

A New Paradigm Applied: The Governance Sector

Mark Obren, DBA

We are facing a new paradigm driven by a discontinuity induced by technology change, i.e. the separation of information from physical goods driven by information technology diffusion.

To recap, the new paradigm has the following factors:

1. enables a massive growth in wealth
2. reduces transaction costs
3. requires trusted custodians of information
4. enables new forms of organisations
5. changes the boundaries between organisations and the market
6. creates the self-interest for people to own information defining their person
7. requires maximum storage of data to realise maximum returns

The paradigm directly changes several fundamentals in the Governance sector and ushers in a period where more change can be expected, with new technologies and concepts changing the way society sets its own standards and manages its affairs.

First, the massive growth of wealth in society provides new opportunities for governance mechanisms and greater scope for governance activities. The information paradigm enables a wider range of governance models, closer scrutiny of governance agents by the governed to review decisions and greater accountability. The shift from a physical to an information based organisation of society changes the dominant linkages between people, and thus the structure of the governance required to effectively provide public goods in a society where the dominant form of wealth is the information flowing through the society. One further likely consequence is the shift from location-orientated governance to function-orientated, with the governed group is determined by common interests rather than physical locality.

Second, the reduction of transaction costs for governance infrastructure enables widespread participation in governance which has previously been impractical or uneconomic is becoming feasible and inexpensive. Governance structures ranging from full participatory democracy to time-limited dictatorships are feasible, with low transactions costs enabling individuals to be involved in every decision.

Third, the participation of individuals in decisions opens the opportunity for abuse of individuals based upon their participatory history. In order to eliminate the potential for abuse of political power a trusted custodian of governance information is required. Such a custodian should have no vested interest in the society or the outcome of any governance decision in order to be able to be considered trustworthy by all parties.

Fourth, the information infrastructure enables new organisational forms for delivering governance outcomes. It is likely that temporary governance organisations will emerge for each decision, in order to influence decisions and inform the governed over the consequences of options. The new structures will be able to move the concept of rule of law from the highly structured bureaucracy model to the more flexible and innovative forms required to provide value in an information economy.

Fifth, the boundaries between governance bodies and the governed will blur, as the reduced transaction costs allow individuals to more actively participate in decision making processes, including self-governance where the governed perform the governance process. Accessing knowledge from across society will allow more sophisticated decision making, and reduce barriers to governance for society members in general. The boundaries further enable new demarcations for different forms or levels of governance, enabling effective governance based upon the degree of common linkages between different individuals and the societies in which they live.

Sixth, as the information regarding an individual's governance participation could be used for purposes not in an individual's interests, it is in everyone's interest for information that identifies their governance activities to be protected from abuse. The most effective mechanism is for the individual to own the property right relating to information that identifies them for governance purposes, as the individual can then deny use of information identifying their governance activities from other parties.

Finally, in order for governance activities to be full effective, accountability for past decisions and data relating to governance participation is required in order to analyse past decisions and support future decisions. The nature of increasing returns is that the more data stored and available, the greater the benefits to society from governance data. The maximum benefit requires the collection of all governance data, including information used for supporting or promoting decisions or options.

These changes can all be predicted by applying a new paradigm of an Information economy, but probably represent only a portion of the real benefits, many of which will become apparent only in the context of the new paradigm once it is entrenched. The consequence of these changes is a substantial improvement in the governance of society and the supply of public goods, thereby enabling improved outcomes for society. However, it can be expected that vested interests will resist change as it represents a challenge to the power of existing governance structures. The ease of the transition depends on the skills and dedication of people in the sector to the consumer of their services.