

What if FAANG Shrugged Instead of Atlas? A Modern Day Strike of Today's Men of the Mind



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We are on strike, we, the men of the mind. We are on strike against self-immolation. We are on strike against the creed of unearned rewards and unrewarded duties. We are on strike against the dogma that the pursuit of one's happiness is evil. We are on strike against the doctrine that life is guilt.

— Ayn Rand, *Atlas Shrugged*

Last week I watched Facebook founder and CEO Mark Zuckerberg continue his global apology tour. As European lawmakers ripped him to shreds, I sifted through what felt like hundreds of emails from companies preparing me for the May 25 implementation of the European Union's General Data Protection Regulation (GDPR). And my mind wandered. Can you blame me? I wondered what would happen if, in response to today's increased scrutiny and government regulations, the FAANG companies (Facebook, Apple, Amazon, Netflix & Google) went on strike? Technology drives the global economy. Without it, would the world fall into depression and chaos as it does in *Atlas Shrugged*? Sadly, I think it would.

Atlas Shrugged by Ayn Rand is my second favorite book of all time. It closely rivals my all-time favorite *The Fountainhead*, written by the same author. But that's a story for another time. With that declaration, half of you have probably stopped reading. The other half are smiling

broadly and muttering that you always knew there was something special about me. Ayn Rand's philosophical belief system of Objectivism outlined in her novels is that polarizing. Folks either love it or hate it. I'm clearly in the love it camp.

Published in 1957, *Atlas Shrugged* incorporates elements of science fiction, mystery and romance. More importantly, in what would be her final novel, Rand provides her most comprehensive illustration of Objectivism. The controversial core tenet of Objectivism is that the moral purpose of life is the pursuit of one's own happiness (rational self-interest). Further, it asserts that the only social system consistent with this morality is one that fully respects the individual rights embodied in laissez-faire capitalism. Not surprisingly, Rand's works have been credited with forming the ideological foundation of the Libertarian movement which emphasizes individual rights and views authority and state power with great skepticism.

So, there you have it — I'm a selfish jerk. Or let's put it this way — one of my closest friends wants to create a T-shirt that reads, "I had a good time. And that's all that matters." So let's enjoy discussing how FAANG shoulders a similar burden to Atlas.

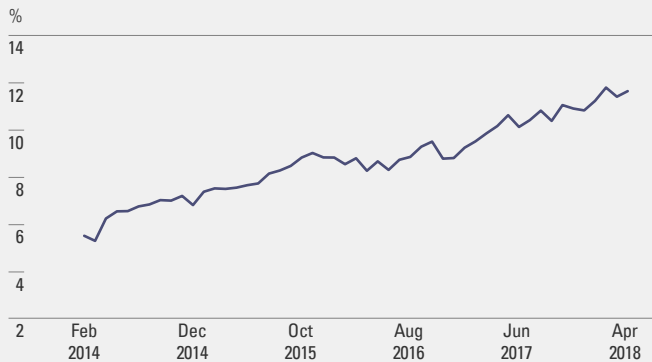
First, the CliffsNotes

Rand sets *Atlas Shrugged* in a repressive United States where private businesses suffer under increasingly burdensome laws and regulations. In defiance of the decay and pessimism around her, railroad executive Dagny Taggart seeks to rebuild the crumbling track of the Rio Norte Line to reach the last booming industrial area in the country. She and her lover, steel magnate Hank Rearden, struggle against looters and the government who control their business operations and steal their production.

Meanwhile, John Galt, a mysterious genius inventor with the capacity to change the world, initiates a strike against these exploiters of productivity and recruits other successful

industrialists to abandon their businesses and disappear from the world. Without the innovation and production of the industrialists, the world's motor quite literally grinds to a halt. The strike culminates when Galt seizes control of the radio to broadcast his philosophy of individualism. Soon after, the looters' regime collapses and the industrialist strikers make plans to return to the world to build a new capitalist society.

Figure 1: FAANG's Market Cap as % of S&P 500



Source: FactSet, as of 4/30/2018.

FAANG: The Economy's Lifeblood

In the real world, FAANG stocks have amassed more than \$3 trillion in total equity market capitalization. An astounding sum. FAANG has become the modern day equivalent of Standard Oil, U.S. Steel, Anaconda Copper Mining Company and the New York Central Railroad Company. And technology industrialists Mark Zuckerberg, Steve Jobs, Jeff Bezos, Marc Randolph, Reed Hastings, Sergey Brin and Larry Page are this era's John D. Rockefeller, Andrew Carnegie, the Rothschilds and Cornelius Vanderbilt.

