



### **Advanced Introduction to Platform Economics.**

By *Robin Mansell & W. Edward Steinmueller.*

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Mansell and Steinmueller's new work is a welcome review of the economics of content production and circulation in the digital age. The book situates itself against the longer history of information provision and its regulation (radio, television, and print media were all heavily regulated in earlier time periods) and contemplates the economic and social implications of the free market approach that dominates content provision today. The analysis focuses on the policy implications of the trade-off between wealth creation and the maintenance of public values in platformized content production and distribution. A main strength of the book, and its central contribution, is an overview of how different economic traditions view this trade-off. As the authors explain, "since traditions in economics make different assumptions about this crucial matter, we consider how they influence efforts to achieve platform accountability and socially acceptable approaches to platform governance" (p. 2).

Readers might be forgiven for feeling misled by the title and introduction of the book, which suggest a wider purview. In the opening paragraphs the authors express their hope that in this book "you will find answers to questions about the benefits, costs and hazards that digital platforms are implicated in creating. You will acquire a working knowledge of how several traditions in economic analysis address how and why digital platforms are influencing every facet of society" (p. 1). However, while digital platformization is a business process that can be applied to practices ranging from crop management to logistics, the authors mark a distinction between platform intermediation and what they define as "*digital* platforms" which, according to them, "use customer or user-

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created *content* to earn revenues taking advantage of network effects” (p. 6; see also p. 21; emphasis added). The book excludes “websites that gather data from or about users but which do not make systematic use of that data to shape or reinforce user *attention*” (p. 7, emphasis added).

This distinction may be read as an authorial convenience by some. Srnicek (2016), for example, offers a much broader definition of platformization as “infrastructure to mediate between different groups” and which “positions itself (1) between users, and (2) as the ground upon which their activities occur, which thus gives it privileged access to record them” (p. 44). I suspect many would take issue with Mansell and Steinmueller’s argument that

Digital content is key to the way most digital platforms generate revenues and profits. Content is central to the multisided business models since desirable content is what attracts platform users who become audiences that advertisers pay platform companies to access. (p. 66)

Platforms can mediate the circulation of many things, from socks to stories, and since both socks and stories carry cultural meaning, the definition of “content” is called into question. Meanwhile, we know that telecommunications companies sell data about human circulation to real estate investors and commercial interests who use this intelligence to mediate attention in physical space (Braga, 2018), calling into question the idea that advertising is the sole or main source of platform revenues. However, once the reader accepts that the authors of this volume have chosen to prioritize the intermediation of content, we can simply move on and enjoy their very useful analysis.

Mansell and Steinmueller’s analysis is shaped by a discussion of how neoclassical economics, institutional economics, and critical political economy each approach the question of platforms and their regulation (Chapter 3). We learn that neoclassical economics addresses platform innovations in terms of their potential for driving economic growth within competitive markets. In this view, the main innovation offered by platformization is to reduce friction (the costs of interacting) within the marketplace. When platforms do this well, they can achieve network effects—the growth in value to both owners and customers that results from the expanding uptake of a platform. Achievement of network effects, in turn, is fed by and feeds datafication, while also driving down the marginal cost of facilitating additional interactions, such as the circulation of additional content. This may culminate in the creation of natural monopolies, in this instance social media platforms like Facebook.

The authors explain that when platformized business practices are allowed to govern content production and distribution, there are negative implications for the traditional media industry because they reduce advertising revenues, reduce subscription revenues, affect the quality of media content, and undermine the quality of journalism. Neoclassical economics is limited as an approach to thinking about platform economics because it treats these important concerns as mere externalities. This is problematic because: “A platform’s use of digital technologies and its reliance on user data could either enhance or detract from public values that are not simply the aggregation of individual preferences” (p. 45). Institutional economics steps into this lacuna to offer

an analysis of how norms and rules shape our experience of market systems, as well as how market regulation balances the search for profits and innovation with the protection of rights and freedoms. In this way of thinking about the platform economy, “A role is granted for private ownership, subject to arguments that may be made for a consideration of alternatives, particularly if private ownership is to disadvantage certain individuals or groups” (p. 47). This opens the door to state-led regulation of private accountability, personal rights, and innovation, particularly in cases where platform business models lead to harm for consumers or citizens, as when platforms create barriers to competition, or when algorithmic management of content leads to the creation of filter bubbles.

