

FINANCIAL REVIEW

Opinion - Leaders

This must be a sea change for the Facebook era

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Mark Zuckerberg looked nonplussed only once. Asked by a congressman which hotel he had stayed in the previous night, Mr Zuckerberg's delay before declining to answer seemed to show a dawning of the intrusions that he was in front of the US Congress to answer for.

Chatting on Facebook, like shopping on Amazon, is a harmless ritual for billions of people. But its business model has relied on no one looking too closely. Each use of Facebook leaves a trail of free and useful data. Each time users connect it to more devices or use its messaging, the network becomes more a powerful snoop. It's an immense aid for advertisers chasing the elusive consumer dollar. But it was the revelation that third party Cambridge Analytica had been mining the data of 87 million unwitting Facebook users to try to manipulate US voters that has thrown Mr Zuckerberg into a crisis of accountability.

How to safely control and manage the data that giant platform businesses spew out is now key to ensuring their future success and continuing innovation.

Mr Zuckerberg has in fact been apologising for betraying his users' privacy almost since the company started. In front of Congress over these two days, his constant refrain has been that Facebook users are in control of their data. But he was making the same promises to make those controls easier to find and use a decade ago. This is a young industry with stunning technology that has raced ahead faster than public acceptance, or regulators, or perhaps even its own managers can keep up with. The early utopianism of the internet, lionised by Hollywood and new generations of digital natives, has in Mr Zuckerberg and Facebook's case turned into a very profitable hubris.

Customer big data is the new resource of all commerce. Companies that control so much of it - Facebook, Amazon, Google, Apple, and Microsoft - are five of the six most valuable in the world. Data has been compared with oil, appropriately, given that the oil barons of earlier industrial revolutions were cut down to size by government too. The huge valuations of platform companies are based on investor enthusiasm for what future use the data could be put to, particularly when it is harnessed to the power of artificial intelligence. Data gives these platform companies a panoramic view of the economy, allowing them to spot future trends and to take out emerging rivals as well. The snowballing network effects become walls against competition. But the easy bonanza must be in question if these companies have to submit to far more rigorous privacy rules.

The Cambridge Analytica scandal could be a watershed for new rights on data, just as capitalism evolved through property rights in earlier centuries. Mr Zuckerberg seems to agree that more regulation is inevitable. That could involve transparency for customers to see how much data is held and how much money is made from it. There could be mandatory portability of data, as we are doing with banks. Regulators could limit the ability to buy up potential competitors and scoop their data resources. Europe brings in much tougher privacy rules next month. But calls for individual opt-ins each time such networks are used would be clumsy. Far better to have much clearer opt-outs instead.

Nor is just money at stake. Mr Zuckerberg played the national security card in Congress, touching on US fears of existential competition with China and Russia over the tech-based future. The kind of innovation that the platform company revolution brings, and the prosperity it will generate for its users, is a key part of the West's response.

But it goes further than that too. Even before Cambridge Analytica, there was alarm at Facebook's insouciance over the channelling of fake news through its feeds. And there has been general dismay at the how the social media age has trashed serious political debate and replaced it with one-line grievances, deepening the divisions on which second-rate populist politics thrive. That's a trend beyond even Mr Zuckerberg to control, but he needs to do his bit not to feed it.

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