



How should we regulate the flow of online content?

The rise of digital media platforms has created unprecedented access to information and entertainment over the last decade. The scalability of digital technologies makes it possible to reach much greater audiences than before, without spending nearly as much money per consumer. In many countries, digital platforms have also benefited from less regulation and reduced legal liability over content compared to traditional analogue platforms.

Traditional media platforms such as television and telephone services, and new platforms such as online video and social media, have all reaped these benefits through higher revenues from bigger-than-ever audiences. Part of those revenues is increasingly spent on creating or controlling more content. Some believe that governments should take action to regulate these services and prevent or mitigate abusive content. Others warn that such interference would inhibit growth and ultimately be a form of censorship. Who is right? Here are three important facts that could shape the debate over regulation:

1. Platforms are (directly or indirectly) controlling content

Media distributors are increasingly acquiring content creators to distinguish their respective platforms from competitors. Furthermore, some platforms are approaching the original content spend, and in the case of Netflix, spending more than traditional studios. Here are some examples of such platform-content consolidation:

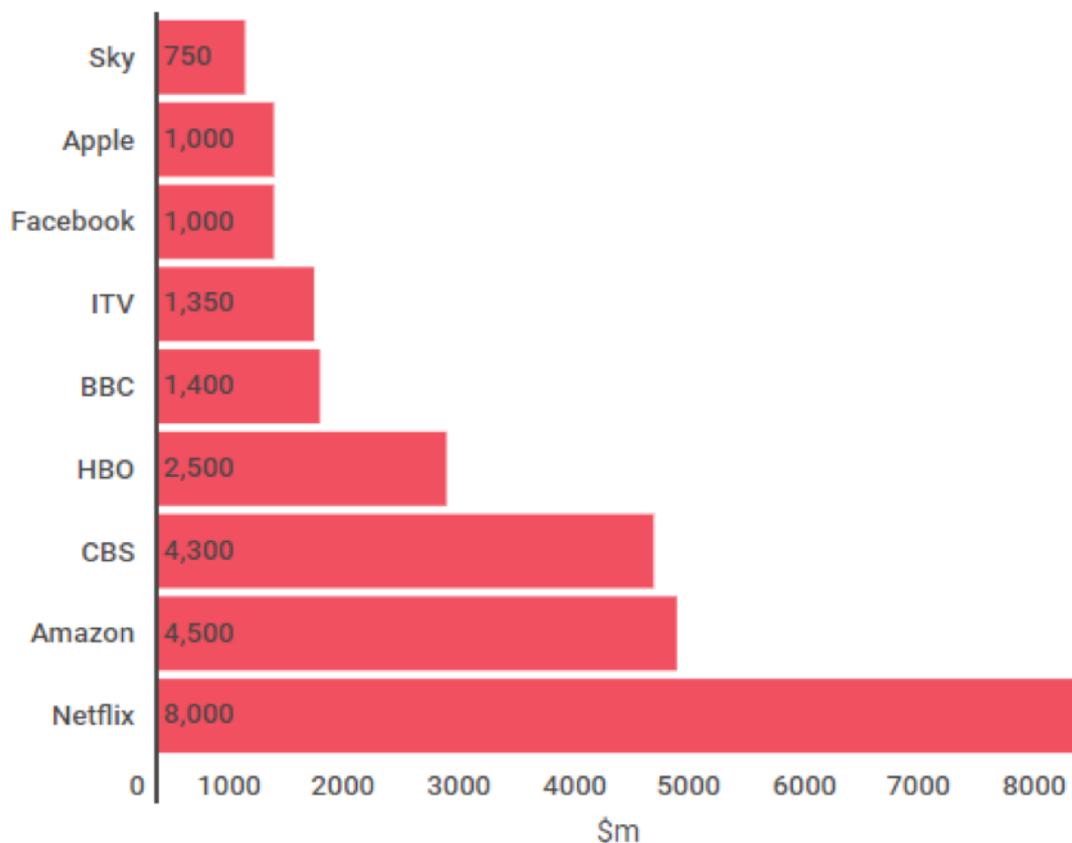
- Comcast's 2013 acquisition of NBCUniversal
- Netflix, Hulu and Amazon are expected to spend a combined \$10 billion annually on original content
- AT&T's pending acquisition of Time Warner
- Sky's attempted acquisition of 21st Century Fox in the UK, along with its new original movies production arm

Platforms also control content by curating user-generated contributions and, for example, deciding which content is promoted on Facebook or YouTube, making it stand out in the vast sea of information. All this means that today's media platforms are extremely influential and powerful because they choose the content they carry. As Google CEO Sundar Pichai acknowledged at this year's annual meeting in Davos: "Large platforms can be disruptive; even when you put the user



first, there are going to be winners and losers.”

