

## **BOOK REVIEW OF *ADVANCED INTRODUCTION TO PLATFORM ECONOMICS***

### **RECENSÃO DO LIVRO *ADVANCED INTRODUCTION TO PLATFORM ECONOMICS***

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Mansell, R., & Steinmueller, W. E. (2020). *Advanced introduction to platform economics*. Edward Elgar Publishing.

The book *Advanced Introduction to Platform Economics* is a useful contribution to the understanding of digital platforms, a remarkable phenomenon in contemporary societies. With a compact proposal in terms of size, but comprehensive in its scope and in the deepening of the topics, the book competes for a recurring debate on the necessary regulation of these platforms. While they contribute positively to society, by informing, educating and entertaining a wide section of the population, it is also certain that there are many harms associated with their activity.

This work presents an extended analysis of the platforms. The title may even be misleading for anyone looking for a strictly economic approach to new digital platforms and their business models. The book addresses these components, of course, but it deals with a lot more, from the legal, social and cultural implications of these platforms to the explanation of the political contexts that made them a global reality. Thus, to the neoclassical economics approach, the authors add the perspectives of institutional economy and critical political economy. The picture of these new platforms is thus more complete in terms of their benefits, costs and risks.

The authors' standpoint is to treat these platforms as a radical innovation that, due to the fundamental difference in relation to previous methods or processes, is associated with very significant changes in society, at a social, political and economic level. At their origin, two fundamental changes are identified: the connectivity powered by the world wide web and the adoption of common standards and protocols in the network architecture. In other words, these platforms are part of a wider process that has been taking place in contemporary societies: digitalization and datification (as increased capacity to collect and process data).

No one doubts that digital platforms are an unavoidable phenomenon in contemporary societies (van Djick et al., 2018), but how to grasp this new phenomenon? One of the most significant contributions of this book is the proposal of an operational definition

of what these digital platforms are (Chapter 2). In other words, this work explains why we can consider that Facebook, which is a social network that connects “friends”, is equivalent to Amazon, an e-commerce service. Often, we consider this group of global technological companies as a homogeneous group just because of their size and because they all operate in the internet. But there are fundamental aspects that unite them and that go beyond the environment in which they develop their activity (where, by the way, we find many other services). It is on these characteristics that Mansell and Steinmueller rely on to identify the defining elements of digital platforms: content desired by users, a business model that guarantees the sustainability of the service and data processing (collection, retention and use of data about users). There is a fourth element that may not be present in all cases, but which is, nevertheless, relevant to understanding digital platforms’ platforms: the provision of auxiliary services.

Neoclassical economic analysis, argue the authors (Chapter 3), tends to be based on assumptions that are not found in real markets, the most important of which is that consumers and suppliers act on the basis of complete information. Thus, this seems to be one of the main reasons to justify regulatory interventions in the digital platforms markets since we are facing a market failure. But the problem is that these platforms operate in multisided markets, fuelled by economies of scale and scope, which leads to “natural” monopolies. The bigger the network, the greater the consumer’s interest in staying on it: for example, the more friends an individual finds on Facebook, the more interested she or he is in belonging to this network. This means that competing platforms will have much higher costs to try enter this market. And while these monopolies are theoretically vulnerable to technological innovations that can offer market solutions and create new competition, the truth is that this vulnerability is not always put to the test.

The main argument for challenging a purely economic perspective about digital platforms is that the classic assumption, which assumes technological innovation as the engine of change (and, therefore, of course, new technologies would disrupt the functioning of the market, ensuring ways of fairer competition), disregard the wider conditions that allow asymmetries of power. In other words, it is not just the competitive conditions that influence the exercise of power in the markets. Institutional economy contributes to the discussion, drawing attention to the norms and rules that support public and private values and the changes in power between different social agents. Thus, asymmetries result from different sources, namely the lack of alignment between platform operations and public values. For political economy researchers, asymmetries of power must also be explained in the light of the Marxist tradition, which underline the exploitation of users by platform owners, the predominance of private capital and a business model based on advertising (Fuchs, 2017).

