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Towards a Platform Economy for the Common Good – Strengthening User Participation

Whether shopping on Amazon or instant messaging via Twitter – digital platforms shape our society. More and more is being handled online. With far-reaching consequences for market power, data privacy and freedom of expression, but also hope for social and environmental improvements. Setting policies to shape online platforms has become a generational undertaking. The European Union aims to promote **digital sovereignty** with the Digital Services Act and the Digital Markets Act, while Germany is establishing new rules with the Act on Restraints against Competition for Digitalization (GWB-Digitalisierungsgesetz). The stated goal: **a value-driven platform policy.**
From **the perspective of sustainable development,** however, these activities fall short. Neither the virulent lack of democracy nor the new dependencies of platform users, which result from the monopoly-like position of a small handful of dominant online platforms, are addressed in structural terms. We propose a **qualitatively different development path,** one that combines elements of public and private platform regulation. We outline the main features of a **platform policy framework for the common good,** using digital participation as a criterion. This framework aims to impose stricter regulation on gatekeeper platforms and establish alternative democratically administered platforms for the common good.

Recommendations
for a participation-oriented platform policy for the common good in Germany and Europe

1. Reduce the market power of gatekeeper platforms

Pooling data from different services and playing the dual role of provider and marketplace should be prohibited. In addition, European and German competition law should make it possible to break up gatekeeper platforms along company segments.

2. Promote participation-oriented platforms

Platforms that reduce dependencies should be promoted. At European level and in Germany, for example, existing start-up funding programs should provide financial support for incubators that are dedicated to the establishment of these kinds of platforms. Cooperative law in Germany should be amended to be platform-specific and a legally viable option created to join digital cooperatives.

3. Establish public data pools and platforms

Public data pools should be used to promote social innovation processes at European level, enabling small and medium-sized enterprises to develop participation-oriented business models. In heavily monopolized areas, where participation-oriented platforms have difficulty gaining a foothold, public platforms should be created to provide users with alternatives that serve the common good.

Problem: Platforms centralize data, capital and power – and create new dependencies

Whether shopping, messaging or taking a taxi – what digital platforms have in common is that they mobilize technology in the form of protocols, websites or apps to act as intermediaries between two or more heterogeneous user groups – and thus sources of information. This means that online platforms are the primary tool for acquiring, aggregating and analyzing large volumes of data – which is the main raw material of the digital economy.

In many sectors and industries, platforms have long since taken over **essential supply activities.** Small and medium-sized enterprises (SMEs) are dependent on global cloud platforms like Microsoft Azure or Amazon Web Services for their digital work processes. Workers in the low-wage sector often have no other option than to resort to gig platforms like Amazon Mechanical Turk or Uber. And much of the socio-political discourse takes place on social media platforms like Facebook or Twitter. In fact, digital platforms provide more and more social groups with the technical infrastructure that makes interaction possible in the first place.

This is problematic because the rules for the mediated interactions are (almost) entirely set by the platforms themselves, i.e. by the private sector. Everyone, be they SMEs, gig workers or US presidents, has to abide by these rules to gain access. This one-sided **dependency** is aggravated by the fact that there are fewer and fewer opportunities to switch to alternatives. Companies like Google, Facebook or Weibo have been able to develop particularly user-friendly platforms due to their rapid growth and their ability to provide their services 'for free', i.e. in return for access to personal data. The higher the number of users, the greater the platform's appeal. Alternative providers can hardly compete with this so-called **'network effect'.**

The **coronavirus pandemic** has strengthened the market power of digital platforms. While other large companies were only able to survive through financial injections from the government, and indices such as the Dax 30 or Dow Jones fell slightly, the Platform Index – a stock index of the 15 most relevant platform companies – increased by over 50 percent from the beginning of the year to the beginning of December 2020 (Figure 1). **Data, capital and power are increasingly centralized in the hands of a small number of platform companies.** Smaller and non-commercial platform providers are being squeezed out or bought up by the big players. For users this means: anyone who doesn't want to become dependent on these platforms is cut off from more and more essential social processes. Democratic co-determination and social participation? In short supply.

