The Daily Dish

The Real Lesson From Financial Regulations? How NOT To Regulate Technology

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Eakinomics: The Real Lesson From Financial Regulations? How NOT To Regulate Technology
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Do we need a Glass-Steagall for tech? How about a Consumer Financial Protection Bureau (CFPB)-style agency for data protection? Many of the latest calls for regulating technology giants seem to be borrowing from the history of financial sector regulations. But as I discuss in my recent piece "Why Technology Should Not Be Regulated Like Finance," such an approach is at best a problematic analogy, and more likely would not benefit consumers or resolve concerns about market concentration.

Drawing on heavily regulated sectors when creating new regulations for tech would shift away from the market-driven and light-touch regulatory approach that has been an important factor in the United States' leadership in technological innovation. For example, calls for a Glass-Steagall for technology largely focus on preventing "Big Tech" companies from being both a seller and a platform for other sellers of the same goods or services. Advocates for such regulation often argue that platforms such as Amazon are using data to gain an unfair advantage and engaging in self-preferencing of their own products.

But this is not the same kind of separation that Glass-Steagall was targeting in the financial sector—not to mention the debates over the success of Glass-Steagall itself. Instead, such a separation is more akin to preventing Costco from offering the Kirkland brand of products. Many consumers enjoy and benefit from the additional options that can be provided when companies are in many different lines of business, so to require such separation would limit consumer choices and potentially raise prices for such goods and services. If antitrust and competition policy are to focus on consumers and not picking favored competitors, such a policy seems not only misguided but downright backward.

Antitrust policy is not the only place where there have been calls for a finance sector-style approach to regulating technology. A recent paper suggested that the United States consider a CFPB-style regulatory agency for data. There is an irony in using the CFPB as a model given court rulings around its constitutionality, but that aside, such a regulatory body could still be detrimental. The United States already has a consumer protection agency in the Federal Trade Commission (FTC), and it has been an active enforcer in issues such as data privacy with a focus on consumer harm. A new agency focusing only on data could allow larger players to seek favorable regulations that keep out smaller and innovative competitors.

Further, with data touching almost every industry and aspect of the economy, the potential reach of such an agency's regulations is almost limitless. Rather than creating a new and powerful agency, policymakers should look at how they might improve the FTC's existing consumer protection role around data.

In short, policymakers calling to regulate technology in the same way as finance have it backward. Rather than looking to finance and other heavily regulated sectors for lessons in how to rein in the technology sector, perhaps we should look at how we could instead apply the light-touch regulatory style of the tech sector to finance. Doing so could improve consumer experiences and increase beneficial innovation across the economy.