Similar to these industrialists, today's titans of technology find themselves under increasingly close government scrutiny. As the regulatory spotlight has shifted from financials to shine brightly on the technology sector, innovation-busting whining about monopolies and persistent calls for greater regulation and company breakups grow louder by the day. Could these attacks and new policies one day be enough to snuff out FAANG's drive to innovate?

I can imagine a modern day version of Rand's tale with a metaphysical Steve Jobs convincing today's productive technology industrialists to abandon their companies and go on strike against government regulators. And for fun, I've drawn some loose parallels between the characters in *Atlas Shrugged* and FAANG's real life heroes to convince you fellow Randians that the world would grind to a halt if FAANG went AWOL.

Facebook: Go Ahead, Friend Me

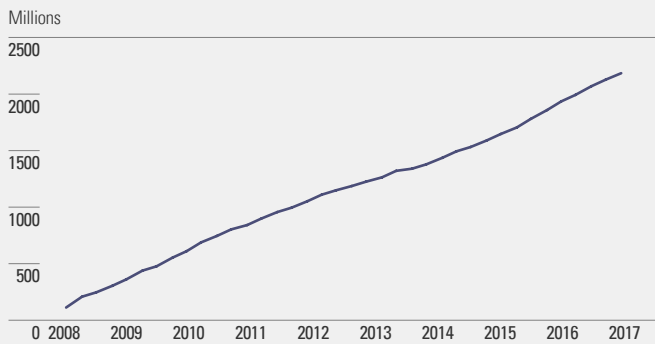
Mark Zuckerberg embodies hero Francisco d'Anconia's energetic "Let's find out. Let's make it" approach to life. That entrepreneurial resolve was on display during Zuckerberg's recent testimony to explain how Facebook could have allowed the private data of 87 million users to fall into the hands of Cambridge Analytica, a voter profiling company that used the data to influence the 2016 presidential election.

I wonder how many of Facebook's 2 billion users tuned in for his testimony? The most popular social network in the world, Facebook had 1.45 billion active users visit Facebook daily in the first quarter! In 2017, the company's annual revenue surpassed \$40 billion dollars, the majority of which was generated through advertising.¹

If you think Facebook is just for keeping friends and family informed about where you vacationed and what you had for dinner, think again. Users visit the site daily for news and business communications as well, and in the aftermath of recent global terrorist attacks and US school shootings, Facebook provided users the ability to quickly check on the health and safety of loved ones. It also has created a powerful platform for the voices of #MeToo, aided in organizing a national school walkout to protest gun violence and served as a critical communication tool in the revolutionary wave of demonstrations and protests that became known as the Arab Spring.

It's stunning to think about the sweeping changes that social media platforms have created for human connections at all levels, including educational systems, political activities, charitable organizations and businesses. For now, even when dealing with invasion of privacy issues, Facebook remains at the center of it all, defining the future promise and vision of social media platforms. Although its content often seems silly, Facebook has created a "can't live without it" global community. What would life be without racking up Likes?

Figure 2: Number of Monthly Active Facebook Users Worldwide



Source: Statista.com, Facebook, as of 3/31/2018.

Apple: Who Is Steve Jobs?

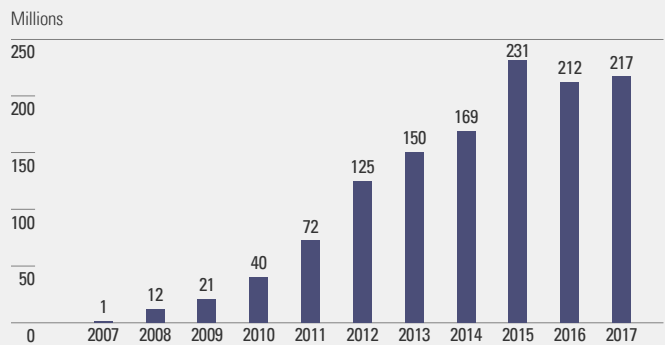
Just as the genius John Galt, the inventor of a revolutionary motor, leads a world-altering strike, so did Steve Jobs' vision of a "computer for the rest of us" spark a revolution and make Apple an icon of global business. Apple's 2018 first quarter financial results produced all-time records for revenue and earnings-per-share. The company posted quarterly revenue of more than \$88 billion, an increase of 13 percent year over year and the biggest quarter in Apple's history, with broad-based growth that included the highest-ever revenue from a new iPhone lineup.² And in January when Apple achieved the important milestone of active installed devices reaching 1.3 billion, Apple's CEO, Tim Cook noted the increase of 30 percent in just two years was a "testament to the popularity of our products and the loyalty and satisfaction of our customers."³

