

Borut Strazisar,

PhD in law, B&B Educational Centre,
Letaliska c. 16a, SI-1000 - LJUBLJANA,
Slovenia; borut.strazisar@guest.arnes.si

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DOT COM AND FRANCHISE STATE – THE END OF DEMOCRACY?

Abstract: *Outsourcing of public services and certain state tasks, e-commerce and virtual currencies are only few signs how the understanding of State is changing in nowadays world. Most changes were presented as a progress for the citizens. With outsourcing the services would be better and cheaper. Citizens would have the clear picture where the taxpayers' money is spent. With the e-commerce the goods and services would be cheaper. Customers would have more choices and there would be the global competition. Customers would have immediate insight which company has better goods/services and which company treats them better. With social networks and blockchain technology it was promised the new rise of democracy and avoidance of costly middleman. But the truth is opposite.*

Article deals with the question whether the introduction of franchise state and new technologies improves or destroys the democracy. The submission is divided in four parts. First part deals with the definitions of franchise state. Second part deals with self-regulatory organizations as they are distinctive for internet. Third part deals with dot-com economy and the consequences of it. Fourth part deals with the consequences of IT and e-commerce to modern democracy. As it's showed, modern technology and state approach is more destroying the democracy rather than improving it.

Keywords: *Franchise state, blockchain, self-regulation, fall of democracy*

Борут Стразисар,

кандидат юридических наук, учебный
центр В&В, Леталиска с. 16а, SI-1000 -
LJUBLJANA, Словения;
borut.strazisar@guest.arnes.si

DOT COM AND FRANCHISE STATE - КОНЕЦ ДЕМОКРАТИИ?

Аннотация: *Аутсорсинг общественных услуг и определенных государственных задач, электронной коммерции и виртуальных валют лишь несколько признаков того, как понимание государства меняется в современном мире. Большинство изменений было представлено как прогресс для граждан. С аутсорсингом услуги будут лучше и дешевле. Граждане будут иметь четкую картину, где расходуются деньги налогоплательщиков. С электронной торговлей товары и услуги будут дешевле. У клиентов будет больше выбора, и будет глобальная конкуренция. Клиенты будут иметь непосредственное представление о том, какая компания имеет лучшие товары / услуги и какая компания лучше их обрабатывает. В социальных сетях и технологиях*

blockchain было обещано новое развитие демократии и избежание дорогостоящего посредника. Но правда противоположна.

В статье рассматривается вопрос о том, улучшает ли внедрение государства франшизы и новые технологии или разрушает демократию. Представление разделено на четыре части. Первая часть посвящена определениям состояния франшизы. Вторая часть касается саморегулируемых организаций, поскольку они отличаются Интернетом. Третья часть касается экономики dot-com и ее последствий. Четвертая часть касается последствий ИТ и электронной коммерции современной демократии. Как видно, современные технологии и государственный подход более разрушают демократию, а не улучшают ее.

Ключевые слова: Состояние франчайзинга, блокада, саморегулирование, падение демократии

Борут Стразисар,

юридик фанлари номзоди, PhD,
V&Vтаълим маркази, Леталиска в. 16а, SI-
1000 - LJUBLJANA, Словения; +
38651672627; borut.strazisar@guest.arnes.si

ЭЛЕКТРОН ТИЖОРАТ ВА ФРАНШИЗИНГ ХОЛАТИ – ДЕМОКРАТИЯНИНГ НИҲОЯСИ?

Аннотация: Давлат хизматларини ташқи манбаларга асосланиши, электрон тижорат ва виртуал валюталар бугунги кунда дунёда давлат тушунчаси қандай ўзгариб бораётганлигининг англатади. Кўп ўзгаришлар фуқароларга ривожланиш сифатида тақдим этилади. Ташқи манбаларга асосланишорқали хизматлар яхшироқ ва арзонроқ бўлади. Фуқаролар солиқ тўловчиларнинг пуллари қаерга сарфланаётгани ҳақида аниқ тасаввурга эга бўлишлари керак бўлади.

