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Social Issues in Electronic Commerce: Implications for Policy Makers

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The revolutionary development of network technologies launched electronic commerce as a global phenomenon. Consequently, the policy issues that arise from its use create new responsibilities for policy makers world-wide. Apart from the technical (e.g. fast and reliable networks) and regulatory (e.g. legal frameworks and standardization) challenges that need to be tackled there are a number of social concerns that also need consideration. It is important for policy makers to see Internet use and electronic commerce as a social as well as a technical phenomenon. In this paper we examine how social concerns such as trust and digital democracy pertain to all levels of Internet and electronic commerce policy, posing dilemmas and influencing the construction of an effective and socially responsible strategy for electronic commerce.

INTRODUCTION

Policy implementation for electronic commerce is a complex process since policy makers, national governments in their majority, have to act in a fast changing environment. They need to balance special national demands with international cooperation (Papazafeiropoulou and Pouloudi, 2000). One of the areas that policy makers have to tackle is dealing with barriers that have been reported in the adoption of electric commerce today. These barriers are mostly derived from factors such as lack of awareness about the opportunities offered by electronic commerce as well as lack of trust toward network security. Additionally the current legislative framework, drawn before the advent of electronic commerce, is perceived as outdated, thus impeding the expansion of on-line transactions. Policy makers, therefore, find it increasingly critical to update commerce legislation (Owens, 1999; Shim et al., 2000; The White House, 1999) and take other measures to facilitate the uptake of electronic commerce.

As the need for appropriate policy measures that support the information society is increasing, it is important to prevent a predominantly technical, commercial or legal approach that neglects the broader social issues related to policy making. To this end, this paper examines social issues related to electronic commerce policy making and is structured as follows. In the next section we present two fundamental social concerns that are related to policy making in electronic commerce: trust and digital democracy. In Section 3 we discuss these concerns in the light of different policy issues arising from the use of network technologies, and in Section 4 we present their implications for policy making in electronic commerce. The paper concludes with the importance of a holistic approach to policy making and suggestions for further research.

SOCIAL CONCERNS

The introduction of technologies such as the Internet in everyday life has resulted in a debate about its relative merits and disadvantages. Some of the social concerns are illustrated in the study conducted by the Stanford Institute for the Quantitative Study for Society (SIQSS, 2000) concerning the social implications of Internet use. The findings of the study indicate that the Internet is an "isolating technology" that could seriously damage the social fabric of communities as users interact physically with other people less. The social implications of the Internet can be witnessed in organizational processes, the nature of work, learning and education, innovation and competition, electronic democracy, privacy and surveillance (Dutton, 1996). This section considers the social concerns related to the use of Internet technologies by focusing on two of the most frequently dis-

cussed social issues in electronic commerce. These are *trust*, a social issue underlying the business use of the Internet, and *digital democracy*, a term underlying the use of Internet technology in the society as a whole. The following paragraphs consider each in detail.

Trust

Lack of trust in on-line transactions is one of the main reasons reported for the relatively low electronic commerce adoption today. Trust is a key issue and its existence among the business community and the end consumers will increase the willingness of trading partners to expand their electronic transactions (e.g., Hart and Saunders, 1997; Miles and Snow, 1992; Ratnasingham, 1998; Wilson, 1997). The low level of trust in electronic commerce can be attributed partly to the lack of face-to-face interaction between trading partners in conjunction with the general uncertainty of users in taking advantage of network technologies (Ratnasingham, 1998). According to Johnston (1999), there are a number of actions that can be taken to respond to user uncertainty. First, users should be educated about privacy and security issues. Second, the necessary legislation framework that protects trading partners must be developed. Third, the perceptions about technology as a tool that can threaten trust need to change to acknowledge that technology can also be applied for the users' protection, for example, through the effective use of encryption mechanisms.

Digital Democracy

Information and communication technologies offer opportunities for governments and citizens to be brought into closer dialogue; they also facilitate political organization and debate (Raab, et al., 1996). However, the extent to which the information superhighway can fully enable citizens to participate in this emerging 'digital democracy', has been heavily debated. First, at a conceptual level, our understanding of democracy is "as bounded in time as it is rooted in space" (Nguyen & Alexander, 1996, p. 120), which means that the term digital democracy is inherently problematic in 'cyberspace'. Importantly, there is a concern that if citizens are not able to have access to on-line services, because they do not have the means or the knowledge to do so, existing patterns of inequalities will be reinforced. The digital democracy is threatened by "information aristocracy" (Carter, 1997). In particular, there is evidence of a gender and race gap in the use of the Internet as well as differences for users with different levels of income and education (Hoffman and Novak, 1999; Kouzmin et al, 1999). While policy makers at an international level are concerned about access to electronic commerce, the burden falls mostly upon local authorities, which are responsible for the provision of access to network facilities through the use of public access centers, kiosks or tele-working centers. At a global level, the penetration of electronic commerce in developing countries is also an outstanding issue related to the "haves" and "have-nots" in cyberspace, (e.g. Bhatnagar, 1997; Blanning et al., 1997; Clark and Lai, 1998; Kim and Hong, 1997). Easy global information access, however, is also problematic as it has been described as threatening both cultural identity and the regulatory sovereignty of the state, especially when used in less powerful economies (Shields, 1996). Finally, as privacy protection is a major concern in electronic commerce there is a concern on whether 'cyberspace' can promote democracy while protecting privacy. The free information flow of democracy and the users' need to control the flow of personal data can be seen as zero-sum alternatives that may (or may not) be balanced (Raab, 1997). This generates several policy dilemmas, which are reviewed in the following sections.

EMERGENT POLICY ISSUES

The Internet is the most popular means for the implementation of electronic commerce systems. Its fast expansion in the last decade was exceptional, forcing policy makers to speed up their efforts for its governance and regulation. The policy issues described in this section have to be addressed in order to facilitate the development of a safe and well-defined environment for electronic commerce, addressing the social concerns outlined in the previous section. These policy issues are presented following the six levels of Internet policy architecture including infrastructure, governance, security, privacy, content and commerce. These have been defined by the Global Internet Project (GIP), a group of senior executives from leading companies around the world (Patrick, 1999; www.gip.org). The second part of the section presents the dilemmas in addressing policy issues, leading on to a discussion of the implications for policy makers in the remainder of the paper.

Policy Issues at Six Levels of Internet policy

Infrastructure

The infrastructure level aims at addressing "the challenge of meeting the demand for reliable and scaleable access to the Internet" (Patrick 1999, p. 106). The speed, the quality, the reliability and the cost of the networks used for on-line transactions, are very important factors that can either boost or obstruct evolution of electronic commerce. One of the top priorities of governments is the support of the telecommunication industry so that it can offer better quality services in terms of speed, reliability, continuous access and interconnectivity between sub-networks (Patrick, 1999). The American government, for example, aims at the provision of on-line services to the majority of American households not only through desktop computers connecting to the Internet but also through devices such as television, cellular phones and portable digital assistants (US Department of Commerce, 1998). The liberalization of the telecommunication market is a relevant directive of the European Union (EC, 1997) and OECD (1997b) to their member states. It demonstrates the intention