

Time to pursue an active, bold digital-transformation policy

In the new economy data is the strategic raw material, and the basic functions of society are increasingly dependent on major platform companies. Therefore, as with the banks, they must operate responsibly. We must restrain this concentration of power, and at the same time harness the benefits of digital transformation.

Sweden must 'become the world leader in harnessing the opportunities of digital transformation.' This is the government's own conclusion in the recently published For sustainable digital transformation in Sweden – a Digital Strategy. Yet, strangely, these guidelines ignore the radical, tech-driven transformation of society seen in recent years, and other countries' reactions to it. With the new global digital-platform monopolies, a new economy and balance of power has arisen. If we fail to recognize this, any measures we propose to support democracy and meet contemporary challenges will prove to be little more than empty hopes.

Since the early 1990s, radical global change has affected virtually every area of society. Initially the internet functioned as a lever. More recently, connected devices, digital platforms, artificial intelligence, the cloud and big data arrived. The power of this transformation is illustrated by the fact that today five platform companies are listed among the world's most valuable businesses; ten years ago there was just one.

Until very recently the benefits, both real and imagined, of this new technology dominated the accepted viewpoint. The more digital innovation the better! Yet hopes of improved democracy, greater individual power, and free formation of public opinion have been dashed and in many cases even reversed. The development of the internet has been one of covert surveillance, hate campaigns, false news and commercialization, driven by advertising-based companies such as Google and Facebook, which both derive most of their income from advertisements. People are spending increasing amounts of their life on digital platforms, at the same time becoming ever more dependent on them.

Roughly three years ago saw the beginning of the political era of the internet, as it became known. Authorities in various countries began to react to the fact that the data economy also entailed competition-stifling monopolies, aggressive tax avoidance, law infringement and lax treatment of personal data. Examples include EU action against Google's tax arrangements, Obama's speech about ending the Wild, Wild West, and action by cities against the sharing services Uber and Airbnb. A forthcoming EU law, the General Data Protection Regulation (GDPR) is part of the same trend. This marks probably just the beginning of attempts to divert digital development in a direction with clear benefits for society, something the Swedish government appears to have missed.

In the digital economy data is the strategic raw material. It is traded on a vast scale. Personal data is particularly prized. Enticing free offers turn out to be services which users pay for with their personal data. The most important end products are our consumption patterns and opinions which are increasingly moulded by refined psychological techniques. These featured in Trump's election campaign, which was an eye-opener for many.

At the hub of the data economy are the platforms that enable producers, consumers and friends to meet with previously unseen effectiveness and reach, all governed by the site owners' principles and data-collection strategy. Only recently have scholars grasped the refined combination of command-and market logic of these platforms. Using algorithms (instructions) to direct transactions users can be made, on their own initiative, to alter their choices according to the wishes of the site owner. Increased platform traffic creates more data, gives users more benefits, attracts more visitors and increases the company's value through self-supporting processes, which explains their lightning speed of growth. In the race between companies, the winner takes all.

The basic functions of society are increasingly dependent on the major platform companies. Therefore, as with the banks, they must operate responsibly. Politicians and authorities face major challenges. On one hand, platforms offer better efficiency, environmental adaption, and benefits for the domestic economy that cannot be overestimated. On the other hand these very methods have given a few companies disproportionate amounts of power. Our task is to restrain this concentration of power, and at the same time harness the benefits of digital transformation for society as a whole. There are three strategies we should try.

1. Clear, restrictive rules to govern conditions imposed on users in order to limit the power of monopolies. Competition can be improved by giving users the right to their data and allowing them to transfer it to alternative platforms. We should demand more open data, not just from the public sector. Private companies must contribute too, given that they build their power base on data from users and authorities. This would benefit the general interest and smaller firms. For example, German insurance companies are obliged to share their data for the sake of competition.
2. Public-sector platforms and the support of cooperatives reduces total dominance by the private sector. This improves competition and freedom of choice. The French government is challenging Uber with Le Taxi, a service to which fifty thousand taxis have signed up. Public-sector and user interests will counterbalance profit as the driving force in digital transformation. We can reach substantial traffic levels on public platforms via this sector's dominance in areas such as taxation, transport infrastructure and healthcare. As in the private sector, the public sector tailors its services, via direct contact with individuals, according to demand and political priorities. If transferred to the private sector this contact would cease to be available and individuals would be forced to contribute to private profit.
3. Radical, digitally driven innovations are formed in response to major public-sector challenges. With the climate threat, pollution, segregation, increasing wealth inequality and declining resources on the agenda, small-scale improvements rarely suffice. New ways to provide basic services are being created in the private sector, often using digital platforms. Start-up companies are rapidly developing new business ideas, with profit as the driving force. In the public sector, with half the GNP, equivalent radical reform work is severely neglected. A modest start would see the Agency for Public Management and the Vinnova innovation agency given a wider remit. Ideas must be ready when often unforeseen opportunities for political change arise.

If governments wish to avoid 'a data economy dominated by a few giants, they will need to act soon' was the conclusion of The Economist in a leading article on 6 May. For a small country such as Sweden, its economy subject to stiff competition, a bold, clear-sighted digital-transformation policy is vital.

Anders Gullberg, Mistra SAMS researcher.

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