Электрон тижорат билан товарлар ва хизматлар арзонлашади. Истеъмолчилар кўпроқ танловга эга бўлишлари ва глобал рақобат кучайиши мумкин. Истеъмолчилар қайси компаниянинг маҳсулоти ва хизматлари яхшироқлиги/ ва уларгани яхшироқ муносабатда бўлаётганлиги ҳақида дарҳол маълумотга эга бўладилар. Ижтимоий тармоқлар ва блок занжири технологияси билан, демократиянинг янги юксалиши ва қимматбаҳо воситачиларни четлаб ўтиш ваъда қилинган эди. Бироқ, ҳақиқат эса аксинча.

Мақолада франшизинг холати ва янги технологияларни жорий этиш демократияни яхшилаши ёки йўқ қилиши масаласи ўрганилади. Бу топшириқ тўрт қисмга бўлинади. Биринчи қисм франшизинг холатининг таърифларини ўрганади. Иккинчи қисм эса ўз-ўзини бошқариш органлари билан боғлиқдир, чунки улар интернет учун алоҳида аҳамиятга эга. Учинчи қисм электрон тижорат ва унинг оқибатларини тадқиқ қилади. Тўртинчи қисм ахборот технологиялари ва электрон тижоратнинг замонавий демократияга таъсирини ўрганади. Кўриб чиқилганидек, замонавий технология ва давлат ёндашуви уни такомиллаштиришдан кўра демократияни кўпроқ йўқ қилади.

Калит сўзлар: Франшизинг холати, блок занжир, ўз-ўзини бошқариш, демократиянинг қулаши.

INTRODUCTION

EU has been confronted with sc. institutional crisis and the with the wide debate about the future of the EU in last decade. The main conflict is in the question of sovereignty or how much power are states willing to transfer to the EU. The incompetence of the EU in migrant crisis and an economic crisis brought in the government of some EU states (e.g. Hungary, Poland, Italy) nationalist forces. The idea behind is a new EU with less EU and more national states.

Behind the public debate about the future of the EU, there are processes that silently embrace the essence of the states. Tax shopping systems (connected with tax evasion), bitcoins, blockchain technology, e-stores (like e-bay, Amazon, aliexpress), shadow banking systems, army civil contractors etc. All the mentioned phenomena decrease the powers of the state and increase the power of certain persons or groups of citizens. On the other hand, citizens and their democratic bodies are losing function of democratic control due to the increase of self-regulative bodies. So, the term "democratic deficit," popular for the discussions within EU, is corresponding also on the level of each nation-state.

Thatcher era in 1990's introduced the doctrine of bad, incompetent and economic inefficient state. Main idea was that market would regulate everything and thus the taxpayers would have more for the same taxes. Indeed, it introduced the belief that markets were an acceptable substitute for efficient government [1]. So, the different forms and degrees of public sector privatization were introduced. Such privatization changed also the role and responsibility of government and thus also the political landscape. With the privatization the political responsibility had changed to the market responsibility. Political control was changed with the invisible control of market forces. The loss of political control meant also the loss of political accountability to the voters in such areas.

The idea of bad and costly state agents (like central banks, public registers) could be seen also behind the blockchain technology and bitcoins. Wright and De Filippi expressed that "this technology will shift the balance of power away from centralized authorities in the field of communications, business, and even politics or law"[2]. They expressed that the blockchain "has the potential to decentralize the way we store data and manage information, potentially leading to a reduced role for one of the most important regulatory actors in our society: the middleman." The MacDonald et. al. talk about self-organized economies[3]. Atzori M. talking about blockchain technology even posts the question whether the state is still necessary. She defines blockchain and decentralized platforms as "hyper-political tools, capable to manage social interactions on large scale and dismiss traditional central authorities"[4].

The main question is whether the globalisation and new technologies could be seen as a response of private sector towards inefficient public administration or as political interest to form franchise state without political responsibility and thus destroying the democracy.

The submission is divided in four parts. First part deals with the definitions of franchise state, Second part deals with self-regulatory organizations. Self-regulatory organizations are distinctive for internet. Third part deals with dot-com economy and the consequences of it. Fourth part deals with the consequences of IT and e-commerce to modern democracy.

FRANCHISE STATE

The essence of franchise state - a state without powers and responsibilities - was discussed by many authors. They are using different terminology with the same logic - distribution of authority, powers and responsibilities to non-governmental organizations of various types. It means also the transfer of political responsibility back to the citizens.

