

# **Information Technology, democratic societies and competitive markets**

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## **Abstract**

Access of relevant information, or knowledge, is a necessary condition for finding the right solution to a problem or making the right decision. Such information triggers and maintains the psychological and societal processes lying behind the achievement of important aims for individuals and groups. Democracy demands dialog, but dialog is not possible among citizens who are totally convinced about the truth of their ideas. A participant in a dialog must have a critical attitude toward own beliefs, otherwise a common search for a better decision is not possible. IT tools can train and support unconstrained, self-critical, systematic and holistic problem solving, decision and law making. Competitive markets, like democratic societies, need access to information. Whereas well organized and strong players can guarantee it more or less for themselves the same is very difficult for consumers to achieve, like it is for citizens regarding political information. IT can easily provide information about prices, quality and other relevant aspects of products and services in the market. However, the available form, content and amount of information in the market or in politics, which are controlled by the strongest stakeholders, have as their main goal to constrain systematic and critical thinking. Therefore to take advantage of IT's features in developing better markets and political procedures it is necessary to create rules that can guarantee it.

## **Introduction**

Democracy and free markets are today at the focus of debate and politics. A lot of discussions but also polemics are about these issues, nationally and internationally. It seems sometimes that the main reason behind conflicts and even wars are lack of democracy and market freedom. Still we have to raise the question if this is important: If democracy and functioning markets are important for the well being of societies and people.

Starting from the issue of high living standards and supply of necessities for our lives we can see that the main argument may be that democracy and market economy can provide us with what we need. But let us make a thought experiment and for the argument's sake suppose that another political system, for example an enlightened and tolerant oligarchy, could provide us with most of the things we need to have a good life. Would this or any other political system providing these things, be a good system? Is it something that we could accept?

No, we do not accept this. There is a significant difference between an authoritarian and a democratic political system, at least in theory. An authoritarian system may provide most of the material, and probably immaterial things people need but this is done by the rulers, not by the people. This means that the rulers do what they want. Of course, whenever they like, they can change their mind. In such a system people cannot control any supply of any necessity.

Power is the crucial thing here. People need and want to have the power to rule their own lives. Here we can point to the problem of knowing the real needs of the people, which is another important factor. It would be very difficult, even for the most benevolent ruler to know what the needs of the people are. People themselves know this. Still, the main reason for being skeptical to good non democratic systems, if there are any, is that what is delivered is something that it is not decided by people themselves but by rulers who may be good today but maybe not tomorrow.

So democracy is a social process of negotiating solutions, like in a free market, where all stakeholders participate. How this is done and what decisions are made depends on the participants. There are two issues that are of importance here. First, there is the issue of the basic characteristics of democracy and of free market, and the conditions that make these social processes possible. Second, there is the issue about the certain skills participants must have to be able to uphold a democratic political process or a free market negotiation process.

### **Democracy and free market**

There are many interpretations of the words democracy and free market. How democratic a society is or how free and competitive a market is cannot be defined only by things like high living standards, good economy, social security, daycare, schooling, and protected environment. Democracy and free competitive market are the way such things are decided. Still people have a formalistic approach to this issue. The most common view is that democratic processes, institutions and formal procedures define democracy. However, one may ask the question if it could be possible to run democratic institutions and processes undemocratically, for example letting a few people make all important decisions in dark rooms and then use the democratic processes as a show. Indeed there are powerful groups with strong interests in our society and in the markets as well as an indifferent majority of citizens and consumers allowing for example lobbying to be very significant in decision making.

Focus on power relations has always been the dominating approach to the definition of democracy and free market. The power of strong groups or persons hindering democracy and free trade, imposing tyranny, oligarchy, dictatorship, crippled democracy and the like has been on the main focus of the effort to understand undemocratic systems as well as to act against them and to support democracy (Dahl, 1989). No one should ignore this but let us consider another factor or dimension that might be at least of equal importance, namely the will of people to participate in the political or market negotiation processes

and their ability to run these democratically or competitively. We can easily understand that if people do not want to search solutions to their problems in a dialog together with others or if they cannot do it properly democracy or free market are not there (Hayek, 1944; Popper, 1945). It is therefore important to try to understand the psychological conditions under which dialog and negotiation are possible and base our efforts to promote democracy and competitive markets on this understanding.