Critical political economy, meanwhile, offers an analysis of how relations of power structure the tension between wealth and values: “In a critical political economy analysis, this power [of platforms] is seen to be the result of a commodification process that takes precedence of public values and negates citizens’ rights and weakens their capacity to act” (p. 51). The critical political economy perspective foregrounds the different ways in which platforms are experienced by dominant and exploited classes, and how specific aspects of platformization work to maintain these unequal relations. In particular, lack of transparency in the application of algorithms, and built-in mechanisms to gather and exploit data, provide an unfair advantage to platform owners and managers in relation to gig workers, and ensure a flow of surplus value from “users” to “operators.” “In a critical political economy analysis, this power is seen to be the result of a commodification process that takes precedence over public values and negates citizens’ rights and weakens their capacity to act” (p. 51). The critical political economy tradition therefore prioritizes resistance to platform exploitation and surveillance as well as the search for alternative models that can “restore both individual and collective autonomy” (p. 51).

Having established these models, the authors turn to what is really the heart of the book. Chapter 4 focuses on how platform content distribution uses artificial intelligence, predictive algorithms, and big data analytics to “create a market for user attention” (p. 55). Sections 4.5 and 4.6 offer particularly useful explanations of content aggregation, which are essential reading for anyone studying Australia’s proposed News Media and Digital Platforms Mandatory Bargaining Code. This new competition law will force aggregation platforms like Facebook and Google to compensate local news publishers for distributing their content (Ribeirio, 2020). As the authors note, “Referring to platform practices as ‘aggregation’ is strategic since it allows platform owners to claim they are not ‘republishing’ or ‘copying’ content which might infringe the copyright of newspaper or other media publishers” (p. 69). However, the focus on platform content rather than platform commodities means that this analysis provides less insight into other aspects of publishing, such as recent accusations that Amazon.com and the Big Five book publishers (Penguin Random House, Hachette, HarperCollins, Macmillan, and Simon & Schuster) collude to artificially inflate the price of e-books sold through Amazon’s platform competitions (Cain, 2021). While the authors do discuss anti-competitive behaviours within platform spaces at various points throughout the book (see p. 49, and section 6.4.1 on p. 108 in particular), the focus is on how this shapes the organization of information environments, rather than the organization of the marketplace itself.

If we accept that platform business practices denigrate public values and trample on our rights (a conclusion that seems to be gaining momentum these days) then the obvious question is how best to regulate them. The authors first consider self-regulation (Chapter 5), before turning to regulatory approaches (Chapter 6) including incentives (drawing on institutional economics) and structural reforms (drawing on critical political economy). They point out that the argument for self-regulation rests on an untenable reliance on digital literacy in conditions of enormous power inequity: “Under self-regulation, offering a user a capability for control is taken as equivalent to addressing the issue of user control” (p. 79). Research on personal data literacy has clearly shown that this is not the case (Turow, Feldman & Meltzer, 2005). The limits of self-regulation suggest the need for regulatory interventions that create “different rules and norms for the ownership and control of data” (p. 87), and/or structural interventions that tilt the board in favour of alternative business models based on subscription, public provision or voluntary clubs. In response to the threat of greater regulation, however, platforms mobilize “numerous strategic moves” (p. 83) to “strike a balance of their choosing which keeps user on their platforms while maximising opportunities to monetise their data” (p. 83). We have seen a clear recent example of this from Facebook, which blocked the circulation of news content among Australian users in response to the proposed News Media Bargaining Code mentioned above.

Mansell and Steinmueller’s discussion about regulation will be useful to those following the European Union’s proposed new regulatory framework for data intermediation (European Commission, 2020). If it passes, it will create a regulatory framework for intermediary businesses or organizations that will broker or manage the data of citizens or consumers in the platform economy (p. 134-135). This will have very significant implications for the business practices of platform content providers, because they will no longer have direct or unpaid access to the personal data of their audiences. Here is an example of regulation that will simultaneously entrench the value of data within the platform economy, while also creating alternative business models that change the rules around data control. It remains to be seen whether this will put more power in the hands of users, or if it will make data more of a commodity than it already is.

Those who actually manage the business of content production and circulation may find that this book lacks insights into how platform business models are adopted and mobilized in practice. Platformization can be deployed in various ways, not just for the intermediation of content, and those who are running a business will take up these innovations in whatever ways make sense. For example, academic publishers offer editing, translation, and formatting services that are most likely provided by gig workers, which means that they are engaging in platform business models for the intermediation of labour in ways that support, and may also help finance, their content production and distribution activities. There are also interesting questions to be asked about how data is mobilized or monetized within the publishing industry, and how that intersects with platformization, commitments to openness, and research ethics, to name but a few key themes.

For those interested in the political economy of content production and circulation, however, this book is a fantastic orientation to the forces driving key digital economy

debates in contemporary politics and society. Mansell and Steinmueller have focused their attention on what is arguably the central concern of our age: how the profit motivations of platform content monopolists are undermining our digital rights and the quality of the public sphere. Their clear illustrations of market forces, and their convincing presentation of the logic for government intervention, are an important contribution to much needed dialogue about the reassertion of public values in the platform economy.

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