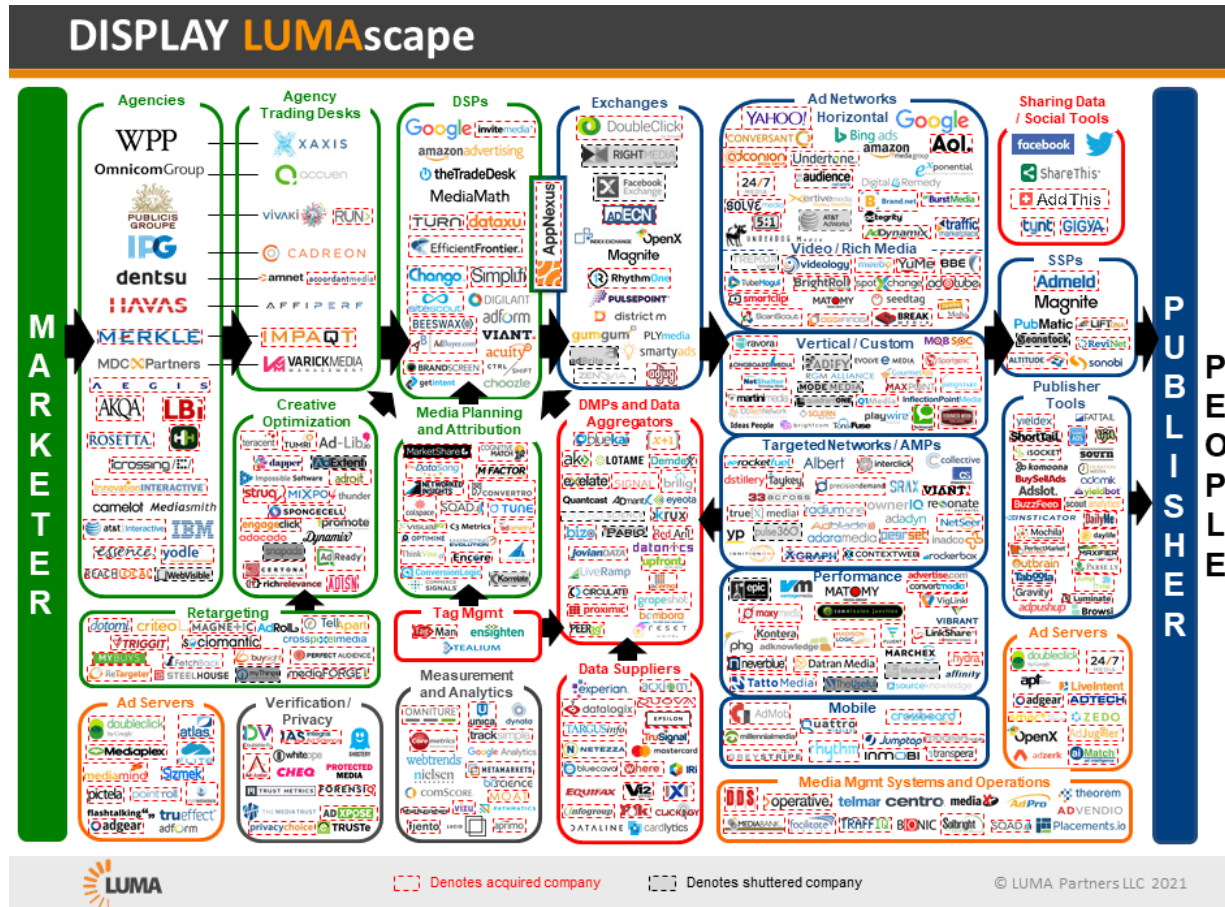
Part of the appeal of applying anti-trust to any problem connected to 'tech' is that it sounds simple—it's a way to avoid engaging with the complexity of real policy—but it's also worth noting that the rise of tech to systemic importance has coincided with the second half of an industry cycle.

... This lends itself to a *post hoc ergo propter hoc* fallacy: these companies have gained big market shares at the same time as the problems emerged, so that must be the cause of the problem.

The more one thinks about real policy, though, the more one sees that many of the most important debates we have around technology have deeply embedded tradeoffs. At the beginning of this year I attended a conference of European competition regulators: the head of one agency said that they tell a tech company that it must do X, and then the company goes down the road to the privacy regulator, who says 'you must not under any circumstances do X'. Competition policy says 'remove friction in moving data between competing services' and privacy policy says, well, 'add friction'. In other words, policy objectives come with conflicts.

Now, we find different countries wanting to apply competing and different rules and regulations to large technology platforms (including Chinese companies by US and European regulators).