The first author who noted term franchise state was Geoffrey D. Wood in 1997 about the role of nongovernmental organizations in modern society. He expressed the key problem of franchise state in following "The central question posed is: to what extent do citizens of the state lose basic political rights if the delivery of universal services and entitlements is entrusted to other bodies which would at best be accountable to the state rather than directly to those with service entitlements? Secondly, can the state devolve responsibility for implementation without losing control over policy (since practice is policy) and therefore losing responsibility for upholding the rights of its citizens? If the answer to the first question is 'yes' and to the second question 'no', then we have states without citizens"[5] The term franchise state is thus connected with the issues of the franchising of state responsibilities to nongovernmental organizations.

Nickel and Eikenberry talk about the voluntary state - a state that views the market as its only responsibility and labels all other responsibility "personal," thereby leaving the voluntary and discretionary redistribution of individual wealth as the only means to achieve social welfare[6]. The authors point out two mutually reinforcing components to the voluntary state - creation component and decision component[7].

Milward and Provan used a term of hollow state - as a metaphor to describe the increasing reliance of the public sector on contracting with non-profit agencies and for-profit firms for the delivery of taxpayer-funded goods and services[8]. Authors notes that "by the hollow state we mean the degree of separation between a government and the services it funds (i.e., the number of layers between the source and the use of funds"[9] Frederickson used the term hollow state to denote that public policy choices under this type of relationship centre on governance rather than on the government[10].

A system of involuntary franchise state is present in a system of favelas in Brasilia. Ioan Grillo uses the term gangster warlord[11]. The author uses this term to define "a set of hybrid criminal leaders characterized by the concurrent presence, controlling certain territories, and threatening the fundamental nature of the state, not trying to dominate it completely but to seize some of its parts and weaken it, operating in it instead."

Felbab-Brown uses the term "proto-state rulers"[12]. The author sees that favelas affects the fundamental purpose of the State and has political implications because they act as competitive state-makings, undermining its functionality and legitimacy.

Rhodes uses the term new governance - governing without government[13]. The author warned that today there are at least six separate uses of governance:

- as the minimal state;[14]
- as corporate governance;[15]
- as the new public management;[16]
- as "good governance";[17]
- as a socio-cybernetic system;[18]
- as self-organizing networks [19].

Nguyen et al. introduced the term a Virtual organization as a "temporary alliance of autonomous, diverse, and geographically dispersed organisations, where the participants pool resources, information and knowledge in order to meet common objectives. The objectives of an alliance can evolve and the relationships between the different parties may change. Therefore, virtual organisations are naturally dynamic"[20].

SELF-REGULATORY ORGANIZATIONS

The franchise state needs the self-regulatory organizations. As stated in previous part the idea of franchise state is not only the transfer of execution but also of regulation in defined area. So, the "franchisee" should get also a right to regulate. And that's the job for self-regulatory organizations. Sometimes self-regulatory organizations are established before the "franchising relationship" is established (e.g. mostly in IT industry) to avoid possible state regulation. Before pointing out problems of self-regulatory organizations, their definition or characteristic shall be given.

Ontario Securities commission gives the following definition "A Self-Regulatory Organizations (SRO) is an entity that is organized for the purpose of regulating the operations and the standards of practice and business conduct of its members and their representatives with a view to promoting the protection of investors and the public interest"[21].

Stone and Perino point out that self-regulatory organizations are not just private clubs but also state actors when enforcing federal law. The question whether self-regulatory organizations could be treated as a state actor in connection with the principle of a due process or the right against self-incrimination. Indeed, it's the question of constitutionally protected rights. In the states there is no clear answer on this question[22]. Authors present the statements of Justice Stewart and Justice Goldberg in the case of *Silver v. New York Stock Exchange*[23].

Sitdikova et al. point out following characteristics of self-regulatory organizations: special public powers based on outsourcing, possess features of a public law legal entity because of predominance of public purposes in its' activities, are the private-law associations of entrepreneurs for consolidating professional interests[24]. Authors conclude that "the self-regulatory organizations do function both as participants of social relations and as public regulators performing normative and control functions, thereby realizing private and public interests"[25]

Dombalagain tries to explain the essence of self-regulatory organizations through the definition of self-regulation. The author points out: "On a purely etymological level, self-regulation suggests a process by which a person, organization, or group of persons establishes and enforces rules to govern its, or their own, conduct without the need for regular outside intervention. This definition, of course, might well pick up any public company, financial institution, or other business entity that is required to establish internal controls for regulatory purposes"[26].