At the forefront of every major personal technology innovation for the last 40 years — personal computers, smartphones, smart watches, music, and entertainment — Apple is now on the brink of becoming the world's first trillion dollar company. While the iPhone accounts for 60 percent of Apple's revenues, its Services business is worth an estimated \$381 billion.⁴

According to Strategy Analytics, for the first time ever, Apple garnered more than 50 percent of the global smartphone market in the fourth quarter of 2017. And studies continue to show how dramatically cell phones are changing the world. According to *The Economist*, a 10 percent increase in cell phone ownership among citizens of developing countries boosts per capita GDP growth by roughly 1 percent per year. Mobile money is the biggest driver of this growth. In fact, a 2016 study by MIT economists found that using mobile money helped 194,000 Kenyans escape extreme poverty over the course of 8 years.⁵

Meanwhile, a 2017 Asurion study found Americans check their phone on average once every 12 minutes or 80 times a day — and 31 percent report anxiety when separated from their phone. Because we literally can't live without our smartphones, Apple dominates the global market, to say nothing of our lives. I shudder to think what would happen if the Genius Bar stopped taking our reservations or Siri didn't respond to our questions.

Figure 3: Apple iPhone Unit Sales Worldwide 2007–2018



Source: Statista.com, as of 12/31/2017.

Amazon: Free and Same Day?

Amazon, the ecommerce titan, makes me think of *Atlas'* young philosopher Ragnar Danneskjold, the industrialist who goes on strike and becomes a pirate who sinks government relief ships. While Danneskjold alone defeats the United States Navy, Amazon's CEO Jeff Bezos has been accused by President Trump of exploiting the United States Postal Service. Today, Bezos continues to extend his reach from grocery chains to newspapers to health care.

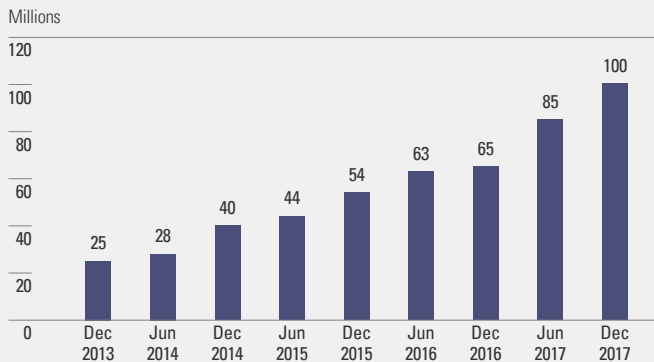
Amazon has forever altered the way consumers purchase goods of all kinds from books to groceries and everything in between. It leveraged logistics, an incredibly efficient sales process and a giant physical distribution network to increase customer satisfaction and create customer loyalty. Net sales at Amazon reached \$178 billion in 2017, a 31 percent increase from \$136 billion in 2016.⁶ Packages with the easily identifiable Amazon logo show up at homes and businesses all over the world daily. Amazon's voice assistant Alexa can play your favorite song, order a pizza, turn off the lights — and mistakenly send recordings of your private conversations to random people on your contact list.

And talk about global reach. Amazon shipped more than 5 billion items worldwide in 2017 with Prime.⁷ Amazon Prime's annual membership program includes unlimited free shipping of over 100 million items, access to unlimited

instant streaming of thousands of movies and TV episodes, Alexa voice shopping and unlimited free access to thousands of Kindle books and content. With more than 100 million subscribers globally, 51 percent of US households will be Amazon Prime subscribers in 2018, up from 45 percent in 2017. Prime subscribers spend up to 4.6 times more than non-Prime customers. Morgan Stanley estimates that the average Amazon Prime customer spent \$2,486 over the last 12 months, compared to \$544 for non-Prime Amazon customers. And 46 percent of Amazon Prime subscribers buy something online using the benefits of their subscription at least once a week.⁸

And because fast and free is never fast enough, Prime now includes free same-day delivery on selected products and Amazon is fine tuning additional services for launch later this year. Just imagine if the Amazon customers Bezos recently described as “divinely discontent” with a “voracious appetite for a better way...where yesterday’s wow quickly becomes today’s ordinary”⁹ had to suddenly schlep all over town instead of having packages delivered to their door.