Regulating something as complex as social media is more than just three or four large technology companies. A whole ecosystem, hundreds of companies, can easily fall within that regulation, many of them small which means the burden of regulation in terms of cost would be higher and we as a culture run the risk of reducing competition, not what we want to see from a consumer standpoint. Try and grasp the complexity of this landscape below:



Source: *Luma Partners*

Carl Becker writing 80 years ago (in the same essay mentioned above) notes (plus ça change...):

It is true, of course, that there may not be time enough. There may not be time enough in any case. Technological advance has so accelerated the tempo and complicated the character of social change that present social ills can scarcely be properly diagnosed before they have been so far transformed that the proposed remedies are no longer adequate.

The World Is Upside Down

Read that last paragraph again and then realize that many people believe Twitter, Facebook, and Google and other companies have decided that certain conversations and political beliefs need to be removed from their platforms. Not just political speech, whether or not you think they should (as in the obvious example of Trump), but also [information about COVID-19 drugs and therapies](#) from serious and well-established researchers whose opinions might differ from that of the CDC or WHO.

During conversations this last week in New York, more than a few of my fellow dinner partners agreed with me that the world is upside down: We find ourselves agreeing with Matt Taibbi, who is generally found somewhere on the far left of the spectrum, who has recently become [quite vocal](#) about the sanctity of having open discussion forums and cancel culture. I actually paid to subscribe because I want to encourage people who believe in an open discussion in the public square. Besides that, he makes me think.

In the same vein, Peggy Noonan [approvingly quotes](#) Bill Maher. Really? Peggy and Bill together? But the point is that both of them agree about the need for open and free discussions in the public marketplace.

You can watch the whole nine-minute clip she mentions [here](#). Let me give you a few quotes from her *Wall Street Journal* column:

Maher, who has described his politics as liberal, libertarian, progressive and practical, is a longtime and occasionally brave foe of wokeness in its extreme manifestations. He zeroed in on one aspect that fuels a lot of grievance, and that is the uninformed sense that America has largely been impervious to improvement.

Mr. Maher called this “progressophobia,” a term coined by the cognitive psychologist Steven Pinker. Mr. Maher defines it as “a brain disorder that strikes liberals and makes them incapable of recognizing progress. It’s like situational blindness, only what you can’t see is that your dorm in 2021 is better than the South before the Civil War.”

“...If you think that America is more racist now than ever, more sexist than before women could vote, you have progressophobia,” Mr. Maher said. Look at the changes America has made on disputed issues like gay marriage and marijuana legislation.... That’s progress. Acknowledging progress isn’t saying, ‘We’re done,’ or, ‘We don’t need more.’ And being gloomier doesn’t mean you’re a better person.”

“In 1958,” he said, “only 4% of Americans approved of interracial marriage. Now Gallup doesn’t even bother asking. But the last time they did, in 2013, 87% approved. An overwhelming majority of Americans now say they *want* to live in a multiracial neighborhood. That is a sea change from when I was a kid.”

There’s a lot more. You should either read the column or watch the clip.

When Did Politics Become Religion?

Some readers know that I actually went to seminary and have a Master of Divinity degree. That and \$3 will get you a cup of coffee at Starbucks. My own personal spiritual journey has been somewhat strained and tortuous over the last 50 years, but I do have an understanding of what looks and feels like religion.

Wokism is a religion. Cancel culture is its Inquisition. Its adherents are fanatics and obsessed with not deviating from whatever they perceive as the received wisdom from their catechism.

And just to be fair, and just as serious, the far right/Q-Anon/Proud Boys, etc., have the same religious trappings, just in different form. They are every bit as self-righteous and oblivious. And make me equally uncomfortable.

(I have noted before that even economics is somewhat religious in nature. Economists are like shamans and witch doctors of old, but rather than looking at sheep entrails or dice to forecast the future, we look at “data” in order to tell politicians what they want to hear.)

Politics has always had a little bit of a religious characteristic/zealotry to it. Part of the Bill of Rights was freedom of religion, meaning everyone is free to practice their religious beliefs. But now we have these “political” religions that want to ban competition. Freedom of religion is part and parcel freedom of opinion. You can’t ban either from the public square.

It is as if an entire generation, or groups within our country, have rejected the American Revolution with a seeming preference for the French Revolution. The guillotine was the ultimate cancel culture. The French Revolution didn’t last, because its foundations were faulty. For all of America’s flaws, our foundations gave us a system allowing for flexibility, growth, and change.

But that flexibility requires open discussion in the common marketplace. Competing positions need not be accepted, but they must be allowed.