It is impossible to make a general and longitudinal plan for products and services that people demand. The reason for that is that the demand always changes. Therefore the only possible way to satisfy demands for products and services is creating a free and competitive market. A market like that is flexible enough to adjust to the needs whenever they appear or change. In that sense problems have to be solved and decisions have to be made constantly by consumers and producers about what and how to produce or to purchase. In this process judgments have to be made about the offers in relation to needs. Contracts and agreements have to be made. This is the process of negotiation.

For this negotiation process to succeed balance between partners is a condition as well as objective information about the product or service at hand. It has been already pointed out, with many examples from history, that without freedom and equality between partners it is impossible to achieve fulfillment of the goals of all partners. Formally equality in market relations is there in most countries of the world. However, objective information is necessary for the negotiation process to be balanced. Objective information is a condition for a negotiating part to analyze, compare and weigh the facts to make the right decision. For each part it is important to analyze critically and self-critically the situation for himself, i.e. have an internal negotiation about own needs related to what is on offer (Fig. 1). If the picture provided by the information is false then the internal analysis will be biased as well as the following negotiation with the other part.

In the political process democracy is similar to negotiation in markets. In essence democracy is dialog between people. That means that people search for solutions to their problems by thinking together with others. But that presupposes that each person has a dialog with himself and that each person starts with the position that own ideas and beliefs need to be better. This makes it possible to listen to others. Each participant in a democratic process, or a dialog, feels always the need of other participants because he is expecting them to help him to find a better idea than the one he holds for the moment. If one trusts own beliefs and does not question own knowledge there is no reason to search for something better. Thereby dialog and democracy become impossible (Fig. 1).

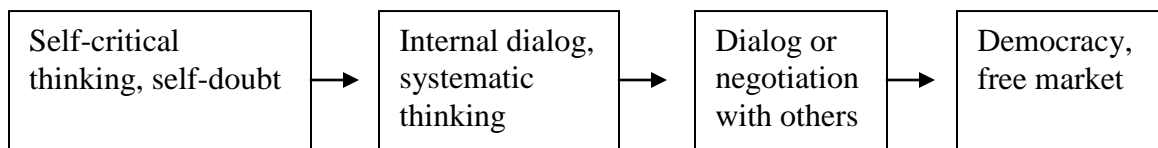


Figure 1. Skills for democracy and free market.

This is true about persons, but it is also valid on a societal level. Absolute truths in a society or in a market, for example taboos or political correctness, established brands, do not allow critical thinking, dialog and democracy just because there is nothing better to search for. On the contrary every effort for dialog or objective information can be understood as a provocation that nobody wants to listen to, or worse it can be seen as a criminal act, e.g. defamation, offence, leading to suppression and punishment.

Anyway the democratic problem in our industrialized and global society is not the brutal use of force to suppress free thinking and dialog, missing democratic institutions and procedures, or forbidden free negotiations and the hand out of special privileges to certain market players. Rather the problem lies with running and upholding a dialog that makes a democratic sense, in the way persons think and in the way individual citizens and groups communicate, negotiate and cooperate. There are many factors affecting this but is there anything that can contribute to a better ability for dialog and negotiation?

### **Skills for dialog and negotiation**

Usually we think that what we can do is to transmit values and principles, for example equality, respect for individual rights, etc. But do we need that? Are people undemocratic because they lack certain principles? This is of course not true. Certain principles and values are necessary to participate fruitfully in a dialog. People usually have these principles; the problem may be how to apply them. The other problem is what principles should be valid. Is it possible for everybody involved to agree on that? Is it possible to achieve agreement on what are the right democratic principles among different interest groups or among philosophers and political scientists?

