Competition in a globalized and digital world: new challenges

Competition in a globalized world: the role of public policies
CONTEXT

- **Techlash**: began in Europe, now in US, parts of Asia

Rise of digital giants collided with

- **Growth disappointment**: recovery from financial crisis agonizingly slow
- **Inequality**: superstars doing well, median incomes stagnant
- **Populism**: political shake up -- Brexit, Trump, AFD, Italy, Poland, Hungary

Find the culprit

- Competition failure a good candidate; evidence in US stronger than Europe
PROBLEM?

Complaints against digital companies in five broad buckets:

- **Competition** -- Abusing dominance
- **Privacy** -- hoovering up data
- **Content** -- spreading harmful or hurtful content
- **Copyright** -- disrupting creative industries
- **Taxation** -- not paying “fair share”

Adds up to: bad corporate citizens

And -- in Europe -- foreign
INTERNAL TENSIONS

- **Competition**: innovative sector and plenty of new entrants, often financed by VCs without profit requirement; market place hard to define
- **Privacy**: data enables new services and start-ups (Aadhar); anti-competition proposals to spread data more widely, with interoperability and open sourcing
- **Content**: who should decide -- government or companies or third party? censorship (Singapore law)
- **Copyright**: intermediaries loss/gain more than creators (recording industry)
- **Taxation**: where is value created
HOW RECONCILE

Identify the problem to fix -- or to fix first

Communicate more -- policy makers should talk to the companies and vice versa: engineers often better at finding a technical fix, if problem clearly identified

Dispel myths -- how does personal data create value? Who uses it? How big are network effects? How balance risks vs benefit to consumers (including business)?

Analysis and transparency are key -- reporting requirements could be a place to start
GLOBAL POLICY

- **Global** companies and **global** Internet (so far) need **global** rules?
- **Cross-border data flows** key to global economic ties -- especially in future
- But **cultural differences** -- China one extreme; US at the other

Need mechanisms to resolve

- *Difficult but not impossible*: look at banking (next session); climate (done in Paris)
- Requires MUCH *more interaction* between policymakers and private sector -- astonishing information gaps now
- And *honesty*, eg economic nationalism vs market failure; profit vs consumer
CONCLUSION

Need international cooperation -- use existing institutions’ “social capital” (Jean Pisani Ferry)

G7 a good place to start -- shared values, stage of development, democracy

Beware -- don’t throw out baby with the bath water -- digital technology holds promise for aging societies, emerging economies and global welfare (climate)