Opinion **Digital economy**

Politicians should set common rules for digital markets

Tech companies have too much economic power over workers and consumers when they set their own parameters

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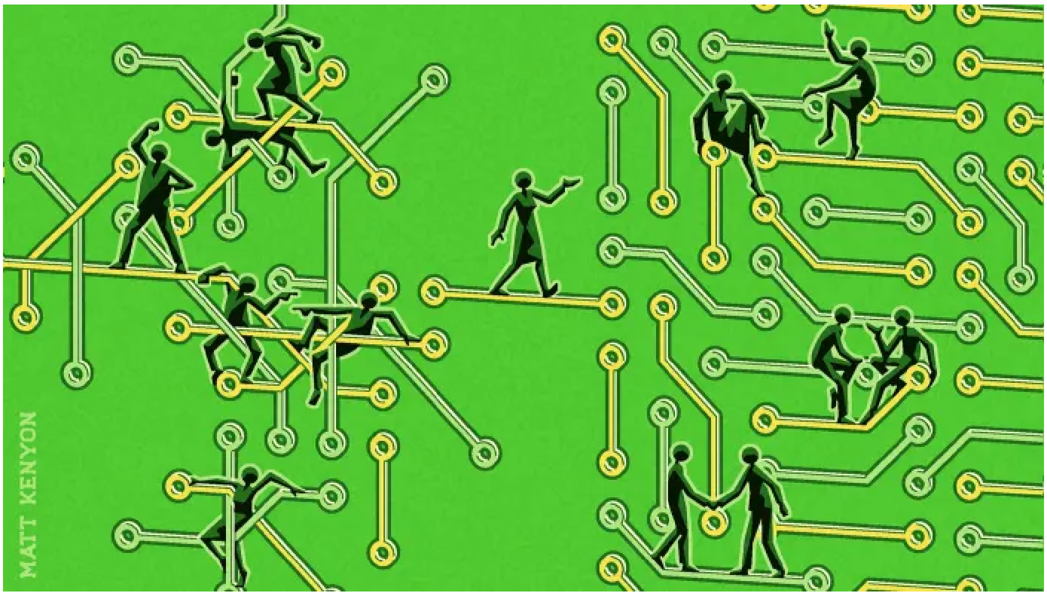

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Rana Foroohar YESTERDAY

As the American baseball great Yogi Berra once put it, “when you come to a fork in the road, take it!” We are at one now in the 21st century digital economy. Liberal democracies everywhere are playing regulatory whack-a-mole with platform monopolies, trying to enforce new privacy, tax, and antitrust rules.

All the while, the value of intangible assets such as technology, software and patents is expanding as the power of labour decreases. Covid-19 has only sped up this trend. Markets are supposed to enrich society. But in the age of surveillance capitalism, they are debasing it by concentrating all the gains in the hands of the very few who can ringfence the most data and intellectual property.

OECD nations should certainly push ahead with things such as a minimum global corporate tax, antitrust action and a framework for digital trade. But meanwhile, we need to rebalance the market system itself, so that players on both sides of any given transaction have equal access to information, a shared understanding of what is being bought and sold and a common set of rules. This is true for buyers and sellers on Amazon, drivers and riders on Uber, and advertisers and the sites they wish to reach via Google.

Right now, we have none of that. Uber, for example, can charge you and me different prices for a ride, even as drivers themselves are unable to leverage their own data in ways that might be beneficial to them. This is what is so nefarious about the rise of an intangible economy based on networks. It leads to an asymmetry of power that offsets the usual benefits of capitalism.

This is not new. Every time there has been a transformative new technology, from railways to telephony, we've seen a growth in the concentration of economic power.

That's why I'm beginning to think that the quickest and most transformative action would be for politicians to do what they did in previous periods of disruption. Rather than taking on individual companies one at a time, they should simply set new ground rules for how markets must operate.

Think of the era of "wildcat" banking from 1816-63, during which individual financial institutions in the US issued their own currency. Eventually, the US government made everyone deal in dollars. The public sector also stipulated which side of the road people should drive on when highways expanded, how reservoirs would be co-ordinated to supply clean water, and so on.

Now think about ride-sharing today. Uber has its own set of standards, fees and policies, as does Lyft, and any number of smaller providers (and that's just ride shares — every area of gig work is the same).

Consumers are largely subject to individualised pricing, and workers have no ability to bid up their own value by offering their work in real time to different employers across the same platform.

But imagine if government simply set the rules for platform "concessions" in areas such as ride-sharing, or bike rental, or home-sharing — or any kind of gig work — and then let the private sector compete on an even playing field in a bid to operate particular ones.

You might have various private sector companies involved at a national level. Cisco, Microsoft, Google or Amazon could compete to run the technological backbone of such a system. But retailers, city governments or even local entrepreneurs could be the storefront providers. Everyone would have access to the same data and algorithms, getting rid of information asymmetry that is antithetical to truly efficient and fair markets. It's Adam Smith 101.

Aspects of this idea have been pushed by various technologists and policymakers for some time. But it has recently been best articulated by British policy entrepreneur Wingham Rowan, head of the non-profit group Modern Markets for All, who wants to turn gig work into a public utility. His goal is that rather than having individual companies maximising profits in silos, the public sector could simply set a floor under gig work — how it should run, how much companies should pay — and then let the private sector do its thing.

Modern Markets for All's ideas, which won the US Conference of Mayors' prize for best economic development initiative in 2018, got an important test run during the pandemic, when the Californian city of Long Beach used them to cope with a labour mismatch. Suddenly, there were too many home healthcare workers and not enough childminders.

The city was able to bring 10 different companies on to a virtual gig work platform to help plug the gap, while raising wages in the process. Minimum wages for childcare, for example, were around $22 an hour during the crisis, compared with a national average of $12.24.

Hours were tracked to make sure that employers paid people who were working full time as proper employees. Data on the platform was portable, meaning workers could share it with any employer they liked.

City officials hope to expand the nascent effort and also move into other areas such as construction and hospitality, upending the notion of gig work as a race to the bottom. We need more such markets wherever there's an asymmetry of power in the digital world. That is a very big arena.

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