THE SHORT CUT
with ANDREW MACKEN

BRAVERY IN THE FACE OF A SCARY NEW WORLD

IT has become fashionable to decry the power of large online technology platform businesses.

Following news Cambridge Analytica allegedly used illegally obtained data of more than 50 million Facebook users to influence political outcomes, the public has turned against Facebook.

How could it be that society has allowed a company to aggregate so much personal data which can now be used to influence people's behaviour?

It is an interesting question and worthy of discussion, but there is a more pressing underlying issue here.

For advertisers — who are Facebook's actual customers, such a platform is enormously valuable for the purposes of granular targeting.

And from a consumer perspective, being targeted by relevant advertisements is not necessarily a bad thing at all.

Through this lens, Facebook really has created a "win-win" between advertiser and consumer.

The underlying technology that enables such automated personalisation is called artificial intelligence (AI), or machine learning.

AI models become increasingly more accurate the more training data they are fed from which to learn.

And Facebook is one of the few gigantic pools of data resulting in some highly-effective targeting algorithms.

Now, the real concern here should be the malicious use of this technology.

If you want to read something terrifying, download the most recent paper published by non-profit Electronic Frontier Foundation, titled The Malicious Use of Artificial Intelligence: Forecasting, Prevention and Mitigation.

This paper highlights the new types of threats society will face as a result of the malicious use of AI technology across the dimensions of digital security, physical security and political security.

For example, there has recently been significant progress in developing speech synthesis systems.

As these systems improve their accuracy, they will become indistinguishable from genuine recordings, opening the door to impersonations and the spreading of disinformation.

Or take self-driving cars which are nothing more than an AI system that has been well trained to drive within the lanes, obey the road signs and not hit other cars or objects.

But what if road signs are intentionally modified by a malicious act to cause the AI to misinterpret their meaning?

Furthermore, autonomous vehicles and drones can make for highly effective delivery systems for terrorists.

From a political perspective, AI technology has the power to create Orwellian states through mass surveillance. It can be used to tailor personalised messaging (or propaganda) — along the lines of what Cambridge Analytica allegedly pursued.

And it can be used to create seemingly credible disinformation through video manipulation, for example.

Facebook's large-scale aggregation of member data has certainly enabled some extraordinarily powerful AI automation. And it is an interesting debate to have as to whether or not this constitutes too much power in the hands of one company.

But the more pertinent question — at least in the opinion of your author — is how to deal with the malicious use of this technology.

If Facebook were switched off tomorrow, none of these issues would go away.

It is facing up to this new technology that policymakers should be focused.

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Bonus rethink

Bankers face pay pain

MICHAEL RODDAN
BANKING

AUSTRALIA'S biggest banks will be forced to overhaul the way they remunerate executives, the head of the banking regulator says.

It comes after the watchdog found banker bonuses were structured in a way that allowed executives to avoid punishment for bad behaviour, putting financial stability at risk.

Speaking at a banking summit yesterday, Australian Prudential Regulation Authority chairman Wayne Byres revealed findings of an industry-wide review of remuneration practices at the nation's biggest banks, insurers and superannuation companies.

The review found that remuneration frameworks and practices did not consistently and effectively promote sound risk management and long-term financial soundness.

It also found they fell short of the better practices set out in APRA's existing guidelines.

"Financial organisations are adept at designing financial incentives for staff to say 'yes' to taking risk — after all, taking risk is how profits are generated," Mr Byres said.

"Far less incentive exists to say 'no', even when it is the right thing to do for the long-term interests of the company itself."

Mr Byres said APRA would look to strengthen legally-binding prudential frameworks to ensure bonus payments and accountability measures were right.

The review covered nearly 300 senior roles across the banking, insurance and superannuation sectors between 2014 and 2016.

It comes as the banking royal commission reveals widespread misconduct and fraud in the sector, largely driven by sales culture and short-term bonuses.

Mr Byres said it would "be a pity" if the sector saw the government's new Banking Executive Accountability Regime laws as a "compliance" process, and urged companies to go beyond the letter of the law to overhaul how they paid their senior staff.