Coronavirus pandemic strengthens market power of digital platforms

Figure 1:
**Development of the Platform Index in 2020 in percent**
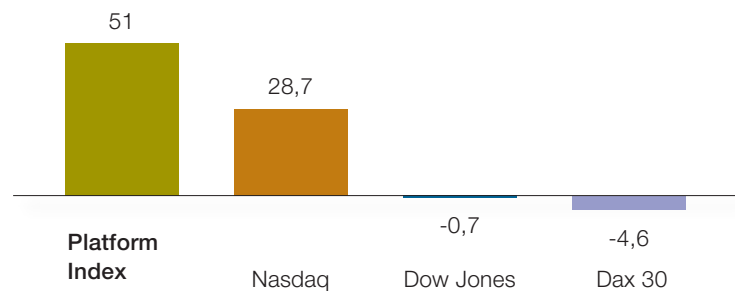
Source: Author's diagram, IÖW 2021, based on platform-fund.com (as of December 3, 2020)

Analysis: Platform policy does not adequately address one-sided user dependency

An active platform policy must solve the **challenges** of the platform economy in terms of the one-sided dependencies between platform and users. Since 2016, policymakers at German and European level have stepped up efforts to set new rules for platforms (Figure 2). Under the tagline of **digital sovereignty,** the EU aims to set the course for a **value-based platform policy** – Europe's independent 'third way'.[1]

Figure 2: Platform-specific policy processes in Germany and the EU since 2016
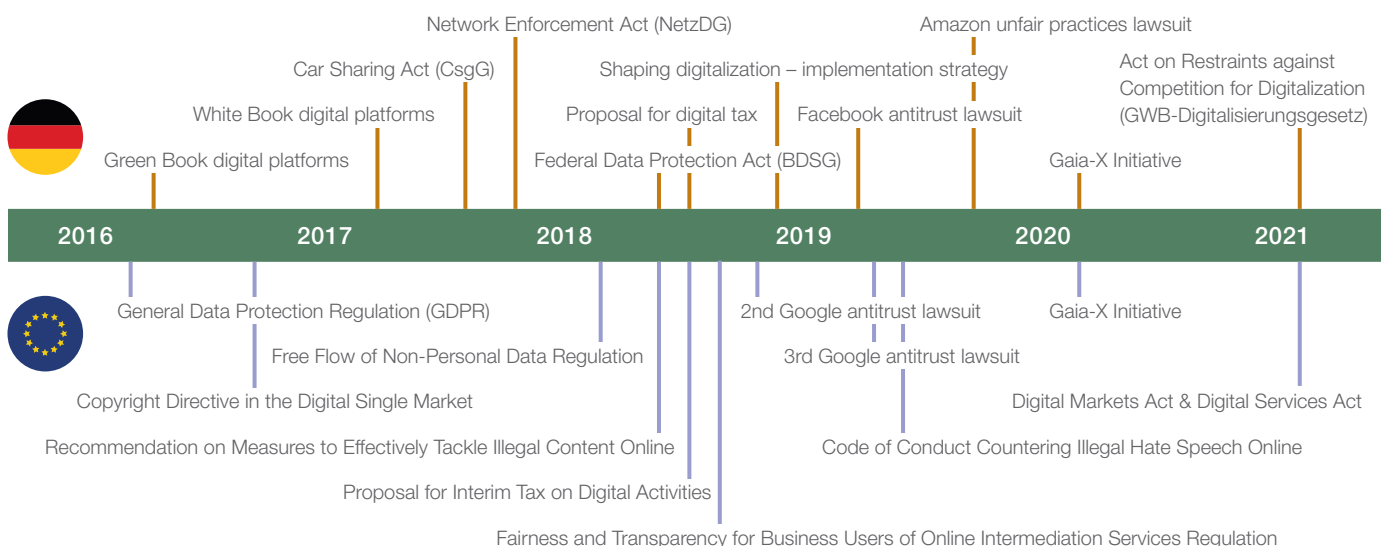
Source: Author's diagram, IÖW 2021