Annual budgets for original TV programming



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2. This has happened before – in reverse

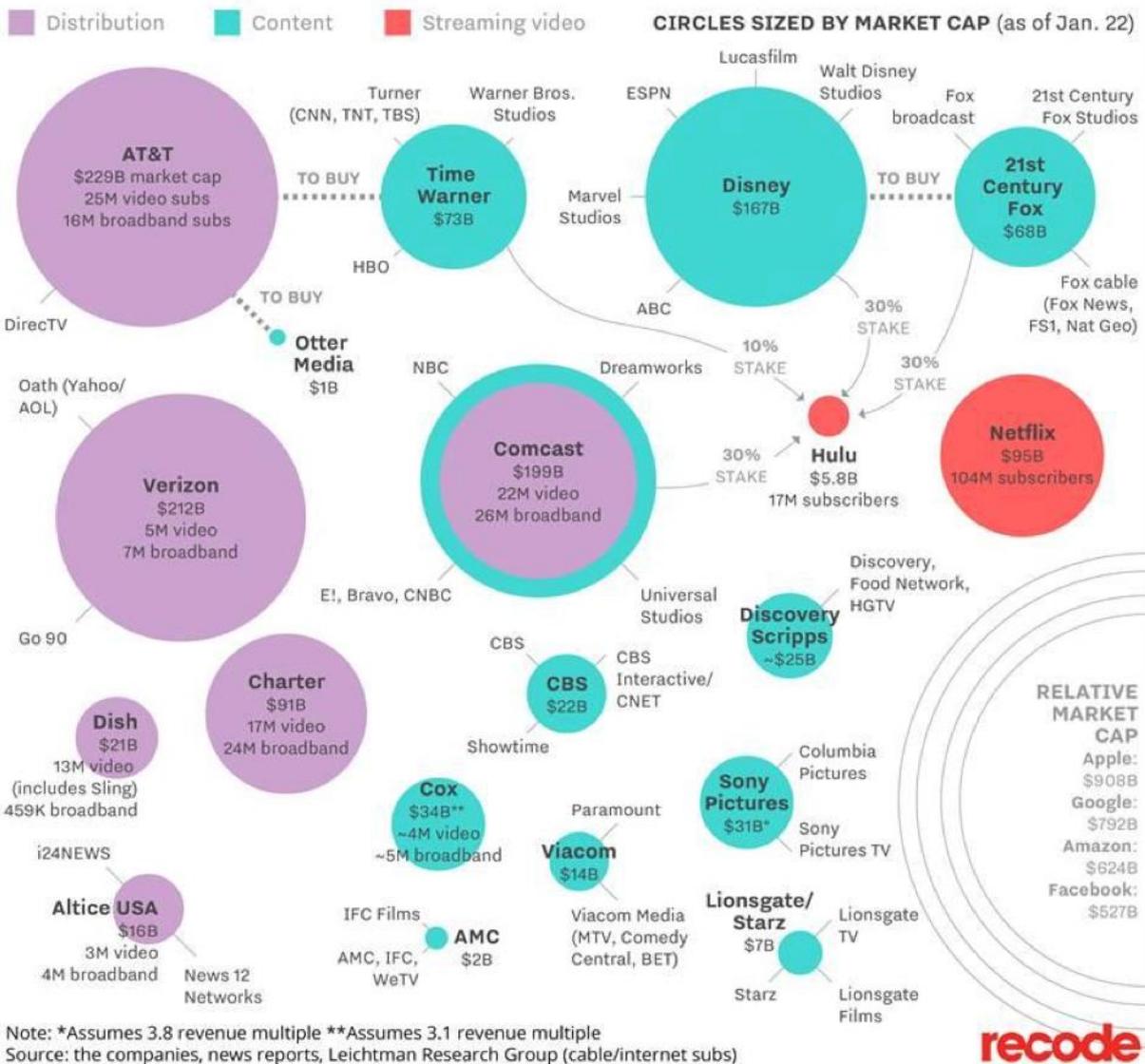
Today, platforms increasingly own content creation. Historically, the reverse was true: content creators controlled the major distribution platforms. In the early days of Hollywood, most of the largest cinemas were owned by the major studios; they would exclude content from other studios and engage in anti-competitive behaviour. US regulators unsuccessfully tried to impose rules to



