

Digital Transformation and the Future of Democracy



Our Call to Action

Digital technologies are driving radical changes in our societies – in our economies and productive processes, in the conduct of politics and public debate, and in personal relations and communications. What already was an ineludible transformation was further evidenced and accelerated by the global COVID-19 pandemic. Confined in their homes or abiding by social distancing measures, citizens around the world have been relying almost exclusively on digital technologies for information, work, education, shopping and social relations. Businesses and public service providers have rapidly digitalized their services, while public health and law enforcement authorities have been using digital technologies – from surveillance drones to cell-phone enabled movement tracking – to monitor compliance with confinement measures and contain the spread of the virus.

The COVID-19 pandemic has brought into the spotlight the immense role digital technologies can play to help us build more resilient societies – societies that can use big data to build epidemiological models, bring together the best scientists around a common challenge, and relocate millions of workers and students to their homes without bringing their activity to a complete stop. But the COVID-19 pandemic has also brought to the fore the very great risks that digital technologies pose to the foundations of democratic societies – privacy challenges in the face of big data, inequalities driven by unequal access to technology, and disruptions to politics and public debate in the age of algorithmic content curation and easy, accessible and free disinformation.

The World Leadership Alliance – Club de Madrid's 2019 Policy Dialogue on **Digital Transformation and the Future of Democracy: How can Artificial Intelligence drive Democratic Governance?** was held in Madrid on 21-22 October 2019, in partnership with the **IE University's School of Global and Public Affairs**. Based on conversations between some 40 former Heads of State and Government and 100 renowned experts, policy makers and industry leaders, articulated in Working Groups steered by **The Future Society**, the **IE Center for the Governance of Change** and **Ipsos Global Affairs**, it analyzed the risks and opportunities of digital transformation and formulated a series of recommendations for the global community to manage digital transformation as a force for positive change.

Faced with the immense impact of the COVID-19 pandemic on digital transformation dynamics, we have now reconsidered these recommendations and enriched them with further input from experts and policy-makers, including through an online roundtable on **Digital Technologies, Elections and Democracy in Times of COVID-19** held on 13 August 2020, in collaboration with the **Boston Global Forum**. Strong with these reflections, we wish to reassert the timeliness and cogency of our recommendations and call the global community to action. Together, we can drive digital transformation to build more resilient communities while protecting the foundations of democratic societies.

About Us

Club de Madrid is the world's largest assembly of democratic former Heads of State and Government. Independent and non-partisan, it brings together over 110 former Presidents and Prime Ministers from over 70 countries, who offer their expertise and agency to help today's political and civil society leaders build peaceful, inclusive and democratic societies. It responds to a growing demand for trusted advice in addressing the challenges involved in achieving democracy that delivers, building bridges, bringing down silos and promoting dialogue for the design of better policies for all.

The digital transformation is characterized by the growing importance of data in shaping products, services and business models. Our pervasive connectivity – our reliance on digital communications for a widening range of activities and functions – is enlarging our collective digital footprint. As we, individually and collectively, leave behind growing amounts of information when using the internet and digital services, we are feeding the potential of artificially intelligent (AI) machines, whose ability to process this data largely surpasses human capacity. This enables the automation of decision-making using complex and adaptive optimization models.



AI-assisted decision-making, powered by big data, has the potential to lead to improved results in numerous fields, from public services to commercial ventures. It can facilitate the allocation of public resources to the greatest need areas, improve individual access to customized products and services, and accelerate innovation to face emerging challenges and opportunities. It can improve the quality of healthcare through higher-accuracy diagnostics and predictive capabilities, and revolutionize education with curricula adapted to each learner's preferences and performance.

But the centrality of data for AI-assisted decision-making means that individuals are becoming the target of data exploitation, clashing with their right to privacy. Individual data is often collected and processed without consent, or without an informed understanding of what consent entails. In commercial settings, this results in skewed control dynamics between data collectors and individual users; and in public sector settings, it raises ethical questions related to state surveillance.

Whether in private or public hands, the use of big data for AI-assisted decision-making also tends to perpetuate the bias embedded in the data. This may result in discriminatory decisions, most visible in sectors such as credit banking and insurance. When the complexity of the optimization models used for decision-making is poorly understood by the institution that applies them, these so-called black-box algorithms come to hinder transparency and accountability.

Finally, situations where AI-assistance is imposed onto the decision-maker, for example through algorithmic information curation, raise questions related to individual freedom and free will. Micro-targeting, risk-profiling and the mandatory use of "aid-to-decision" tools risk alienating individual capacity to give fair consideration to all available options and freely make decisions.

Our Recommendations

To harness the power of big data to feed into improved AI-assisted decision-making without infringing on fundamental rights such as privacy, freedom and non-discrimination, we call for a rights-based approach to big data and AI-assisted decision making, anchored in the translation to the digital world of existing international agreements on fundamental rights.

In particular, we call on national legislators to define the ownership of individual data and set a rights-based framework for its use by third parties, through regulatory instruments such as enhanced privacy laws. We also enjoin them to protect the rights of vulnerable communities, inter alia, by embedding transparency and accountability requirements in the governance of AI-assisted decision-making by public and private actors.

And we encourage them to work with international partners, with a multi-stakeholder approach, to do so with a globally shared and inclusive vision of fundamental rights in the digital space, where boundaries are blurred and cultures come to meet.