It is not a matter of whether we will regulate Facebook, Google (YouTube), or Twitter. We already do. We give them exemptions under Section 230 of the [Communications Decency Act](#), which is not accorded to *The New York Times* or Fox News (as examples). The news media is subject to rules about slander and libel, deliberate false statements, etc. They self-censor in order to avoid legal liabilities. It is a tricky and difficult process. For that matter, I also operate under the same standard as well as being a regulated person. There have been more than a few times over the years when I have had to ask, “Can I say this?”

I believe that Zuckerberg or Dorsey should be able to do whatever they want with their businesses. But if We the People give them liability exemptions so that they are not responsible for what people write, does that also give them the freedom to censor some people and not others? To censor some information or ranking in the search engines? To blacklist certain thought? To allow anonymous individuals to say anything they want no matter how slanderous or wrong?

Neil Howe commented on a first draft of this letter. While I am skeptical of antitrust laws, he makes a very important point:

If it's a competitive industry, then who cares if individual platforms censor anything they want—or the customers on those platforms, for that matter? There ought to be plenty of other platforms around. But if it's not, then it's probably a monopoly and it ought to be dealt with by antitrust policy.

IMO, the industry is not competitive at all—it has massive and infinite economies of scale and it wields unconscionable pricing power, all the way down to price discrimination among individual buyers. So I think antitrust needs to be revived from the coma it was put under back in the Reagan and Bork '80s. Sure, that's just my opinion. But you can't have it both ways. You can't complain about cancel culture on web platforms and also remain agnostic about whether there's an antitrust issue here.

Hard question. But precisely why we need a very serious and open public discussion.

Who Watches the Watchers?

Technology has brought us to a new place. Just as the world was confronted with the “new thing” of freedom of the press 230 years ago, we are now confronted with a small group of companies responsible for a great deal of human interaction. That wasn't the plan, but it's been the result. For all practical purposes, these companies now own the public square.

We as a culture/civilization/country need to ask ourselves how we are going to hold conversations in the public square. Do we treat large social media platforms as public utilities? Do we offer them the freedom of section 230 without the responsibility to keep the conversation open?

Do we require the platforms to have at least some verification process that a real human being is involved, even if they allow anonymity? Do we try to ensure that one person can't be 200 Twitter accounts? Or 2,000? In 2016, the largest Black activist (Blacktivist) account on Facebook was a Russian troll.

How do we have this discussion in such a divided partisan situation? When one group would clearly like to censor another, how do you hold a public conversation?

And we don't have 100 years to come up with an answer. While there have been big technological changes in our past, they happened over decades, not a few years.

Quoting Carl Becker from the very top:

Democratic government, being government by discussion and majority vote, works best when there is nothing of profound importance to discuss...

Clearly, there is much of profound importance to discuss today. And not just technology and freedom of speech. The main thrust of Becker's essay was about unemployment, social safety nets, and wealth and income distribution. Quoting:

In democratic countries, therefore, the measures taken for effecting a more equitable distribution of wealth can never be based upon the best scientific knowledge available; they can be such only as the majority of citizens will voluntarily sanction and the minority voluntarily submit to.

It is easy to look at today's political climate and feel frustration or despair. Becker wrote his essay when Europe was already engulfed in war. The Great Depression was still a reality. It was a very dark time, and became darker. Not for the first time. Valley Forge was not easy. Neither was the Civil War nor the various economic panics and depressions and other wars.

As we celebrate July 4, let us remember The Republic will survive. We have our destiny in our hands and are in the greatest technological revolution in history. I find hope that a group of moderates in Congress from both sides of the aisle are trying to craft bipartisan legislation that will last beyond the next election (www.NoLabels.org).

Ideas ebb and flow. They just do so faster now. I think people are weary of hyper-partisanship and we will see a First Turning in the middle of this decade toward more social cohesion and cooperation. But the ride will likely be bumpy. So fasten your seatbelts and remember, we will get there!

Maine, Colorado, and NYC?

I will be heading to Maine for the annual economic fishing trip in the middle of August, with a stopover in Washington, DC. Then on to Colorado for a private speaking engagement (remember those?) and hopefully back to New York in September. In the meantime, Shane and I are enjoying summer in Puerto Rico.

I seriously suggest you read the entire [Carl Becker essay](#), remembering it was written in 1941. With a few tweaks, it could be from 2021. It is amazingly powerful and I will read it several times myself, trying to absorb the points.

It's time to hit the send button, so let me wish you a great July 4 weekend. I will miss all the fireworks, but Puerto Rico has numerous other occasions where they celebrate aggressively with fireworks. I hope you share time with friends and family, and avoid fewer people! And [follow me on Twitter](#) and send me your own thoughts. I will read them.

Your excited to live in such interesting times analyst,



John Mauldin

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