The same view share also Balleisen and Eisner. Self-regulatory organizations are seen as a part of private regulatory governance. Self-regulatory organizations vest the power to make and/or enforce regulatory rules in a non-profit organization, usually allied to an industry trade association[27]. In connection with the role of self-regulation organizations as a part of private rulemaking Weimer points out three essential elements: "First, it is carried out by an NGO that includes representatives of the major stakeholders. Second, the NGO has a charter, either under statute or administrative delegation, to formulate the substantive content of rules under a specified voting procedure. Third, the rules have immediate effect because those whose actions are necessary to implement them are members of the NGO, or, if the NGO is accountable to a regulatory agency, the agency generally accepts the substance of the rules through either passive acquiescence or routine approval"[28].

Akisik notes several benefits of self-regulatory organizations such as:[29]

- greater degree of expertise and technical knowledge of practices within the relevant area,
- the rules issued by a private body are less formalized than those of public regulatory regimes. This informality reduces the cost of rulemaking, facilitates quick adaptation of the rules to new technical knowledge and changing economic conditions, and permits more flexible enforcement;
- the administrative costs of self-regulation are normally internalized in the trade or activity that is subject to regulation, while the costs of public agencies are typically borne by the taxpayer.

Farell uses the term hybrid institutions which blend public oversight and private enforcement in the international arena[30]. The author notes that "hybrid institutions are attempts by sovereign authorities to co-opt the outlaws, the private actors who are creating their own social spaces, compromises which dilute the legal order in order to maintain some control over social processes. But hybrid institutions could be seen also as interfaces in which different legal orders seek to create institutions that will minimize the downside of interdependence."

DOT-COM - THE NEW ECONOMY OR JUST THE NEW MONOPOLY?

The phenomenon of dot-com economy in 1990's led to two extremes: enthusiasm about the "new economy," often including the belief that fundamental economic principles were no longer valid in the Internet age and the view that the "new economy" had been based on an unfortunate coincidence of greed, hubris and na?vet?, producing little that was of lasting substance[31]. Wang explains a dot-com as "an internet pure play that operates only from its online website. Its ability to reach customers in vast geographic regions via the internet, while not having to invest in building physical facilities, has been among its most attractive features for investors and entrepreneurs"[32].

The phenomenon of dot-com led also to the sc. corporate citizenship. Waddell explains corporate citizenship as "the term that is used on the one hand to connect business activity to broader social accountability and service for mutual benefit, and yet on the other it reinforces the view that a corporation is an entity with status equivalent to a person. It holds both the promise of healthier and wealthier societies, and the threat of equating human rights with corporate rights"[33]. The author states that dot com economy and corporate citizenship need new organizations that "must somehow combine qualities of different types of organizations such as government agencies, businesses and community-based organizations (CBOs, usually nonprofits, where "community" refers to both geographic and other interest-based ties)[34].

Morrison correctly states that "Companies as entities are analogous to individual citizens, but the large, economically powerful company enjoys a position that is also analogous to government. The basis of corporate citizenship in the international environment is multiple social contracts: between company and society; between company and government; and between company and stakeholder groups"[35].

As mentioned, theory sees the dot-com industry as way of new economy. Multinational companies have been transformed into global companies. If in the past some companies could relate to certain state (e.g. Philips - NL, Bosch - GER, Ford - USA...) today relation doesn't matter anymore. It's true that e-commerce and m-commerce[36] is not

connected to any market but to a virtual global market made by a certain production or commercial company.

Berthon et al. stated that "consumers are no longer merely passive recipients in the marketing exchange process. Today, they are taking an increasingly active role in co-creating everything from product design to promotional messages"[37]. The authors invented the term creative consumers, "defined as customers who adapt, modify, or transform a proprietary offering."

Hanna et al. point that "Content in the form of social networks and blogs that enable individuals to create, share, and recommend information is extending the spheres of marketing influence, and a wide variety of social media platforms are providing the tools necessary for these influential and meaningful firm-customer exchanges"[38].

The definition of social networking was given in the 2007 survey. Bughin and Manyka gave the following definition "Social networking refers to systems that allow members of a specific site to learn about other members' skills, talents, knowledge, or preferences. Commercial examples include Facebook and MySpace."

