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IT for Change

State of Big Tech 2023

From Crisis to Where?

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June 2023

State of Big Tech 2023: From Crisis to Where?

Shifting macro-level trends are restructuring the conditions under which platforms have operated for long, and are redetermining their actions and choices. Furthermore, a shrinking financial and tightening legislative landscape has created significant roadblocks for the growth-first model that has been key to the rise of Web 2.0. Additionally, Big Tech platforms are experiencing a fall-off in network advantage while facing serious competition from new entrants in the Generative artificial intelligence (AI) sector poised to power the future of innovation. While current developments are still playing out, and it is too soon to know the mid-to-long-term outlook for the platform economy, it is clear that the digital paradigm is entering a state of flux. Many forks are emerging in the road ahead and we could be seeing a temporary blip or staring at a transformative point. Amidst these developments, the State of Big Tech 2023 invites contributors to capture this dual moment of crisis and reinvention and reflect on the pitfalls and potential for an alternative digital paradigm.

Recent times have dealt a significant blow to Big Tech's rising star. In the past few months, major tech corporations have [seesawed on the stock markets](#), [underperformed revenue-wise](#), and made [drastic cuts](#) to their business operations and workforce. Given the tech sector's outsized role and spillover effects in the global economy, these signs, which point to a slow-down, have [raised concerns](#) among state and market actors alike. While public interest actors and social movements, for a long time, have called attention to the looming externalities of unbridled digital capitalism, even industry insiders face a moment of reckoning today. The multiple systemic failures of the Big Tech paradigm cannot sustain.

If massive layoffs in the sector are any indication, the gains following the pandemic may be [petering out](#). A slowing ad sales economy over 2022-23 has clearly and significantly [impacted platforms' revenues](#). However, these are only the immediate triggers. Shifting macro-level trends are also restructuring the environment in which platforms operate and redetermining their actions and choices. While current developments are still playing out, and it is too soon to know the mid-to-long-term outlook for the platform economy, what remains clear is the fact that the digital paradigm, as we know it, is entering a state of flux.

A Shifting Financial Environment

Big Tech's 'growth first and growth at all costs' model faces new challenges in a tightening monetary environment, which is marked by [rising global interest rates](#). A lengthy boom time enabled by a low interest climate, access to finance without scrutiny, and high business demand led to erroneous economic forecasting (that assumed continued pandemic levels of online engagement) with companies like Meta, Amazon, and Google [over-hiring, doubling scale, and investing disproportionate resources](#) on speculative/moonshot projects. Further, the [founder-centrism of Silicon Valley](#) has also betrayed the weaknesses of centralizing and insulating poor leadership without accountability. In 2022, investors saw a loss of USD 33 trillion in equity markets, and the value of Nasdaq, home to many Big Tech stocks, come down by a third. Overall, [investor](#)

confidence has seen a big dip. Hundreds of thousands of layoffs have occurred, and startup valuations have significantly sized down in number and value. The outlook for e-commerce and gig economy have also shrunk considerably in the last two years.

A Tightening Legislative Landscape

Regulatory efforts have been stepped up in a substantial manner across jurisdictions, and are slowly, even if inadequately, creating much needed speed bumps to Big Tech's reckless growth. Important antitrust measures, such as the European Union's (EU) Digital Markets Act, the US' proposed American Innovation and Choice Online Act, and India's proposed Digital Competition Act, that recognize the gatekeeper status of large platforms, indicate a new and tougher regulatory reality for digital companies. Most recently, the Common Markets of Eastern and Southern Africa (COMESA) Competition Commission, along with Kenya, Egypt, Mauritius, Nigeria, South Africa, Morocco, Gambia, and Zambia, established a working group to look into the market conduct of global digital firms and assess the concerns for African digital markets. At the global level too, there has been a concerted push to develop more effective and binding regulatory regimes around issues such as digital taxation, supply chain and responsible business conduct, due diligence, and corporate governance, spearheaded by the Organization for Economic Co-operation and Development (OECD) and United Nations (UN).

