

# Regulating for a Digital Economy

Understanding the importance of cross-border data flows in Asia

Joshua P. Meltzer & Peter Lovelock

Discussion by: Mudit Kapoor<sup>1</sup>

<sup>1</sup>Indian Statistical Institute (ISI)

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# MAIN IDEA

- Data is like any other commodity!

*“The curious task of economics is to demonstrate to men how little they really know about what they imagine they can design.”*

— Friedrich August von Hayek

## Limits to Free Trade

- Foreign government influence
- Concentration of data in the hands of the few private players (the Big Five)
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## FOREIGN GOVERNMENT INFLUENCE

- Sweden, which is considered a paradigm of social democracy with a long record of advocacy of human rights,
  - Yet, they have developed one of the most sophisticated “offensive” cyberwarfare capabilities, which includes hacking.
  - In 2008, the Swedish intelligence agency FRA was given expansive powers by the government to monitor all communications traveling over fiber optic networks into and out of Sweden (80% of Russia’s foreign cable-based communications flow through Sweden).
- Asymmetric flow of data could (or possibly has!) disturb the geo-political balance.

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# CONCENTRATION OF DATA IN THE HANDS OF THE FEW PRIVATE PLAYERS (THE BIG FIVE)

- A Contradiction in the Liberal order.
- These big five possess immense amount of personal data on their users.
- They have also developed the most sophisticated tools of persuasion that have ever been devised, which gives them immense power over people.
  - Consider Koch brother's data firm 1360 - which, (in partnership with Google and Facebook) has developed detailed portraits of 250 million Americans to persuade, nudge and influence voters.

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# HUMAN NATURE

- Individuals are systematically irrational. We are not truth-seekers, rational, reasonable!
- Recent study in *Science* using true and false news distributed on Twitter reveals three disturbing patterns,
  - False news diffused significantly farther, faster deeper and broadly than the truth in all categories, most pronounced for false political news.
  - False news is more *novel* than true news, for example, false stories inspired fear, disgust and surprise while true stories inspired anticipation, sadness, joy, and trust.
  - False news spreads because humans (not robots) are more likely to spread it.

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