There are serious problems with these platforms, namely the fact that they distribute illegal and often harmful content. Although economically successful and effectively sought after by consumers (which, in the light of the neoclassic economy, would mean that they are “efficient” organizations), these platforms produce many “externalities” and side effects that threaten public values. And the problem is that these adverse

effects result directly from their business model, so mitigation or resolution strategies are unlikely to be successful. This situation is further aggravated by the fact that these digital platforms are so large that it is difficult for individual states to enforce rules. There are asymmetries of power in the market, which are not being fought, and asymmetries worldwide between the countries where these platforms are located and the “others”.

Thus, and since these platforms are located in the developed north, there seems to be an imperative to “digitalize” all economies, especially aimed at countries that will be left behind, those of the global south. A call for modernization and development (which recalls, in some way, the 60s and 70s) that would be achieved with technological convergence. But, as Mansell and Steinmueller (Chapter 7) advise well, technology alone (whether hardware or software) will not provide the economic development that is envisaged: it is necessary to take into account local contexts, invest in education and in digital skills, as well as increase connectivity. Fighting technological underdevelopment impacts digital inequalities and this is essential in a context in which technological means are, as they have been throughout history, means of control and of social and political influence.

The fourth chapter addresses the subject of artificial intelligence (AI) and the way in which these new technologies contribute to deepen and intensify the engagement of users with platforms. Through the analysis of large databases that provide “answers” that can imitate or reproduce human behaviour, they can target advertising using algorithms that allow, for example, Facebook to suggest “friends” or Netflix to recommend series and movies to its subscribers. Other more problematic issues may be the use of AI to predict behaviours and engagement, and the fact that discretionary power given to these arrangements can result in effective decisions and actions. On the other hand, human supervision can also result in bias or prejudice.

A solution to these situations is neither easy nor linear, but the greatest concern is related to the lack of transparency of these systems (because, often, the core of the platform’s business model is at stake) which increasingly interfere with citizens’ lives. The development of AI raises questions at the labour level and at the level of availability and access to journalistic information, which in turn may have implications for freedom of information and for the democratic expression of pluralism and diversity. It could be, as Helbing et al. (2019) question, that democracy will not survive AI. These vast topics are not overlooked by the authors of the *Advanced Introduction to Platform Economics* who argue that, “as commercial datification practices continue to shape the digital content industry in Western societies, the question is what the implications for public values when platforms operate with incentives to manage the attention economy” (p. 72–73).

Considering the gap between public values and private interests, one way to answer this question lies in regulatory practices (Chapter 5). But, as Mansell and Steinmueller argue, the strategy of self-regulation — used by platforms to refuse any type of external intervention — has to be demonstrated more than self-proclaimed, and there is a lack of essential information to allow the verification of these practices. The authors explore the arguments of the platforms, such as the fact that their global expansion proves that there is a value associated with their services (thus being, the market exerts its own

regulation), as well as their codes of practice and the content moderation they claim to perform. The discussion on safeguarding public values continues by analysing models of operation of platforms that are an alternative to the current business model of digital platforms and to the use of users' personal data. There are some initiatives that try to deepen the existing barrier between the public and the private in the control of personal data. Other ways to circumvent ethical issues related to digital platforms are in the development of business models based on subscription or based on public funding. However, these alternatives are far from presenting themselves as true competitors to digital platforms, mainly because their reach is limited.

For this reason, the authors argue that external regulation is necessary, although it is difficult to reach a consensus on what will be the patterns of acceptable behaviour of digital platforms. There is a great uncertainty as to how this issue will evolve, even though a mix of self-regulation measures with external regulation — both from States and independent institutions — appears to be the most likely. It is clear that the field to be regulated is full of ambiguities, caution the authors, but there is room for progress — in the light of any of the three perspectives of analysis used (neoclassical economy, institutional economy or political economy).

So, while digital literacy is important in this context to empower citizens, more action is needed. There are three critical areas where more realistically, foreseen these authors, an intervention can be expected: implementation of some more conventional tools of regulation; a ban on “datification” of behaviours related to children and political issues; and, investment in alternative business models that safeguard public values. Mansell and Steinmueller’s appeal is towards a reform, certain that technology is not a destination, but a means.

**Translation: Elsa Costa e Silva**

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