In educational programs we can teach the structure and processes of democracy and dialog. We can train people to participate in a meeting, to know how to make propositions, motions, how to act as chairman, how to vote and how to count votes. But although this is necessary and facilitates dialog it is only a frame, or a tool. Without a substance it has no value. It cannot by itself trigger dialog and democracy.

Starting from one of the most important contributions, the Socratic dialog, we see that *aporia* is the goal rather than the achievement of a solution to the problem investigated. Reaching a state of no knowledge, that is, throwing aside false ideas, opens up for the right solution. The issue here for the philosopher is not to provide a ready answer but to help the other person in the dialog to think in the right way (Πλάτων [Platon], 1981, 1992b). Ability to think in the right way is not easy and apparently has been supposed to be the privilege of the few able ones (Πλάτων [Platon], 1992a). For that, certain skills are necessary, such as Aristoteles's *fronesis* (Ἀριστοτέλης [Aristoteles], 1975). When humans are free from false illusions and have the necessary skills they can use the right method to find the right solution to their moral problems (Kant, 1785/2006).

This philosophical position has been applied in psychological research on ethical decision making. Focusing on the process of ethical decision making psychological research has

shown that people use different ways to handle problems. According to Piaget (1932) and Kohlberg (1985), when people are confronted with moral problems they think in a way which can be described as a position on the heteronomy-autonomy dimension.

*Heteronomous* thinking is automatic, emotional and uncontrolled thinking or simple reflexes that are fixed dogmatically on general principles. Thoughts and beliefs coming to mind are never doubted. There is no effort to create a holistic picture of all relevant and conflicting values in the problem they are confronted with. Awareness of own personal responsibility for the way one is thinking or for the consequences of the decision are missing. *Autonomous* thinking, on the other hand, focuses on the actual problem situation, and its main effort is to search for all relevant aspects of the problem. When one is thinking autonomously the focus is on the consideration and investigation of all stakeholders' feelings, duties and interests, as well as all possible alternative ways of action. In that sense autonomy is a systematic, holistic and self-critical way of handling a problem.

Handling problems autonomously means that a decision maker is unconstrained by fixations, authorities, uncontrolled or automatic thoughts and reactions. It is the ability to start the thought process of considering and analyzing critically and systematically all relevant values in a problem situation. This may sound trivial, since everybody would agree that it is exactly what one is expected to do in confronting a problem. But it is not so easy to use the autonomous skill in real situations. Psychological research has shown that plenty of time and certain conditions are demanded before people can acquire and use the ability of autonomy (Sunstein, 2005).

Focus should then be on supporting autonomy, i.e. self-critical and systematic thinking. That would be targeting the real aim, since self-criticism and self-doubt are the main preconditions for dialog and negotiation. Furthermore, self-criticism, dialog and systematic searching seem to be the way democratic principles, institutions and procedures as well as free and competitive markets, are created and maintained.

This is not easy to achieve, and it may be hindered by some kind of framing, or by irrelevant and false information. Nevertheless, there are people who have learnt to use autonomy more often, usually people at higher organizational levels or people with higher responsibility (Kavathatzopoulos & Rigas, 1998, 2006). Training and special tools do also support the acquisition of the skill of autonomy. Research has shown that it is possible to promote autonomy. It is possible through training to acquire and use this skill longitudinally and in real life (Kavathatzopoulos, 1993, 1994, 2004).

Indeed new technology has certain features that can contribute to strengthening democracy in many of its aspects. For example one important condition for democracy is information to citizens. New technology can make it much easier to inform people about all kind of issues as well as to provide a lot of services at a very low cost and much more effectively. But although this is important and something that citizens appreciate highly it is not what democracy is about. Rather it can be criticized as treating people more as passive consumers than active citizens.

Although equality and other formal institutions and regulations are very important for democracy, information has a special weight both for political dialog and for negotiation in the market (Hayek, 1944). Information has to be accurate and accessible whenever needed. It is obvious that Information Technology can contribute a lot here.

