

Digital Darwinism

We Need New Rules for the Internet Economy

Antitrust laws only go so far when addressing companies that don't produce any physical goods. It is time to negotiate a new set of rules. Otherwise, our future economy will be dominated by just a few companies.

A DER SPIEGEL Editorial by Armin Mahler

There are still people out there who think that Amazon is nothing more than an online version of a department store. But it's much more than that: It is a rapidly growing, global internet giant that is changing the way we shop, conquering more and more markets, using Alexa to suck up our personal data straight out of our living rooms and currently seeking access to our front door keys so it can deliver packages even when nobody's home.

Facebook has also long since become much more than a social network for chatting with friends. It is a media company that earns billions in advertising by disseminating content without checking it first.

The list could go on - with Google, or Alphabet, as the company now calls itself, and others. What they all have in common are growth rates that would be impossible in the analog economy. And that they have amassed a dangerous amount of power - which is why they are increasingly facing political pushback.

It wasn't that long ago that EU efforts to limit the power of Google and Amazon on the European market were decried in the U.S. as protectionism, as an attempt by the Europeans to protect their own inferior digital economy. Now, though, politicians and economists in the U.S. have even begun discussing the prospect of breaking up the internet giants. The mood has shifted.

Republicans have always been skeptical of the giants of Silicon Valley, which generally haven't been shy about their support for the Democrats. Now, though, even the Democrats have begun looking askance at the companies, particularly since an election campaign which showed that the business model pursued by Facebook, Google and Twitter proved particularly advantageous to Donald Trump. Their platforms distributed millions of items of right-wing propaganda, with which Russia sought to influence the American vote. The exact role played by the internet companies is currently the subject of an investigation in the U.S. Congress.

As diverse as the appraisals of the critics might be, they are right. There are, of course, plenty of advantages associated with digitalization, but digital capitalism badly needs new rules - because the old laws are no longer effective. They were made for an economy that traded in real goods and for which price was an important factor. That could all be taxed, controlled and, if need be, adjusted.

The digital economy, by contrast, is based on algorithms and its most powerful companies don't produce any physical products. Customers receive their services free of charge, paying only with their data. The more customers a service provider attracts, the more attractive it becomes to new customers, who then deliver even more data - which is why Google and Facebook need not fear new competition.

Swallowing Up Potential Rivals

Winner takes all: That is the Darwinist law of the digital economy - and it is why that economy shows a penchant for producing monopolies. But they are monopolies which cannot be addressed using the classical tools of antitrust law.

That is why, first of all, the power of a company, and the abuse of that power, must be redefined. We cannot allow a situation in which these extremely large companies can swallow up potential rivals before they can even begin to develop. As such, company acquisitions must be monitored much more strictly than they currently are and, if need be, blocked.

Second, it must be determined who owns the data collected - whether, for example, it should also be made available to competitors or whether consumers should receive more in exchange than simply free internet search results.

Third, those disseminating content cannot be allowed to reject responsibility for that content. Demonstrably false claims and expressions of hate should not be tolerated.

And finally, those who earn lots of money must also pay lots of taxes - and not just back home but in all the countries where they do business.

Transforming these demands into concrete regulations is complicated, and much of it can only be tackled at the international level. But that doesn't mean that the German government shouldn't do its part. The need for reform should be addressed in the ongoing negotiations in Berlin aimed at assembling Chancellor Angela Merkel's next governing coalition.

The parties involved in those negotiations have set themselves the goal of advancing digitalization in Germany. That is correct, and it is important. But it is just as important to concurrently address the problems associated with digital capitalism. Otherwise, just a few companies will dominate our future economy.

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