

The Disintermediation Theory of Democratic Governance in the Online Age

Larry F. Martinez¹

California State University, Long Beach

Abstract

As confirmed by the 2012, and soon by the 2016 presidential electoral cycle, information and communication technologies (ICTs) are transforming not only the politics of the United States economy, but perhaps, even more crucially, the economy of its political culture. In a systemic perspective, agricultural or industrial-era paradigms about government – societal relationships are Ptolemaic attempts to explain evolving orbital paths between government and society that today have more to do with “government as a business” than the conventional “business of government.” To explain the unprecedented amounts of money awash in democratic governance requires a new logic for analyzing government’s relationship to an information society. Mancur Olson’s *The Logic of Collective Action* argued that a new paradigm to explain emerging 20th Century post-industrial pluralist systems of democratic governance was needed to refract otherwise opaque phenomena of interest group behavior and representation. I argue that Economics Nobel Laureate Oliver Williamson’s transaction cost model provides a logic that can transform our understanding of the hidden dynamics driving democratic governance of an information society in the 21st Century. Using the logic of transaction costs, Williamson’s analysis is uniquely suited for detecting and assessing the utility of information-based transaction costs in defining government’s institutions, roles and power in a societal system of information abundance.

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¹ © Larry F. Martinez. Professor, Department of Political Science, California State University, Long Beach, CA 90840-4605 USA.

INTRODUCTION

This is an argument that economic and political systems in an information-intensive society will increasingly converge as information costs decline. To pose the argument slightly differently, if the Internet and other online information and communication technologies (ICTs) are fundamentally transforming the 21st Century's economic marketplace, it would stand to reason that those same factors are also reshaping other elements of society, including, most significantly, how we in the advanced industrial democracies, govern ourselves. The examples supporting an affirmative answer for the former are all around us, yet there appears to be a reluctance to recognize the latter, as if we do not want to admit that our system of democratic governance would be just as vulnerable to the forces unleashed by ICTs as the economic system has proven to be. And yet, many of the changes we observe in post-Internet democratic governance elude explanation unless we analyze our political system using a theoretical framework utilizing tools of economic analysis. Otherwise, the massive amounts of money just don't make political sense.

ICTs have transformed the economic marketplace of information societies. Not so many years ago, we booked airline tickets through travel agents, who thrived, in essence, through an "information monopoly" they possessed about airline schedules and fares, an information monopoly created by, and maintained by high ICT transaction costs. Quite simply, in the 1970-80s, the cost of computers and network technology required to access the airline data at a price that was out of reach for average travelers. But these costs plummeted with the emergence of the mass-produced personal computers and online data services. Today, millions of passengers routinely book flights directly with airlines through their Internet-connected computers and even mobile smartphones, while former travel agents are pursuing other careers. How did this happen?

BACKGROUND

Disintermediation Defined

The tear down of the travel agents' information monopolies occurred through a process called "disintermediation," where declining information transaction costs eliminate the economic rationale for the middleman.¹ This is an almost ubiquitous process, resulting in almost daily transformations of wide swaths of our increasingly information-intensive economic sectors such as music, newspapers, television, and banking, in addition to the travel industry. What I am asking here is

whether ICT disintermediation operates also as a transformative factor for the process of democratic governance as it has been shown to do for these other information-intensive business activities. The answer in short is “yes.” But, as stated above, the implications are far-reaching.

So, how is the political system, i.e., the process of legislating, voting, lobbying, campaigns and elections, or what we commonly call the process of “democratic governance,” evolving in the online 21st Century? I argue that democratic governance is evolving in ways that are increasingly synchronous with the disintermediating evolution of the online economic marketplace. In fact, more than occurring merely synchronously, the political and economic co-evolution is actually comingled as the “transaction cost” wall between the democratic governance and the economic system erodes to the declining information cost assault of ICT disintermediation. Just as the travel agent has been “dis-intermediated” out of a job, so too must political parties fear for their future relevance as the “middlemen” between government and voters. Or, are political parties doomed to the scrapheap of history, as the hereditary House of Lords or the Pope’s “infallible” role as God’s middleman? The answer lies in the way in which democratic governance evolves in the new political marketplace of the information age. This article argues that the best crystal ball is one that peers forward through the same lens that explains why we are less likely to book flights through travel agents, or buy music CDs, or a newspaper – the lens of disintermediation – or, to put it another way, the central role played by information transaction costs. The Internet revolution was chiefly about how advances in computer technology and networking brought down the price of information access to a cost point where one in 12 humans on earth has a Facebook account. To cut to the chase, I argue that democratic governance is not only going to look a lot like the information economy of the 21st Century, it’s also going to be part of, or even worse, indistinguishable from, that marketplace.

