It's Not too Late for Social Media to Regulate Itself

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Silicon Valley's search and social media giants determine who sees what information, and how. Never before has such a small number of companies had the power to connect billions of people instantly—and with it, the ability to shape and alter the information ecosystems of entire societies.

At the 2019 World Economic Forum in Davos last month, numerous world leaders called publicly for greater international regulation around how data is collected and used. The tech industry has struggled to respond to this debate with a coordinated, constructive plan of action. If it doesn't do so soon, the result may be overly blunt, rigid, and potentially counterproductive regulation. It's not too late for the tech industry to help formulate rules that make sense for everyone, but time is running short.

The crux of the problem is the opaque process that determines how algorithms curate information for billions of users. Every time someone uses search or social media services, they're relying on a secret and proprietary algorithm tuned to maximize something—usually user engagement with the service. Transparency and accountability are largely absent.

Experimentation and risk-taking are cherished hallmarks of Silicon Valley, but the norms around algorithmic governance have become a free-for-all. History teaches us that unregulated marketplaces can produce a race to the bottom, externalizing harms while socializing these costs and privatizing the financial gains. The financial crises of the 20th and 21st centuries demonstrated that unregulated markets cannot safeguard all interests of society. Now Silicon Valley's search and social media giants, long resistant to oversight, face growing scrutiny. Too often, company-level efforts amount to a "trust us, the engineers are working on it" approach. These tactics have fallen short.

To protect the public interest and their own businesses, these companies should set up a robust self-regulatory organization along the lines of the Financial Industry Regulatory Authority (FINRA), an SRO that derives its authority from the Securities and Exchange Commission. Thanks to its independence from bureaucratic government agencies, FINRA is effective—and relatively nimble—at policing securities firms with sensible rules.

Given the extraordinarily rapid pace of technological change, it is unrealistic to expect governments to devise, update, and enforce effective rules by themselves. Such an approach can hinder innovation and produce marketplace advantages for the largest companies. And in the tech world, everything from consumer behavior to hardware and software capabilities evolves too quickly for static statutes to remain meaningful for long.

Twenty years ago, regulators faced similar challenges in the financial industry. Rules were often arbitrarily enforced and created an uneven playing field between larger incumbents and smaller players. Ultimately, through a partnership between industry and government, FINRA formed as a more agile and effective way to help protect the public interest. Industry's involvement helped ensure that in-house technical expertise accompanied strong rule-writing and enforcement powers, reducing regulators' reliance on blunt and infrequently updated laws.

The key advantage of strong self-regulatory organizations like FINRA is their ability bridge the gap between appropriately slow-moving governments and complex, fast-changing industries. Since FINRA is technically not a government body, it is better able to provide close, active oversight while keeping pace with constant shifts in the financial industry. At the same time, the government sanction FINRA enjoys is essential to avoid the appearance of creating a cartel, a concern that plagued its precursor, the NASD.

FINRA's mission is "to provide investor protection and promote market integrity" in order to maintain investors' trust in financial markets. What would the objective of a similar self-regulatory organization for the tech sector be? To protect citizens by promoting the integrity and user-controlled privacy of information on search and social media platforms.

Promoting public trust in the integrity of information on search and social platforms is more crucial than ever. Search personalization and similar algorithms work well—they keep users engaged by delivering personally relevant content—but have a dark side: The way search results are presented and the order in which social media posts appear in a feed can manipulate public opinion and behavior. In effect, whether they mean to or not, these companies are inching toward the creation of a custom echo chamber for everyone on the internet—but there's no governance or transparency around the process.