An Eroding Network Advantage

We are witnessing what seemed unthinkable a short while ago – the seeping in of 'negative network effects'. Large social media and e-commerce platforms are struggling more than ever to control for quality. Excessive ads and promoted junk feeds, opaque algorithmic interference, and security threats have eaten into the seamlessness and stickiness that platform users have valued for long, leading to a significant degradation of user and interaction experience. These are fast becoming incentives for users to search for palatable alternatives. Waning user interest among younger users has led to a user flight from Facebook to TikTok. Credible competitors such as Bluesky to Twitter are targeting the latter's core user base, including journalists and influencers. The rapid ascent of GPT4 may be the first illustration of Generative artificial intelligence (AI) technologies' potential to "disrupt Google's position as the entry point for people on the Internet."

Generative AI in the Mix

The doom and gloom around Big Tech's turned fortunes have been running parallel to another talking point. Recent months have seen AI-based technologies create an unprecedented buzz, with both its promises and perils being endlessly debated. Already, the market looks to the era of Generative AI as its savior, with a massive investment curve being predicted in the domain. A case in point has been the blockbuster earnings of chip company Nvidia in May 2023. The company, which specializes in chips for AI systems, recently entered the trillion-dollar club of firms, netting meteoric earnings and stock surges. Big Tech companies have also joined the bandwagon, branching into billion-dollar AI-led business propositions that are aimed at developers.

Ripple Effects on the Global Economy

The larger economic climate is showing signs of a [slow and wave-based crisis](#). The reinforcing loop of magical thinking between high-tech and high finance in their penchant for speculation and enduring optimism is likely to create a wider ripple effect. What happens in the tech sector will have an impact on the finance world and vice versa. We have seen this play out in the case of [Silicon Valley Bank collapse](#) and its contagion effect in the closure of Signature Bank as well as Credit Suisse's nosedive. Non-tech but adjacent sectors, such as media, have been showing signs of a downturn. For instance, [Disney shut down its Metaverse division](#). Consulting firms such as KPMG and Accenture are also [shedding numbers](#). Digital sectors, especially emerging startups, in Asia, Latin America, and Africa have been impacted by the downturn much harder, with their [funding prospects thinning out](#).

Escalating Polarities in Digitalization Pathways

While technology has always been central to geo-economic and geopolitical agendas, this trend has acquired a distinctly hawkish edge in the past few years. An escalating polarity between the US and China is giving rise to spheres of digital influence at the global level. There has been a marked push to align national interest with the tech industry in the policy agendas of various countries. The populist allure of [bans and restrictions on the Chinese platform TikTok](#) in the US, EU, and Canada is an interesting case in point. Coterminous with these are [rising cybersecurity concerns](#).

Looking Forward: Reading the Tea Leaves

The Big Tech ecosystem is in a state of unease. Many forks emerge in the road ahead. We could be seeing a temporary blip or staring at a transformative point in the journey of Big Tech.

The question is – how can the flux make way for a restructured digital economy?

For an industry that bets big on capturing the future, it would seem ironic that most digital companies have failed to anticipate the change in tides. But it is also hasty to prognosticate about this recent downward slide of Big Tech as a death knell. Despite taking some hits, these companies continue to hold multiple high value business propositions, billions of dollars in reserves, and a hard to beat advantage stemming from their control over data/ AI and intellectual property resources. This crucial aspect differentiates the era of Big Tech from the dot com bust of the '90s, an internet model that took off too fast and couldn't sustain itself. Moreover, crisis after crisis has demonstrated an unfortunate trend; capitalism does not die but reinvents itself, and almost always for the worse. The multiple political, ethical, and economic concerns coalescing around Generative AI, widely acknowledged to power the future of the digital economy, affirm this fear. Despite credible competitors, Big Tech, as always, is [poised to maximize and benefit](#) from this move over other actors. The grim reality is that the structural power of large technology corporations belies any flash-in-the-pan narratives.

