

6 February 2014

## **“INVEST IN THE JOBS OF THE FUTURE, DRIVE DEMAND FOR ICT”**

**Ericsson’s Director of Government & Industry Relations Rene Summer tells us about the “Networked Society” vision, and why the debates on jobs, copyright and demand-side policies are all linked**

### **Ericsson developed a vision on the “Networked Society”. What is it all about?**

Some technologies are actually technological revolutions and they lead to structural changes fundamentally transforming people’s lives, businesses, public institutions and society as a whole. The world has undergone deep and profound changes several times in the past, each resulting in disruptive clusters of dynamic new technologies, industries and products, along with their associated infrastructures.<sup>1</sup> Ericsson believes that we are at the brink of a new technological revolution. In the years to come, further technological advances and improved performance of ICT infrastructure will bring fundamental new ways for people to create, learn, produce and innovate. This will lead to a new wave of long term to more broad sustainable and positive transformations of the economy and society. Ericsson calls this new emerging society, of which we have only seen the beginning, the “Networked Society”. A society where people, knowledge, relationships and information are networked for the benefit of all. It will bring new ways of thinking about creation and production, new economic opportunities and new experiences leading to an innovation driven transformation of industries, institutions, economies and societies.

### **What could an EU policy maker do to help make the Networked Society a reality?**

First, mastering ICT-led structural transformations comes with a number of public policy challenges. It is imperative that policy makers adopt a long-term perspective that aims to achieve great and long lasting change. This change needs to be sustainable from an environmental, societal and cultural point of view. Policy makers will not only have to cater for the long term well-being of their citizens, but also focus on qualitative as well as quantitative policy objectives. All this, while striving to improve national competitiveness and encourage social progress.

Second, policy makers must be able to explain to citizens the power of technology-led long-term economic growth. Today, especially in Europe, the dilemma of long term technology-led growth is seen as contemporaries paying most of the cost (jobs, values etc.) of a technology-led transformation. The huge benefits of such transformation come later and are enjoyed

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<sup>1</sup> Perez, Technological Revolutions and Financial Capital, Edward Elgar, 2005

mostly by future generations, which risks distorting the electoral discourse in a particular way: an identified and present group of “losers” and an absent group of future “winners”. Policy makers should find a responsible way to deal with the challenge caused by temporal asymmetry in distribution of costs and benefits.

Third, policy makers have been focusing on addressing market failures such as natural monopolies, market power, externalities and asymmetric information. Pursuing market efficiency is of course desirable, but is still not enough to enable an ICT-led transformation that can realize long lasting and sustainable economic benefits. Hence, the realization of the Networked Society will also require policy makers to address regulatory failures resulting from public policy being captured by narrow private interests (resisting change) or by agency problems. For example policy makers and public institutions pursuing their micro-interest (such as preserving status-quo) at the expense of the long term public interest.

Furthermore, policy makers must also address systemic failures, which can arise in a technologically driven progress that severely limits the socio-economic potential. Since technological progress is determined by a system consisting of “inventions, innovations, diffusions and adoptions”, a range of different public institutions and sector-specific policy frameworks have impact on the overall performance of the system. In cases in which conflicting or incoherent objectives are pursued by various institutions and policy frameworks in the system, the result is a systemic failure that will automatically restrain the economic potential of change. EU policy makers need to take a more holistic view, seek greater alignment across sector frameworks and also strengthen the link between supply-side policies (inventions, innovations) and demand-side policies (diffusion, adoption). This will decrease the risk of systemic failures and hence increase the benefits stemming from change.

**So far, the European Digital Agenda has focused on supply-side policies. What role could new bold demand-side policies play?**

From an ICT-specific perspective, supply-side policies (broadband plans, spectrum policies etc.) are necessary preconditions to enable the roll-out and deployment of ICT technologies. However, from a socio-economic impact perspective, supply-side policies are not enough, since long-term economic impact is achieved by a broad diffusion and deep adoption of ICT technologies. Hence supply-side policies need to be connected and aligned with demand-side policies to increase the economic impact of ICT. This will maximize the socio-economic potential that ICT has to offer.

We need a new policy with an increased focus on outcomes, such as the adoption of new ICT-enabled services and applications by various groups of end users – including consumers, small and medium enterprises and public authorities. The aim of demand-side policies should be to enable innovation in and diffusion of new products and services, new market places, new consumer behavior and consumer value, and new organizational skills, activities and capabilities.

So, in economic terms, looking at ICT-induced changes, the increased focus on demand-side

policies is not primarily about stimulating movements on the existing demand curve, but rather about stimulating shifts in demand curves and in the creation of new demand.

**A hot debate at the moment is the one about the future of copyright. How does copyright fit into the context of increased focus of policy makers on demand-side policies?**

A vital link exists between the economic impact of ICT, including broadband, and the availability of digital content, such as creative works. The availability of richer digital content and services is a key trigger that motivates the mass adoption of high-speed consumer broadband services. Consequently, sound demand-side broadband drivers such as the availability of on-demand/on-line digital creative works need to be put in place to stimulate the up-take of high-speed broadband services and consequently contribute to realizing a socio-economic impact. A recent World Economic Forum Publication reached similar conclusions and called for an expansion of access to content by offering *“wide range of means for the public to reach content, enabled by the Internet and other technologies, maximizing societal and economic benefit.”*

This interdependency between ICT and the Creative Industry clearly marks a real-life example of where EU policy makers must consider risks of regulatory and systemic failures. The focus on market efficiency in the broadband access market and on the supply-side ICT policies alone, such as the Single Telecoms Market, will surely not be enough to stimulate demand. Hence, we need to make copyright fit for the digital age, in line with consumer expectations and to stimulate and satisfy demand for lawful digital content, which is also in the interest of the creative industry. This will also help realize the full potential of ICT-led transformation, like the one envisioned by the Digital Single Market initiatives or by Ericsson’s Networked Society vision.

**So, what can policy makers take away from this vision?**

The technologies behind the EU Single Telecoms Market or the Networked Society have the opportunity to transform economies and societies because they shape those key enablers of long-term sustainable growth. EU policy makers have the leverage to direct this transformation towards highly positive outcomes. This leverage is of strategic significance, since it can drive the well-being of citizens by shaping the competitiveness of nations, sustaining the pace of social progress and improving the standard of living. To benefit from change requires sound public policy that shapes and determines the duration, cumulative strength and sustainability of socio-economic benefits to be achieved in the Networked Society and in the EU Digital Single Market.

By ETNO Digital – Stockholm, Brussels, 6 February 2014

**Links:**

Networked Society: [http://www.ericsson.com/thinkingahead/networked\\_society](http://www.ericsson.com/thinkingahead/networked_society)



W.E.F., “Norms and Values in Digital Media: Rethinking Intellectual Property in the Digital Age”:

[http://www3.weforum.org/docs/WEF\\_RethinkingIntellectualProperty\\_DigitalAge\\_Report\\_2014.pdf](http://www3.weforum.org/docs/WEF_RethinkingIntellectualProperty_DigitalAge_Report_2014.pdf)

For more information, see our Web page at [www.etno.eu](http://www.etno.eu) or contact:

Alessandro Gropelli, Communications and Media Manager

Tel: (32-2) 227 10 82

Fax: (32-2) 219 64 12

E-mail: [gropelli@etno.eu](mailto:gropelli@etno.eu)