Stroud explains the essence of social networks as "that they are driven by their members. The website owner establishes the style of the network, provides the functionality, creates / imports content and sets the rules. But it is the ongoing levels of activity of the network users that determine the site's continuing success"[39].

Above mentioned is true with one limitation. All social networks are part of global network companies like Facebook, LinkedIn etc. So, the individual freedom of networking[40] is limited by the general network rules. These rules allow the network companies to exclude certain members out of the network without any possibility for the complaint[41]. The general network policy allows global network companies to intervene in personal networks - they play a task of a hidden middleman.

The idea of free network, a system without middleman and direct interactions among users was realised through the introduction of blockchain system. The idea of blockchain was firstly developed by Stuart Haber and W. Scott Stornetta[42]. The authors wanted to implement a system where documents' timestamps could not be tampered with or backdated.

The first blockchain was conceptualized by a person (or group of people) known as Satoshi Nakamoto in 2008. The basic idea was given in the article "Bitcoin: A Peer-to-Peer Electronic Cash System"[43]. The author proposed blockchain as a solution to the double spending problem[44]. The blockchain technology wanted to avoid the non-reversible transactions. With the use of blockchain technology the merchants could trust customers and their transactions[45]. The idea of blockchain is to change the role of middleman with the cryptographic system that requires a lot of computational time and resources to create a block and to change the block. So, the whole blockchain technology is all about preventing undesirable changes and system's abuses with the use of cryptography run on multiple computers at the same time.

Due to the cryptographic nature of blockchains and the traceability of operations within blockchain the idea is to use mentioned technology also in the execution of voting rights, for fighting against fake news, to speed up the commerce with e-contracts etc. The blockchain technology is promoted on internet as one of the technological inventions that will reduce the need of specialised organizations such as banks, national banks, insurance companies... The problems with blockchain technology are the limited

computational space and time, the high usage of electrical power for each transaction, the long time needed to complete the transaction...

NEW TECHNOLOGY - MORE DEMOCRACY OR NEW DICTATORSHIP?

As mentioned most of new technology and IT economy is presented as a possibility to override the bureaucracy and the chance to implement higher degree of democracy. But the truth can be quite opposite. Indeed, the new technologies on the long run destroy democracy and limit the access to certain goods/services only to limited number of persons. It could be argued that new technology provokes new kind of discrimination. Hereinafter are described some problems of modern technology and their influence on democracy.

Problem of accountability

New technology relates to the establishment of numerous true self-regulatory organizations. Self-formation of such organizations in certain societal subsystems[46] is welcomed by governing political coalition. Governing coalition uses such organizations for transferring political responsibility. Transfer of political responsibility is double:

- there is no need for state regulation - governing coalition has the excuse that certain political questions have already been adequately regulated by existed self-regulation thus lowering the costs of regulation and implementation. So, the responsibility for "legal failures" rest on self-regulatory organizations;

- there is no need to choose the public provider because there is already one actor with organized structure, existing infrastructure and certain amount of "consumers." So, responsibility for the choice is transferred to users and general public.

But the reality is that self-regulation is a "product" of organization's members and they are not subject of general discussion[47]. Main question for the democracy is how the self-regulation is written and accepted within self-regulatory organizations. These organizations have been always closed clubs. Usually these "clubs" present themselves as democratic organizations. Outside picture of such democracy is that each member has a voting right and has the possibility to influence the work of such organizations. The members' management rights are in fact very limited due to their high number or due to internal bylaws[48]. So, the main question is not if the members have some rights but how efficient these members could execute their rights.

On the other hand, customers don't have much choice about given service. They are not involved in self-regulatory procedure. Only task given to customers in self-regulatory procedure is to post their opinions and suggestions on the organization's website board. But then is up to the organization what they'll leave on the board and what it would be immediately deleted. With the abuse of "liking" system[49] self-regulatory organizations can present dissatisfied customers as a minority group that is misusing their rights of complaints just to blacken the organization.