MAIN FOCUS OF THE ARTICLE

Defining the Argument

“Democratic governance” is the process of connecting government to society through electoral campaigns, lobbying, polling-profiling, and other public relations and information dissemination means and media. Democratic governance is crucial for the public’s ability to hold government and officials accountable, as well as for the government’s ability to regulate activities and markets and to enforce laws.

Commencing with the information technology revolution of the 1960s, two trends continue to transform the process of democratic governance in the United States and, to a growing extent, other highly industrialized democracies: (1) the accelerating deployment of increasingly pervasive and powerful ICT infrastructures with concomitant declining information distribution costs, and, (2) the expansive market growth of democratic governance as measured in terms of revenues raised and spent for lobbying, electoral campaigns and governance-focused public relations. The 2008 presidential electoral cycle in the United States and, above all, the online fund-raising prowess of the Barack Obama campaign, vividly confirmed how each trend paradoxically reinforces the other, resulting in a highly synergistic relationship marking the emergence of highly commercialized sectors of democratic governance not only in the United States, but also in other highly industrialized (i.e., ICT-intensive) democracies during the coming decades. In short, the paradox of more money chasing declining costs prompts this article's advocacy for a new logic or paradigm to explain whether governance of an information society "requires" a commercialized democracy.

A cursory examination of the two trends is instructive. It is hard to exaggerate the speed and effect of the information revolution upon American society and political culture. A short digression to an historically-based film illustrates the startling contrast between the perceptions of information access formed during the childhoods of the Baby Boomer generation and those of today's "Millennials," the texting-tweeting online generation whose only experience is that of a world of "information abundance" (Bimber 2003). Set in a small Appalachian mining town of the late 1950s, the 1999 film *October Sky* painted this contrast in bold strokes as it tells a heartwarming story of working class high school students, who, supported and encouraged by their terminally-ill physics teacher, surmount many challenges in their science project quest to build and test a rocket. One of the biggest was the lack of books about rocket physics and engineering in their rural town's school or public library (IMDB 2012). Today's high school students watching the film would scoff at such problems, and wonder, "why didn't they just "Google" the needed information?" Rockets today are launching from a world fundamentally alien from that of the pre-Internet generation. In 2010, according to the International Telecommunication Union (ITU), over five billion cell phones were in use across all habitable areas of this planet (International Telecommunication Union 2010). In terms of cell phone ubiquity and ability to communicate with any of five billion cell phone users and businesses, perhaps at no other time in history is the truism from the swashbuckling science fiction movie figure Buckaroo Banzai more relevant: "No matter where you go, there you are." Of course, in the information age Mr. Banzai's aphorism translates to, "no matter where you go, there's the market" (IMDB 2012).

The second trend notes parallel expansions in speed and effect as measured by the explosive overall market growth of the democratic governance sector with revenues raised and spent for lobbying, electoral campaigns and governance-focused

public relations. The emergence of the broadband Internet economy in the early 2000s demonstrates the trend. Lobbying as a market sector did far better than the overall US economy following 9/11. Between 2000 and 2004, while the post-9/11 federal budget grew from \$1.79 to \$2.29 trillion, an increase of some 21%, the number of registered lobbyists more than doubled in that same time period from 16,342 to 34,785, with revenues increasing from \$1.6 to \$2.1 billion, a 25% growth rate. The US economy as a whole from 2000 to 2004 grew from \$9.8 to \$11.6 trillion (constant 2000 dollars), a 4.5% growth rate (Measuring Worth.org) The 2008 presidential electoral campaigns raised and spent more than \$1.8 billion, one billion more than 2004, and \$1.2 billion more than in 2000 (Measuring worth.org 2012). The 2012 electoral campaigns are slated to exceed even those prodigious growth figures, with so-called “super PACs” slated to raise and spend over one billion dollars (Gold 2012). Governance-focused public relations, conducted chiefly by corporations and non-profits, but also increasingly by transportation and pharmaceutical sector corporations, spent more billions. Again we are faced with the question, why the massive revenue expansion of democratic governance?