Digital technologies are rapidly transforming the global economy. Across industrial sectors, digital devices and AI machines, often connected among themselves through the Internet of Things, are revolutionizing productivity and shaking the skillsets most valued in the labour market. New value streams are emerging -- such as data and attention – and the digital environment is becoming an ever more powerful driver of income distribution between countries, within countries and among productive factors.

Digitalization is making economies more flexible and resilient. As the COVID-19 pandemic makes direct inter-personal contact a public health risk, digital technologies are hailed for enabling continued operations and remote service provision in large economic sectors, protecting workers and clients.

But in this increasingly digital world, new inequalities arise and old ones are reinforced. As productivity is increasingly driven by the use of digital technologies, wages are falling behind. The digital displacement of certain jobs and the hollowing out of particular tasks in others is disrupting the labour market, changing the demand for skills faster than the education system – and workers – can adjust. And in the global division of labour, countries and individuals with less access to digital technologies are getting increasingly short-changed, further complicating their integration in the global economy.

The growing data economy is also affecting competition dynamics in national and global markets. Favored by obvious advantages of scale, essential digital services – search engines, mobile operating systems, social networks and e-commerce platforms – tend to oligopoly, resulting in the dominance of a few corporate giants over entire industries.

Strong with a capacity to attract the best talent, these large multinationals have also become adept at using legal and technological resources to lower their tax footprint by diverting profit to low-tax jurisdictions, resulting in the erosion of public income in the increasingly digital economy. These giants have also come to exert a sizeable influence over public opinion and policy-making, in their capacity as curators of public spaces.



Our Recommendations

To reap the benefits of flexible and resilient data economies while ensuring fairness in the distribution of these benefits, we call on policy-makers to address and redress current market flaws and articulate a new social contract for the digital era.

In particular, we call on education authorities, from policy-makers to school boards, to adjust educational curricula at all levels to meet the rapidly changing needs of the labour market and endow all learners with digital and social skills. We also enjoin employers, particularly in industries undergoing rapid digitalization, to support re-skilling and life-long learning strategies for all workers.

We call on national legislators to broaden access to digital technologies and protect market competition and effective taxation in digital industries, inter alia by reviewing anti-trust policies and developing international fiscal cooperation mechanisms.

Digital technologies are also revolutionizing the production, distribution and consumption of information. As citizens increasingly rely on digital platforms for information and communication, AI-powered content curation – the use of algorithms to select and filter the content shown to every user -- determines to a large extent the information they receive, thereby shaping their worldview. The speed at which the news is produced and consumed, all in real-time, is also affecting our collective ability to write, read and process information beyond attention-grabbing headlines.

One of the most promising features of digital technologies in democratic societies is certainly the empowerment of citizens to use digital platforms to access information, speak up and engage in community-wide, nation-wide and global policy conversations. Digital technologies have transformed politics from a vertical to a horizontal sphere, where the mechanisms of engagement and democratic accountability are made accessible to all citizens, on the same footing.



But the accessibility of digital platforms also extends to political actors and citizens who, with or without malignant intent, manipulate information to persuade, amuse or misinform. Amplified by artificial users – bots – and unhindered by algorithmic content curation, disinformation can spread rapidly on digital platforms and become a tool for political manipulation. Left to themselves in the face of increasingly sophisticated fake news, citizens are growing hesitant to trust the information that reaches them – and this crisis of trust affects governments, political parties, media and corporations alike.

Our Recommendations

To realize the potential for digital technologies to be a force for citizen empowerment and democratic accountability, while addressing the risks of disinformation feeding into the crisis of trust, we call on policy-makers to strengthen digital citizenship through education for critical thinking and investment in positive media.

We also call on national authorities to devise independent structures – such as review boards – to oversee the role of digital platforms as publishers and guide their efforts to align the content they host with international human rights agreements and trust-related considerations.

Conclusions

We are convinced of the potential for digital technologies to help us build more resilient societies, with improved public services, productive and inclusive economies, innovative business communities and vibrant civil society. But we are also convinced of the urgency to act to contain the risks that digital technologies pose to the foundations of democratic societies – to protect privacy in the face of big data, redress inequalities in the data economy and navigate disinformation to rebuild trust in democratic institutions. In the fast-moving digital environment, we call on policy-makers to be swift.

The World Leadership Alliance – Club de Madrid is committed to continue raising the urgency of action on this score with our interlocutors in the broad international community. We call on our peers and partners to join us in this effort and help make digital transformation a force for positive change as the world turns its eyes on a new multilateralism for the post-COVID-19 era.

During the autumn of 2020, the World Leadership Alliance – Club de Madrid will renew this commitment hosting a joint discussion with the **Boston Global Forum** on Transatlantic Approaches on Digital Governance (16-18 September), exploring the digital dimension of international peace and security dynamics in a joint Policy Lab with the **Crisis Management Institute** (6-8 October) and including digitalization as a key dimension in our Annual Policy Dialogue focused on Multilateralism that Delivers in partnership with the **Bertelsmann Stiftung** (28-30 October).



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The views expressed herein do not necessarily represent the views of individual Club de Madrid Members, partners or supporters.



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Under the Patronage of Ms Mariya Gabriel,
Member of the European Commission



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