Mulgan wrote that "'accountability' is a complex and chameleon-like term is now a commonplace of the public administration literature. A word which a few decades or so ago was used only rarely and with relatively restricted meaning"[50]. The author notes that there are four understandings of accountability:

- it refers to the sense of individual responsibility and concern for the public interest expected from public servants ('professional' and 'personal' accountability), an 'internal' sense which goes beyond the core external focus of the term;

- it refers to the various institutional checks and balances by which democracies seek to control the actions of the governments (accountability as 'control') even when there is no interaction or exchange between governments and the institutions that control them;

- 'accountability' is linked with the extent to which governments pursue the wishes or needs of their citizens (accountability as 'responsiveness') regardless of whether they are induced to do so through processes of authoritative exchange and control;

- 'accountability' is applied to the public discussion between citizens on which democracies depend (accountability as 'dialogue'), even when there is no suggestion of any authority or subordination between the parties involved in the accountability relationship.

The problem is that true self-regulative organizations are not accountable in any of abovementioned understandings. They are maybe accountable only to their members and not to the citizens. This limited accountability is derived from the nature of self-regulative organizations. Self-regulative organizations are primarily established to protect the interests of their members and to regulate relations among their members. Self-regulative organizations are not established to protect the public interests. Any protection of public interest is a mere side-effect of internal relations. Expectations of citizens and politicians towards self-regulatory organizations are thus unjustified and misleading. Thus, self-regulatory organizations could sometimes be used as a tool to achieve certain public interest or goal.

Self-regulative organizations implement self-regulation also to provoke the effect of "dimmed mirror." Detailed self-regulation with monetary sanctions and with possibility to exclude some members could give the wrong impression that everything is regulated and there is no need for state regulation. This false impression could be even greater in case that self-regulation contains also the regulations about relation among members and their customers. Most of these regulations are principles that have no practical value. Customers can complain against members but the principles are interpreted by the internal organs of self-regulatory organizations that consists only of their members.

Problem of independent choice and information

Web is presented as a big database of different information. It's up to the user to find the appropriate information with different search engines and with different keywords. With the increased number of web pages and information, different service providers started to use cookies[51]. The use of cookies was presented as the part of improving users' experience - i.e. allowing the users to get the needed information in shorter time by using the program algorithms that consider the user's previous search selections. So, it's not on the user what information will he/she get but it's up to his/hers browsing history and program algorithm what will he/she get. In practice means that the choice is not any more on user but on computer program.

As Sunstein Cass wrote "To avoid inertness, a democratic public must certainly be free from censorship. But the system of free expression must do far more than avoid censorship; it must ensure that people are exposed to competing perspectives"[52]. It means that information should not be unilateral and oriented. As the author stated, internet is in-between Orwell's 1984 [53] and Aldous Huxley's Brave New World[54]. The author as a case of limited information pointed out the emergence of "the Daily Me." It was the first case that allowed the design a communications package[55]. The

Daily Me allows the "homophily": a strong tendency to connect and bond with people who are like them[56].

With the possibility to use cookies, selecting the information we want and building networks with the people that share the same political standings, people are building the safe harbours. There is no need to confront and defend their political standings. With absence of confrontation people can live peacefully in their own political worlds leaving the minority to abuse their votes. There is no place for the critical political thinking. There is only one political truth given by the program algorithm[57]. The practical abuse of algorithms was the case of Cambridge Analytica and Facebook. It was a practical case that showed how the IT can undermine democracy.

Problem of independent choice is connected also with the phenomenon of influencers. In 2007 Google started with algorithm that identifies so-called "influencers" on social networks. This algorithm seeks how certain persons may affect a potential adopter's adoption decision. What is not presented? The fact that algorithm seeks the influence only on certain decision and not overall decisions of followers. So, giving the title of influencer may mislead the followers. It's not said in which area is the influencer strong or in which area his/her ideas are followed by other members of network. Considering the homophily combined with influencers could lead to the strong limitation independent information and to distorted truth. Indeed, it could be also a source of fake-news.

Lorenz et al. warns that social influence can undermine the wisdom of the crowd effect[58]. Authors point that "under the right circumstances, the average of many individuals' estimates can be surprisingly close to the truth, although their separate values lie remarkably far from it. There is evidence from guessing tasks and problem-solving experiments - that the aggregate of many people's estimates tend to be closer to the true value than all of the separate individual or even expert guesses. This phenomenon is referred to as the "wisdom of crowd effect." The social influence, presented also in the social networks, undermines wisdom in the ways: by moving the truth to peripheral regions, by boosting individuals' confidence and by diminishing the diversity of the group. Authors in their study showed that "little social influence is required to produce herding behaviour and negative side effects for the mechanism underlying the wisdom of crowds"[59].