promote fairer practices. Ultimately, the landmark US v. Paramount Pictures antitrust case forced movie studios to sell their cinemas.

A similar pattern appeared in television broadcasting. Governments typically justified regulating broadcasters by pointing to the scarcity of analogue spectrum for transmission. They imposed standards like the 'fairness doctrine' in the US to prevent abuse of their content curation. However, the transition to digital platforms eliminated many concerns over scarcity. Digital platforms were largely globally deregulated and given legal protection to stimulate growth. One example is the 'safe harbour' provision that protects such distributors from liability for infringing content. Similarly, traditional media regulations concerning decency and accuracy have mostly not yet affected digital platforms and their content.

Media landscape



3. Government and business leaders are reacting to this consolidation



Many politicians and regulators are calling for policies to reign in the liberties given to digital media platforms, and some media executives have joined in. British Prime Minister Theresa May noted at the annual meeting in Davos that “Seven in ten believe social media companies don’t do enough to prevent abuse on their platforms”. She argued that “these platforms are no longer just passive hosts, but applying the existing standard of liability for publishers is not plausible”. In a panel of technology executives at the same meeting, some supported regulation, arguing that intervention could reassure the public.

Some significant regulations are being considered. There are reports that the US government is currently examining nationalising the country’s future 5G mobile network. This however produced a certain backlash, with some recalling the last time the US government nationalised a telecommunications company: AT&T in 1918. FCC Chairman Ajit Pai protested that “the market, not government, is best positioned to drive innovation and investment” in digital platforms.

Others argue that users do not want greater regulation. In the case of Facebook, George Mason University’s Tyler Cowen writes: “American consumers are pretty happy with the status quo. A lot of the discontent I see comes from media companies, which compete against Facebook, and very often are losing.”

Indeed, it’s important to remember that these platforms have generally transformed our lives for the better and brought communities from around the world closer together, linking seemingly disparate cultures and spreading relevant information.

Agreeing to a sustainable path forward

Digital media platforms have matched small content creators with vast audiences, helping them achieve unprecedented levels of exposure. Pichai rightly celebrated this when he said “There are artists [...] who now have their audience globally.” However, when business incentives for content creators are totally aligned with those of the platform on which the content is hosted, the result can be anti-competitive behaviour or harmful content.

Dominant platforms who effectively monopolise exclusive premium content may also threaten otherwise viable alternative platforms. The data these platforms collect can be used to nurture personalised, innovative, more meaningful and compelling content. Indeed, the network effect of audiences converging on digital media platforms has helped propagate a robust content ecosystem, leading to better and more interesting content than ever before. But these walled gardens can eventually create captive audiences with no alternatives.

At the Annual Meeting, World Economic Forum Chairman Klaus Schwab asked Pichai a question that applies to any digital media platform: “Should digital platforms be able to unilaterally decide what content is acceptable?”

On the one hand, there is the swelling chorus of political leaders and even some business leaders asking for government involvement in platform-content relations. On the other, many leaders warn that regulation would deter new investment and hurt a process of innovation that has been demonstrably successful to date. The question remains: How we should deal with abusive behaviour? As Prime Minister May asked, “Should there be a ‘new definition’ for these platforms? Who should be accountable?”



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We invite you to offer your suggestions and read our new report about digital media platforms and other technology disruptions affecting the creative economy: Creative Disruption: The impact of emerging technologies on the creative economy.

This is part of a series of articles related to the disruptive effects of several technologies (virtual/augmented reality, artificial intelligence and blockchain) on the creative economy.

Ref = <https://www.weforum.org/agenda/2018/02/how-should-we-regulate-the-flow-of-online-content-here-are-three-crucial-facts-in-the-debate-over-digital-media/>

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