Figure 4: Estimated Number of Amazon Prime Members in the US



Source: Statista.com, Amazon, as of 3/31/2018.

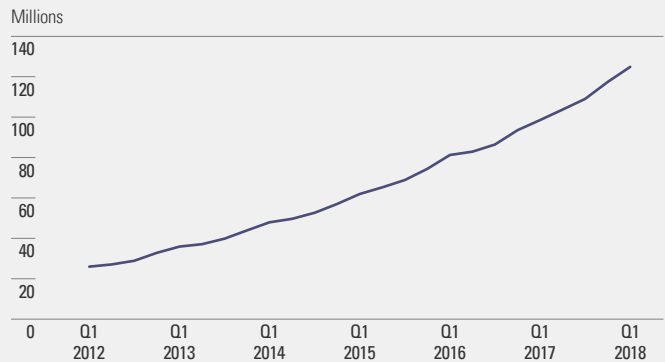
Netflix: Who Me, Binge Watch?

The same way Hank Rearden develops a stronger metal than steel that transforms railroad construction, Reed Hastings, Netflix’s co-founder and current CEO, pioneered more convenient entertainment. Legend has it that the idea for movies by mail was rooted in a \$40 Blockbuster fine Hastings had to pay when he lost a VHS copy of *Apollo 13*. Recently, Netflix passed Disney to become the world’s biggest media stock.

Founded in 1997, Netflix began as a company that mailed DVDs of films and TV shows to customers. Mailing DVDs to customers inexpensively created a digital distribution network, while Hastings waited for the Internet to catch up and pass the postal system. The company introduced streaming in 2007. By 2010, the volume of streaming users exceeded the number of DVD mail subscribers.¹⁰

Today, Netflix’s strategy of investing heavily in content, both original and licensed, continues to pay off. Netflix has more than 125 million subscribers globally. The company now has members in 190 countries and its international business is contributing positively to the bottom line, propelling net income to \$559 million on annual revenue of \$11.6 billion in 2017.¹¹ Netflix has not only changed the way the world watches films and TV, but also feeds our on-demand appetite. A cliffhanger is tough enough to stomach, but can you imagine the disappointment if your favorite series stopped mid-season?

Figure 5: Number of Netflix Streaming Subscribers



Source: Netflix, as of 3/31/2018.

Google: It’s a Noun and a Verb

In *Atlas Shrugged*, Taggart Transcontinental, run by Dagny Taggart, is the country’s lifeline. Rail travel is central to fostering growth through expanding markets and facilitating the exchange of ideas. The same can be said for Google.

Processing more than 2 trillion searches per year worldwide, Google has become the universal medium through which most information flows into our brains.¹² It’s our default setting.

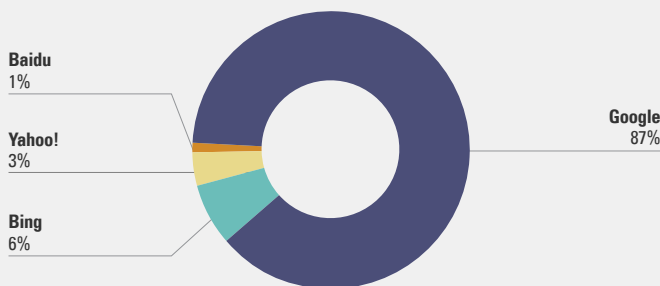
But Google is much more than an Internet search engine. It specializes in Internet-related services and products, including online advertising technologies, cloud computing, software and hardware. The company’s rapid growth also

has triggered a chain of acquisitions and partnerships. It offers services designed for work and productivity, email, scheduling and time management, cloud storage, social networking, instant messaging and video chat, language translation, mapping and turn-by-turn navigation, video sharing, note-taking, and photo organizing and editing. Alexa.com a company that monitors commercial web traffic, lists Google.com as the most visited website in the world. Several other Google services also figure in the top 100 most visited websites, including YouTube and Blogger.¹³