Problem of discrimination

The use of IT and dot-com was mostly presented as advantage for the society. The IT should allow individuals to freely share their opinions and to get goods and services cheaper by eliminating the middleman. This perception could be fictional.

Building the personal social network requires time and knowledge of modern technology. It requires also the knowledge of network designing and how to present the information. Anyone can create his/her social network. But the network depends from the its active members. If nobody follows your posts than you don't have a social network. It's hard to close doors to the visits but it's easy not to follow on the social network. So, the idea that internet social networks can promote democracy by allowing the spread of ideas could be fictional. Sometimes it's easy to go into meetings and exchange ideas alive. The problem with social networks is that the "starter" has the right to decide who will be the member and who not. The starter could also decide to exclude certain member. He/She has the possibility to censor what would be published and what not. He/She has the power to guide the discussion and to exclude people with different thinking.

Even in the case of e-commerce or possibility of e-voting there could be the cases of discrimination. In each society there is certain part of population that is not computer literate or they don't have access to modern technology. So, these people are discriminated by paying more for goods and services[60]. Sometimes their rights can be very limited[61]. In the case of e-voting their voting rights can be abused by the persons that helps them using modern technology. Theoretically it could also lead to the possible purchase of votes. So, the elections would be converted to the commodity.

Judicial control and nullity of transaction

Tendencies in e-commerce and IT is to make commerce faster and easier by introducing the internal online dispute resolution systems. Such dispute resolution systems are excluding judicial control. The whole system is black box. It's not clear who is deciding about dispute and what are the rules. The parties are left to the secret forum like in the Kafka's work "The process." There is no possibility to petition and no explanation of reached decision.

There are laws that protect customers in e-commerce. But self-regulatory organizations with their own rules override given laws. It's the customer's choice to choose the use of self-regulation. Thus, neglecting his rights to the judicial control and neglecting his/her rights to nullity of transaction. The elimination of middleman also increases the possibility that imported data are fake or wrong[62].

CONCLUSIONS

The internet, e-commerce and blockchain were presented as a technology that will have positive influence on the democracy. Mentioned technology should allow people to express and exchange their ideas more freely. With the free flow of personal political ideas there would be more influence on the political leaders resulting in the political decisions closer to the will of their voters. E-commerce would make transaction cheaper and faster and will give customers more choice. Blockchain technology would allow people to track their transactions thus making internet business safer without the need of middleman.

In fact, mentioned technology is silently destroying the democracy and introduced new kind of discrimination and submission. The franchise state introduced the problem of accountability. IT is in fact limiting the public choice and access to independent information. The new forms of discrimination are formed by computer non-literate people. And by introducing the private quasi dispute resolution systems the established concept of legal safety is vanishing leaving the customers to the system of global corporations.

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14. Term defines the extent and form of public intervention. *Ibid*
15. It means three fundamental principles which apply equally to organizations in the public and private sectors. They recommend openness or the disclosure of information; integrity or straightforward dealing and completeness; and accountability or holding individuals responsible for their actions by a clear allocation of responsibilities and clearly defined roles.
16. The new public management had two meanings: managerialism and the new institutional economics. Managerialism refers to introducing private sector management methods to the public sector. The new institutional economics refers to introducing incentive structures (as market competition) into public service provision. *Ibid*
17. For World Bank good governance involves an efficient public service, an independent judicial system and legal framework to enforce contracts; the accountable administration of public funds; and independent public auditor, responsible to a representative legislature; respect for the law and human rights at all levels of government; a pluralistic institutional structure, and a free press. *Ibid*
18. It means the system of polycentric state characterized by multiple centres. *Ibid*
19. It describes several interdependent actors involved in delivering services. Integrated networks resist government steering, develop their own policies and mould their environments. *Ibid*
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25. Sitdikova et al. Point out also the socio-legal nature of self-regulatory organizations that consist of the following:

- "the self-regulatory organizations do function both as participants of social relations and as public regulators performing normative and control functions, thereby realizing private and public interests;

- SRO by creating samples and measures of behaviour, stand as the element of the mechanism of social and legal regulation. For this self-regulatory organizations are vested with supervisory functions and funds to implement them. In particular, they give "permission" to conduct certain activities in form of tolerances, accreditations, produce membership of self-regulatory organization, they form and use compensation fund, check the activities of its members, apply disciplinary responsibility in case of violations, and so on;

- since the self-regulatory organizations are involved in the ordering of social relations, they aim to meet the interests of the subjects, which are involved in them." *Ibid*

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40. Including the content, form and possible individual network's members.