The current platform policy of the EU and the German government pursues two strategies: The first aim is to strengthen antitrust supervisory authorities through competition law, for example through the European Digital Markets Act or the German Act on Restraints against Competition for Digitalization (GWB-Digitalisierungsgesetz). The second aim is to hold platforms more accountable for mediated interactions through the European Digital Services Act or the German Network Enforcement Act (Netzwerkdurchsetzungsgesetz – NetzDG). Although progressive in a variety of ways, the two strategies do not sufficiently address the **structural dependencies and lack of democracy.**
The Act on Restraints against Competition for Digitalization (GWB-Digitalisierungsgesetz), passed by the German Bundestag in early 2021, is a good example of the limits of current platform policy, as it remains tied to the outdated idea that a *level playing field* can be established in the platform economy. Since the power of a platform is based on the data it collects, the first-mover competitive advantages of gatekeepers would be difficult to counterbalance even with the new law. It also remains to be seen whether the new powers to intervene under antitrust law in Germany will take effect at all, as they are not automatically applied based on predefined criteria. This means that it remains at the discretion of the German Federal Cartel Office whether to pursue unfair practices by means of injunctions.[2] It is therefore doubtful that the law will make much difference to the market power of the gatekeeper platforms.

Recommendation: Digital participation as a guiding principle to ensure a qualitatively different development path

How can platform policy substantially reduce dependencies and enable democratic co-determination? Current research at the Institute for Ecological Economy Research shows that the criterion of **digital participation** can serve as a guiding principle for a qualitatively different development path in terms of **co-determination** and **ownership.**[3]

– **Co-determination:** hat are the platform's internal rules and terms of business? How are algorithms managed? Currently, platforms in their dual role as business models and data centers do not operate in the interest of their users. Instead, they want to attract attention and increase their data-based revenue by collecting as much personal information as possible. A participation-oriented platform policy should ensure that the rules of the platform serve the interest of its users – which requires users to be actively involved in decision-making processes.[4]

– **Ownership:** Who owns the platform infrastructure – and thus the data that has been collected? A participation-oriented platform policy must ensure that personal data remains the property of the people in question (data sovereignty), but can also be made available anonymously, for example via data trustees, to other platforms and the general public, for social innovation processes.[5]

In recent years, **alternative platforms** have emerged around the world that address these two aspects by way of conducting experiments with instruments of democratic market management. The secondary cooperative CoopCycle based in Paris, for example, provides software for platform-driven worker cooperatives committed to sustainability. Up & Go from New York City is a cooperatively run home cleaning service platform that provides a stable income for immigrants. Hostsharing in Hamburg is a cooperatively managed web hosting provider that pursues an explicitly environmental mission. A total of 129 projects can be identified worldwide that make shared ownership and co-determination central to their platform. And it's on the rise.[6]

Unlike the market leaders, these platforms are fully owned by their users. Decisions about algorithms and organizational structure are made collectively in the spirit of the cooperative idea: *one person, one vote.* Furthermore, many of these projects focus on regionalization, security of supply and data sufficiency – they combine **digital participation and environmental sustainability** not only in an additive, but also an integrative fashion. In the current debate on Europe's 'third way', these participation-oriented platforms thus pave the way for a **qualitatively different development path** beyond the Chinese-style public platform regulation and the primarily private platform regulation in the US.[7]

> **Europe's 'third way': Participation-oriented platforms make possible a qualitatively different development path**

Nevertheless, participation-oriented platforms remain a **niche phenomenon** at the moment. Network effects, weak competition rules and a lack of political support mean that many of these alternative platform are struggling to survive as opposed to competing with their dominant counterparts. To actually be able to embrace this participation-oriented development path, a policy mix is needed at European and German level that combines elements of the following **three strategies.**

What needs to happen next:
Three paths to a participation-oriented
platform economy for the common good

REDUCE THE STRUCTURAL MARKET POWER OF GATEKEEPERS

In order to create room for alternative platforms, it is essential to reduce the market power of gatekeeper platforms from a structural standpoint. To this end, Germany and the EU must go beyond the Act on Restraints against Competition for Digitalization (GWB-Digitalisierungsgesetz) and the Digital Markets Act, for example by introducing the possibility of **breaking up** platform companies similar to monopolies, as allowed by US antitrust law. This would enable monopolies or corporations with dominant, market-spanning positions to be scrutinized and a sale of parts of the corporation or tangible assets to be properly assessed. As a last resort, the corporation could be broken up if necessary. This would make it possible to reverse unwanted economic developments in monopolized markets.