In February 2017, the *Independent* claimed that Google was the most valuable brand in the world.¹² Google parent company Alphabet's first quarter earnings beat analyst expectations on both the top and bottom line. Alphabet's revenue grew by 26 percent year-over-year on sales of more than \$31 billion.¹⁴

Google's must-have technologies, like those of the other FAANG constituents, dominate, if not invade, our daily lives. In addition to providing instantaneous answers to your every question and getting you from Point A to Point B, Google knows a lot about you. If you use location tracking on your phone, Google stores your locations and creates a timeline. Google knows everything you've ever searched. Google knows all of the apps you use and your YouTube history. In fact, the data Google has on you can fill millions of Word documents. So what would happen if all of it fell into the wrong hands?

Figure 6: Global Market Share of Search Engines 2017



Source: Statista.com, as of 12/31/2017.

Think a Strike's Far-Fetched? I'm Not So Sure

In *Capitalism: The Unknown Ideal*, a volume of essays Rand described as "a nonfiction footnote to *Atlas Shrugged*," she explains *laissez-faire* capitalism this way: "America's abundance was not created by public sacrifices to the common good, but by the productive genius of free men who pursued their own personal interests and the making of their own private fortunes."

When *Atlas Shrugged* was published in 1957, the world's economic engine was fired by the production of copper, steel, oil and transported by railroads. As I've shown, technology, more specifically FAANG, drives today's economy. These companies and their creators have amassed incredible wealth, power and influence. Their production has disrupted whole industries and fundamentally changed how we live and communicate.

Yet these innovations also have surfaced some real challenges regarding ethics, morality and privacy. While we need to thoughtfully address these privacy challenges, we must be equally careful not to discourage the creative disruption that has improved our lives and benefited our pockets and economy.

Given technology's influence and can't-live-without-it attributes, if today's greatest innovators, creators and technology industrialists went on strike, I would expect an *Atlas Shrugged* conclusion — economic depression, societal chaos and change in government leadership.

The comedic irony in all of this is that as FAANG has become the lifeblood of the world's economy and our daily lives, we are controlled as much as we are aided. Ayn Rand believed in the exchange of value for value. There is no question that FAANG provides all of us with incredible utility. That's its value. Like it or not, the value we exchange with FAANG for their services is ourselves (well, at least our personal data).

Here, I think of my 78-year-old father who does not use the Internet. He doesn't have email. When I ask him why not, he'd always respond, "They will steal my information." He's stuck to that claim for decades. We used to laugh at him, but lately, I'm wondering if he is ahead of his time. No question it is getting more difficult for him to function in today's FAANG society. Imagine trying to communicate, complete a bank transaction, pay bills or schedule appointments without email or a smartphone? Most of us simply cannot enjoy life without technology and we crave more every day. But in exchange, we must offer the companies something of value. Unfortunately, that value is our information. Sorry, Dad.

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¹ Statista, April 2018.

² Apple Reports First Quarter Results, Apple. February 1, 2018.

³ Ibid.

⁴ Tim Bradshaw, "The iPhone may not be what finally pushes Apple over \$1 tn, Financial Times, May 29, 2018.

⁵ Vanessa Bates Ramirez, "Leapfrogging Tech is Changing Millions of Lives. Here's How," SingularityHub, May 6, 2018.

⁶ "10 Charts That Will Change Your Perspective of Amazon Prime's Growth," Forbes, March 4, 2018.

⁷ Ibid.

⁸ Ibid.

⁹ GDennis Green, "Jeff Bezos finally revealed how many people pay for Amazon Prime," Business Insider. April 18, 2018.

¹⁰ Statista, December 2017.

¹¹ Ibid.

¹² Danny Sullivan, "Google now handles at least 2 trillion searches per year," Search Engine Land. May 24, 2016.

¹³ "These are the world's most popular websites," World Economic Forum, April 10, 2017.

¹⁴ "The world's most valuable brands revealed," Independent, February, 2018.

Glossary

GDP or Gross Domestic Product The monetary value of all the finished goods and services produced within a country's borders in a specific time period.

S&P 500® Index A popular benchmark for U.S. large-cap equities that includes 500 companies from leading industries and captures approximately 80% coverage of available market capitalization.

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