Yet, with policy interventions on overdrive along with shifting macro trends, significant changes are afoot. Whether these will be shaped yet again by market fundamentalism or sound public interest intent remains an open question.

In 2022, IT for Change released its first State of Big Tech report that brought together activists and scholars to take up the mantle of unpacking the misdeeds of tech behemoths, chronicle their role in the political economy of development, and formulate a clear and strong vision for the future towards global digital justice. Under the theme of 'Dismantling Digital Enclosures', the essays and interviews in our debut edition engaged with everything from the creeping onslaught of Big Tech into critical sectors such as health, food systems, and agriculture, to its capture of innovation networks and multilateral spaces, and the hype and hopes behind Web3.

For our 2023 edition, we invite contributors to capture this dual moment of crisis and reinvention in the current trajectory of digitalization, reflect on the potential for change, and propose directions for a truly transformed digital paradigm.

What do we aim to accomplish with the State of Big Tech 2023 edition?

Our essays for this edition of the State of Big Tech will focus on the following broad questions:

Capturing the Flux: How do we make sense of the current moment in the platform economy?

- How are patterns of value concentration and consolidation playing out?

- How are innovation trajectories being shaped by a changed financial environment?

    o Are we likely to see the platform economy reshape its business value proposition around the Generative AI model as some signs already indicate?

    o With investments shrinking overall, what will be the likely outlook for e-commerce and gig work? Can these sectors continue to thrive in the absence of cash burn and deep discounting?

- In what ways is the digital corporation adapting to meet the changing political, economic, and social environment?

    o As companies monetize various service layers, will we see a larger shift in orientation from growth to unit economics in the way Big Tech operates?

    o Will declining ad sales growth prompt an exploration of platform revenue and innovation models that can wean away platforms' dependence on advertising and data mining?

    o What will be the cascading impact on the smaller actors in the ecosystem including small enterprises, informal workers, and small producers?

    o What role will geopolitical and geo-economic considerations play?

Finding the Silver Linings: What opportunities are present and can be capitalized on?

- Can the entrenched power of Big Tech be challenged through a new generation of firms? Where do we see a semblance of the alternative?

- What are the moments and narratives that mark a push-back to the dominant Big Tech model?

- What agendas and narratives emerge from success stories of workers' movements?

- What has been the relative success of the recent wave of platform and data-based regulation? What do they hold for the future of economic governance?

    o The recognition of Big Tech's gatekeeper status is redefining a new generation of antitrust measures. How effective will these be in addressing the issues of concentration and monopolies? What do they get right, and where are their limitations?

Envisioning a Sustainable and Just Transition: What is the way ahead for the digital economy?

- How can we reshape institutions of governance and make them fit for purpose in the age of digital capitalism? What political directions should guide this process?

    o How should extractive digitalization practices be addressed? How do business and human rights guidelines of various organizations fare in this regard?

- How can the buzz around AI be steered into a transformative agenda? How can the power of AI be harnessed towards fair, green, and localized alternatives that drive equitable and regenerative gains?

- What does a post-General Data Protection Regulation (GDPR) generation of data rights look like? How should data governance be reimagined for the AI era?

- How can we radically reimagine innovation and value creation for an equitable platform society? What social, political, and economic considerations should drive this?

- How can climate justice be centered in the discourse of digital innovation?

Contributors to the collection are invited to write an analytical essay (between 4000-5000 words) that engages with the above questions by drawing upon specific episodes and instantiations and teasing out the above questions in a contextual and historically rooted way. Essays can focus on local, national, and/or international issues or happenings. They can hone in on a specific illustration or weave together different cases. They must be able to take stock of the shifting institutional context and offer directions for a way forward. We look forward to featuring your essay in a final compendium that IT for Change will release by the end of 2023