The possibility of **interoperability** enshrined in the General Data Protection Regulation (GDPR) must be enforced in practice. This means platforms must be legally required to allow their users to communicate with users in other networks. Just as you can send an email from Gmail to Yahoo, it should be possible to send a message from Signal or Telegram to Whats App. Truly interoperable platforms would generate new potential for participation-oriented platforms and make users less dependent on a single provider. The EU and the German government should require companies dominating the market to provide open interfaces that smaller providers can use.

Policy measures:
Reduce market power

– **Prohibit the pooling of data from different services**

– **Prohibit dominant platforms from self-favouritism and from playing the dual role of provider and marketplace**

– **Enable gatekeeper platforms to be broken up under new competition measures in Germany (amendment to the Act on Restraints against Competition for Digitalization (GWB-Digitalisierungsgesetz)) and at European level (competition tool in the Digital Markets Act)**

– **Require dominant platforms to provide their users with real-time portability of usage data in an interoperable data format and to ensure interoperability with complementary services**

PROMOTE PARTICIPATION-ORIENTED PLATFORMS

Government instruments to finance growth such as "INVEST – Grant for Venture Capital" or the HighTechGründerfonds, focused on high potential high-tech start-ups, are only available to players with traditional venture capital financing. As such, at the moment, innovation and funding policy primarily supports models that focus on shareholder value. This needs to change. Alternative platforms that reduce dependencies should be prioritized for active support, thus stepping up the **transformation towards a platform economy for the common good.**[8]

Participation-oriented platforms should not be actively discriminated against by law – as is currently the case under German **cooperative law.** The impossibility of subscribing to cooperative shares online makes it difficult or impossible for German alternative platforms to attract international members. A modern cooperative law should explicitly consider the particular features of the platform economy.[9]

Policy measures:
Promote participation

– **Promote the founding of participation-oriented platforms, for example through existing start-up promotion programs**

– **Strengthen the social and environmental criteria in public procurement to facilitate more flexible procurement to smaller and/or innovative stakeholders such as participation-oriented platforms, e.g. through national transposition of EU Directives 2014/24/EU, 2014/25/EU, 2014/23/EU**

– **Eliminate unequal treatment of participation-oriented platforms in public funding programs**

– **Amend cooperative law to the context of the platform economy, for example by creating a legally viable option to become a member of a cooperative online**

ESTABLISH PUBLIC PLATFORMS WITH DEMOCRATIC ACCOUNTABILITY

It does not always make sense to organize platform-based supply infrastructures from the bottom up. Due to the highly centralized nature of the platform economy, participation-oriented platforms are often unable to compete with gatekeepers at product level as their financial and technological advantage is too great. For users, switching to alternatives is therefore often still associated with a **loss of product quality.** This is where the government comes in as a supplier with greater resources. The German government or the European Union should provide **infrastructure for essential digital markets** themselves for the common good. The creation of such public platforms should be considered, particularly in sectors where alternative business models cannot compete due to market concentration and network effects.[10]

In individual cases, the government already operates such platform infrastructures. The CoronaWarnApp (for coronavirus notifications) and the Jelbi mobility platform of the local Berlin public transportation company are two examples that could be replicated in other contexts. According to the proposals outlined in the "Konzernmacht beschränken" (Restricting Corporate Power) initiative, government actors should focus on a European search index, an open-source alternative for social media, a smartphone operating system and a public app marketplace (see also end note 2). **Public spaces for exchanging data** should be established at German and European level and existing plans for public data pools implemented. All market participants should be required to provide anonymous data in order to compensate for existing competitive inequalities and to give SMEs the opportunity to develop participatory business models with this data.

Policy measures:
Create public options

– **Establish public data pools for social innovation processes**

– **Establish public platform infrastructure for the common good in heavily monopolized supply areas**

– **Fund research projects to develop criteria for understanding better when and where platforms provide essential supply services**

Recommended reading on the topic

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[6] Internet of Ownership. 2021. „#PlatformCoop Directory". The Internet of Ownership (blog). 2021. https://ioo.coop/directory

[7] Pentzien, Jonas (2021); see recommended reading above

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[9] Pentzien, Jonas (2020); see recommended reading above

[10] Piétron, Dominik (2021): Öffentliche Plattformen und Data-Trusts. Zur Vergesellschaftung digitaler Infrastrukturen. In: Die unsichtbare Hand des Plans, herausgegeben von Timo Daum und Sabine Nuss. Berlin: Dietz Verlag (i. E.)

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