But this is not enough. Information has also to be of such a kind that it can support autonomy, i.e. rational thinking, during the negotiation process. Sadly the case is rather the opposite: Information about products and services is usually formed, structured and presented in a way to confuse the critical, self-critical and systematic thinking of the receiver. Commercials, placing of products in supermarkets, pricing (e.g. 199 instead of 200), etc. are some telling examples of how this is working. There are some markets though, like stock markets, where this is absolutely forbidden. There are strict regulations on what, how and when information is presented, with the explicit aim to support receiver's independent and critical thinking.

Information Technology can contribute a lot here by providing necessary information. With almost no cost consumers can get information about the quality of products as well as about competitive issues such as prices, stock, etc. Furthermore, properly constructed IT systems can be used to stimulate autonomy during a process of problem solving and decision making, for example EthXpert (Kavathatzopoulos & Laaksoharju, 2010; Laaksoharju & Kavathatzopoulos, 2009)

### **IT supporting skills**

New technology can make information from authorities and political institutions that citizens themselves feel is important more accessible and therefore facilitate citizens participation in political decision making. New technology can support openness and by that invite people to be more aware and active. Furthermore, it can support horizontal communication among citizens and consumers. Issues that are of interest to few people or to people that for some reason have difficulties to contact each other by traditional means may be neglected in the political process, or be marginalized in markets, even though they are important. IT systems can easily overcome such difficulties and provide a powerful tool to connect, inform and coordinate people's actions in market and in politics.

But Information Technology comes with some risks. One such risk is making it much easier to gather all kind of information about citizens or consumers, and therefore hurt their integrity. Actually, spying on people leads inevitably to less powerful citizens, to less democratic political systems, and to biased markets. Another risk is isolating oneself, alone or in groups with other likeminded people, making it much more difficult to affect other groups and to participate in other political or market processes that might be important for one's primary interests.

New technology can contribute to self-critical and systematic thinking, which is the base for successful dialog and negotiation. Indeed IT systems have many advantages that can be used for the promotion of democratic and market skills. Information Technology saves

time and space, it has an enormous memory storage capacity, it can process and reorganize information fast and reliably, etc. Recent technical developments in particular, which give us the possibility to construct advanced games and simulate the complexity of reality in micro worlds, may further broaden the spectrum of opportunities and possibilities for support in dialog and negotiation (Laaksoharju & Kavathatzopoulos, 2008).

### **Necessary policies and risks**

Information Technology tools can stimulate self-criticism and systematic internal dialog. However, in searching to promote democratic and market skills we need to be assured that self-critical and systematic thinking is indeed stimulated by the support tools we use. Training and support of skills are educational issues, but also dependent on policies and laws. For such education to take place and have the expected effect it must be allowed, accepted and supported by society. Running a process like that, using training programs and tools for rational thinking successfully, is dependent on a framework that allows and supports it. The issue is if that can really happen.

Correct and relevant information can be provided much easier by the use of IT tools, for example about political issues, quality of products, prices, etc. However, the main belief in society is that information must be “free” in the sense of freedom of speech, meaning that the provider of information may formulate the message as he wishes. The result of this is that the strong actors in politics as well as in markets control the content and the form of information, according to their interests. That is why this is not allowed in stock market; all actors there are strong and very well aware of the importance of rational thinking.

Rules and laws are needed to guarantee the qualities of information necessary for the stimulation of rational mental processes in dialog and negotiation. But is this possible? Could it be good for society? Could it perhaps create anxiety and anarchy instead of democracy and competitive markets?

Of course we expect strong actors in politics and in markets to react negatively and oppose all measures taken in that direction. They will certainly do the best they can to stop such developments, but a legal framework pushing toward critical thinking may also cause anxiety and insecurity on the part of most citizens and consumers since they will be aware of their own power and responsibility. Would they be ready to accept that? Our current political and market systems are undoubtedly biased, but still functioning. More or less they provide us with what we think we need, at least in the so called developed world. Is it possible for us to accept the risk of creating problems or, more seriously, paralyzing the whole system because we want to make it better?

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