"The perception in the community is that in the financial sector, particularly at senior executive level, the carrots are large and the sticks are brittle."

Speaking at the same event, Federal Treasurer Scott Morrison shrugged off the instances of misconduct heard by the royal commission, saying the government already knew about them.

He said the government, which had opposed a royal commission before approving it last year, had already begun tackling misconduct.

THE AUSTRALIAN, with AAP

Department stores such as Myer, which tapped Collingwood star Mo Hope and model Stefania Ferrario for a promotion, have enjoyed a bounce.

Digging deep for Aussie retail

RETAIL

AUSTRALIAN retail spending has rebounded, supported by stronger department store sales and a lift in sales of household goods and clothing, footwear and accessories.

Retail spending jumped 0.6 per cent to $26.4 billion in February, with Victoria among the best-performing states, according to official figures.

The jump beat market expectations of a 0.3 per cent rise and followed weaker results the previous two months.

Australian Institute of Company Directors chief economist Stephen Walters said the result was positive for consumers, with discretionary areas of retailing the strongest.

Department store sales were up 1.5 per cent, with clothing, footwear and personal accessory sales up 1.1 per cent, the Australian Bureau of Statistics said. "Combined, the rise in the discretionary areas of spending was the biggest since November, when technology sales were inflated by the release of the new iPhone, without that fleeting technology effect, today's result is the best since last May," Mr Walters said.

Among the states, the strongest sales growth came in Victoria and New South Wales, both up 1.1 per cent.

BLUE SKY TAKES A BEATING

INVESTMENTS

SHARES in short-seller target Blue Sky Alternative Investments have plunged after a trading suspension came to an end yesterday.

The resumption of trade followed a 9am conference call held by managing director Robert Shand.

Mr Shand did not take questions but repeated the company's allegations of market manipulation against US hedge fund Glaucus Research, which targeted Blue Sky in a scathing report released last week.

Echoing a response from Blue Sky published on Tuesday night, he said the report was full of false allegations.

His words did not appear to soothe nervous investors.

The shares, which were put in a trading halt last Wednesday then suspended on Tuesday, closed 18.6 per cent lower at $8.47 when trading resumed yesterday.

Blue Sky has insisted assets under management reached $4 billion last month — about $2.5 billion more than the $1.5 billion estimate published by Glaucus.

MARKET WRAP

LATE SURGE PROPELS BOURSE INTO GREEN

THE Australian share market made a late move into positive territory yesterday, recovering from a midday slump.

The benchmark ASX 200 index ended the day up 9.5 points, or 0.2 per cent, at 5761.4 points while the broader All Ordinaries index was up 4.6 points, or 0.1 per cent, at 5863.7 points.

The big banks had edged ahead by the close, but miners and energy companies remained largely flat.

CMC Markets strategist Michael McCarthy said the market essentially failed to launch despite strong rallies the previous night on Wall Street.

"The big bounce-back overnight in US stocks counts for nothing here as Asia-Pacific traders have reacted to the latest Sino-US tit-for-tat trade tariffs with great caution," Mr McCarthy said.

Wall Street optimism for a rich earnings season offset concerns about a trade war arising from a new round of proposed taxes on $US50 billion ($65 billion) worth of Chinese imports.

Australia's major four lenders turned around a slow start to end higher, except for **ANZ**, which lost 1c to $26.54.

The **Commonwealth Bank** rose 54c to $72.80, **Westpac** 11c to $28.74 and **National Australia Bank** gained 8c to $28.51.

Despite a slight fall in global oil prices, **Oil Search** gained 12c, or 1.7 per cent, to $7.20 and **Woodside Petroleum** 20c to $29.65, while takeover target **Santos** lost 5c, or 0.9 per cent to $5.84.

Gold miners struggled with **Newcrest Mining** among those to lose ground, down 1.5 per cent to $19.72.

Elsewhere, **Murray Goulburn Cooperative's** listed MG Unit Trust was up 0.5 per cent at 95.5c after a buyout offer from Canada's Saputo was approved by the competition regulator.

DOLLARS & SENSE by MACCA