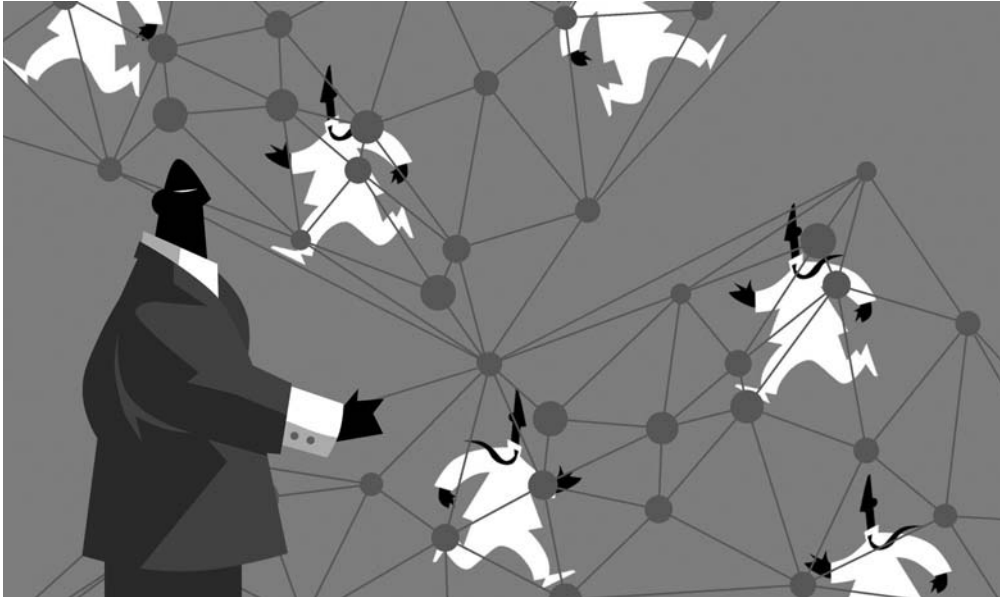


ILLUSTRATION BY BINAY SINHA



Concerns about high-tech companies

The story of high-technology companies in India will now turn on the interfaces between them and the regulators

Technologists were imbued with the notion that they are building a wholly new world, that the laws of today are a pesky problem that must be brushed away. This is part of the “move fast and break things” philosophy. In previous years, the policy community was indulgent towards technologists when it appeared that valuable new things were being done. Then came the recent years, where the Internet was an accessory to the rise of authoritarian regimes around the world. The kid gloves are now off, and we have a collision of regulation with high technology. In India, this story turns on state capacity for regulation.

The early dawn of Unix and the Internet was driven by utopian dreamers. They set out to build a wholly new world with a new set of rules. There is much to admire about these philosophical underpinnings, as much as their remarkable engineering achievements. As the Internet revolution started spawning billionaires, it attracted a different breed of commercially-oriented people. We have gone from trusted geniuses like Bill Joy (who was in the founding team of Sun Microsystems from 1982 to 2003) to people like Travis Kalanick of Uber or Mark Zuckerberg of Facebook.

The dreamers insisted that they were building a wholly new world, and that their capacity to innovate would be hampered by conventional notions of law and regulation. At first, the policy community was indulgent towards this new world. The idea was to

foster innovation, and the disruption of complacent old economy industries. The technologists were seen as good guys, who were building a better world.

Things have changed on a few fronts. There are fresh concerns about competition policy, with the rise of network monopolies such as Facebook and Uber. There are concerns about privacy, and particularly the use of data in Russia and China for repressive purposes. Psychologists are raising the alarm about the extent to which Facebook and Twitter are harmful for their users. Finally, Facebook and Twitter have helped damage the political discourse worldwide, and were accessories to the rise of authoritarian regimes worldwide.



SNAKES & LADDERS

AJAY SHAH

The Internet was invented by idealistic geniuses. It is a cruel turn of events when it has become a tool for authoritarians and monopolists. The climate of opinion has shifted worldwide. The question of the age is: How do we deal with this dystopian outcome?

There is a knotty array of problems of competition policy, associated with network monopolies. When well-funded technology com-

panies were subsidising consumers, that was welcome, but now many of these companies have achieved monopoly status and are embarking on recoupment through higher prices. Once recoupment gathers momentum, competition authorities worldwide will initiate investigations. The old toolkit of competition policy, which was useful when dealing with IBM, AT&T or Microsoft, may not be optimal.

There is a search for new solutions, such as inter-connection regulation through open APIs (Application Programming Interfaces).

There is a privacy crisis. Technologists emphasise the useful things that can be done if a lot of information is observed about the user. But users and policymakers increasingly mistrust the firms. Most firms cannot be trusted to “do no evil”. Things are particularly problematic in non-democratic countries: The Internet is the dictator’s dream panopticon. Dissenters are crushed, based on information gleaned from the Internet. Perhaps the USSR would not have collapsed in 1989 if the Internet had come along a few decades earlier.

Psychologists see Facebook and Twitter as a public health problem, a bit like cigarettes and fast food. Happiness and mental balance in the world would increase if more people could avoid social media. The leading lights of the Internet are uncomfortable about their kids getting on social media. Parents have been warned about cigarettes and fast food for many decades, but are mostly unaware of the harm caused by social media.

When Unix and the Internet were in some virtual terrain, building a world of computer networks and email and the web, this was cut off from the physical world. But as software has come to “eat the world”, there is a collision with public policy in the old economy. Taxis in Bombay are regulated, and so should Uber and Ola’s cabs. FSSAI (Food Safety and Standards Authority of India) rules about food safety should apply to food purchased from websites. When drugs are sold online, there should be rules about safety and checkpoints about access to prescription drugs.

The story of high-technology companies in India will now turn on the interfaces between these companies and the regulators: The Reserve Bank of India, Securities and Exchange Board of India, Telecom Regulatory Authority of India, the upcoming Data Protection Authority, Competition Commission of India, etc. The uniquely Indian twist is the problems of state capacity that afflict regulators. Regulators in India have weak processes, and tend to defend incumbents, and prevent innovation. A first taste of this is visible in the unhappy evolution of digital payments and fintech. These organisations will now shape the lofty questions described above.

As of today, nobody knows the answers to these lofty questions. We know one approach that is wrong: The China model. This replaces the domination of a foreign company (e.g. Uber) by an Indian company (e.g. Ola or Meru). This is mere nationalism. Replacing Twitter with an Indian clone does not solve the problems of Twitter. The China model harms the interests of consumers in India if an Indian offering (e.g. Flipkart) is inferior to the global one.

The Indian technology policy community will need to rise to these challenges. The bottom of the stack is the toolkit for state capacity at regulators. The next layer is cross-cutting problems such as privacy, competition, and psychological factors. The top layer is domain knowledge in the field, such as payments, banking, and telecom. We require a new community that will develop knowledge, establish a high-quality public discourse, and inhabit the revolving door between regulation, think tanks and industry.

The writer is a professor at National Institute of Public Finance and Policy, New Delhi