41. Such exclusion has the same consequences in the internet world as was the expulsion in the era of tribal communities.

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43. Nakamoto

44. The risk that a digital currency can be spent twice. Double-spending is a problem unique to digital currencies because digital information can be reproduced relatively easily. Physical currencies do not have this issue because they cannot be easily replicated, and the parties involved in a transaction can immediately verify the bona fides of the physical currency.

45. As Nakamoto wrote "Completely non-reversible transactions are not really possible, since financial institutions cannot avoid mediating disputes. The cost of mediation increases transaction costs, limiting the minimum practical transaction size and cutting off the possibility for small casual transactions,

and there is a broader cost in the loss of ability to make non-reversible payments for non-reversible services. With the possibility of reversal, the need for trust spreads. Merchants must be wary of their customers, hassling them for more information than they would otherwise need. A certain percentage of fraud is accepted as unavoidable. These costs and payment uncertainties can be avoided in person by using physical currency, but no mechanism exists to make payments over a communications channel without a trusted party." See note 38.

46. Like humanitarian work, social security, ...

47. Contrary to the legislative procedure where involving public into procedure is part of any democratic State.

48. Complicated election system where all the members choose the delegates who will elect delegates at next stage of elections. And this is going on, for next five or six stages. We could neglect that such system is legal. But the question is whether the top leaders have legitimacy. In fact, such election system could have the final effect of closed circle. On the top we could see the same people for quite a long time.

49. For example, with the use of fan page robots or robot liker.

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51. The term "cookie" was coined by web browser programmer Lou Montulli. It was derived from the term "magic cookie", which is a packet of data a program receives and sends back unchanged, used by Unix programmers. The first use of cookies (out of the labs) was in 1994 checking whether visitors to the Netscape website had already visited the site. https://en.wikipedia.org/wiki/HTTP_cookie, accessed June 25th 2018.

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53. With its omnipresent, choice-denying Big Brother, is the most familiar vision of democracy's defeat. Orwell's novel depicts a triumph of authoritarianism, symbolized by the boot in the face, and reflected in Adolf Hitler's Germany, Joseph Stalin's Soviet Union, and Mao Tse-tung's China. Ibid

54. With its pacified, choice-happy, formally free citizenry. Huxley's world lacks the most obvious authoritarians. People are controlled with pleasure, not with prisons and guns. In a sense, people are allowed to do exactly what they want-but the government succeeds in controlling people's very desires. Ibid

55. What matters is that with the Daily Me, everyone could enjoy an architecture of control. Each of us would be fully in charge of what we see and hear. Ibid

56. The tendency to homophily is dampened if people live within social architectures that expose them to diverse types of people-in terms of perspectives, interests, and convictions. But with an architecture of control, birds of a feather can easily flock together.

57. As Sunstein wrote "Even now, an algorithm that learns a little bit about you can discover and tell you what "people like you" tend to like. It can create something close to a Daily Me, just for you, in a matter of seconds. In fact, that's happening every day. If the algorithm knows that you like certain kinds of music, it might know,

with a high probability, what kinds of movies and books you like, and what political candidates will appeal to you. And if it knows what websites you visit, it might well know what products you're likely to buy, and what you think about climate change and immigration." Ibid

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59. In their experiment, they provided just the bare information of the estimates of others (in a similar way as the previous stock price is known to traders trying to make money with their estimates of the fundamental value of a stock). Ibid.

60. E.g. the case of internet banking where the services over the web are cheaper than using the services of bank clerks.

61. In the case where banks are changed for ATMs and older people are not accustomed dealing with them or they have problems with eyes or their memory. So, these people have limited option to get their own money or to pay bills.

62. E.g. someone can sell the house that he doesn't own. The real owner cannot request house but only the value of the house.