The high information costs that historically isolated many cultures, markets, institutions, and organizations are falling in cadence with the growing global deployment of ICTs. The multi-billion dollar music industry organized since the 1980s around the profitable compact disc is rapidly disappearing, in effect mirroring parallel changes in the travel industry, financial services, real estate, and political organizations and institutions. Political parties, once a prime source of candidate and issue information, are suffering declining memberships, just as labor unions, and network nightly news shows reach shrinking memberships and audiences. But there’s the rub; declining voter turnout, declining competitiveness in congressional and legislative elections is occurring against a backdrop of massive influxes of money. As confirmed by the 2008 electoral cycle, if one were evaluating the numbers about the revenues generated by the American democratic process of elections and governance as a business report, the economic bottomline looks rosy indeed. At the same time, voter turnout in the 2008 general election did not exceed turnout in the early 1960s, and actually declined in some regions. Such is the conceptual disconnect between conventional thinking about American democracy and its evolution in an information-saturated environment. To paraphrase Albert Einstein’s observation about nuclear weapons and human civilization, information abundance is changing everything, save our thinking; and the “peril” posed by the concomitant commercialization of democratic governance requires fundamental re-thinking of the governmental – societal relationship.

Application of transaction costs’ core logic underlying the governmental - societal relationships reveals power configurations manifesting themselves as “information monopolies.” Using analytical lenses focusing on transaction costs, the boundaries and sizes of such information monopolies become visible, creating a topographic map of societal, economic and political power. The higher the information trans-

action costs, the more protected and powerful the entity. In an information society, control over access (i.e., ability to determine transaction costs) to information and its dissemination is a key factor shaping configurations of societal and governmental power. Topographies of these power configurations increasingly coincide with cost contours of information access and dissemination allowing the possessor to control prices of one or both. For example, the revenue declines in the recorded music and newspaper industries stand as stark examples of eroding transaction costs and resulting dispersion of revenues. Learning from those examples, cable TV and telephone network providers of Internet access are attempting to re-establish their information monopolies through legislation thwarting “net neutrality.” Such “information monopolies” may rise, fall or shift with advances in technology or with policy shifts in regulatory regimes (i.e., copyright or security classifications). As deployment of more efficient and powerful information and communication technologies (ICTs) fundamentally shifts costs of accessing and disseminating information downward, transaction costs defining information monopolies will increasingly define the far-reaching effects of “information abundance” upon the viability of democratic governance of the information society.

A “New” Focus on “Old” ICTs as Historical Factors of Transformative Societal Change

The transformative effect of information upon societal and governmental systems has long fascinated, perplexed and surprised both participants and scholars of human governance. While it is axiomatic to declare “information is power,” it is quite another mental leap to critically analyze or predict how changes in the cost and accessibility of information will affect the structuration and/or functioning of highly complex political systems. Indeed, according to historian Elizabeth Eisenstein, the role of information as a factor of societal and political change has been largely neglected (Eisenstein 1979). However, over the past four decades the steady infusion of ICTs so-called “post-industrial” societies has also compelled a re-examination of societal transformations. The emergence of the “information society” of the late 20th Century has (somewhat paradoxically) prompted scholars in a variety of social science disciplines to go back to re-examine previous eras of transformative systemic change for lurking factors of information causality. They have not come back empty-handed.

Within the highly lucrative mainstream “academic” media, Jared Diamond’s best-seller, *Guns, Germs, and Steel*, postulates about the role of information for the emergence of institutionalized governance. Diamond argues that an information technology, in this case, an institutionalized writing system (cuneiform clay tablets), used to record the ownership of grain stocks in the ancient city-states located along Tigris and Euphrates rivers, was the precursor to establishment of the first

governmental institutions which were primarily used to inventory and police granaries (Diamond 1998). In a similar fashion, *Time Magazine's* December 31, 1999 special millennial edition highlighting the 10 most notable persons of the second millennium, picked the German goldsmith Johann Gutenberg as "Person of the [15th] Century" (*Time Magazine* 1999). Gutenberg was the first European to develop and commercialize the information technology of movable typeface printing in order to lower the costs and increase the Roman Catholic Church's profits from sales of indulgences. The ramifications of this ICT is hard to overestimate, as historian Kai-Wing Chow writes:

The invention of the movable type printing press in Europe in the mid-fifteenth century has been hailed as the key agent in bringing about or facilitating all major intellectual, political, and religious movements - the Renaissance, the scientific revolution, the Reformation, the Enlightenment, the French Revolution, and the diffusion of the modern nation-state. For historians of European printing, the triumph of modern Europe driven by these powerful forces of intellectual and cultural change was evidence for the superiority of the Gutenberg movable-type printing press as a technology of communication and an agent of progress (Chow 2004).

Irving Fang's book, *Communications Revolutions*, outlines the process of how Gutenberg's innovation reduced publishing prices through massive economies of scale, resulting in rising literacy and readership in the populations. Growing demand prompted more authors to write in the vernacular on an increasingly diverse range of topics effectively ending the information monopoly of the Church in Rome, and setting in motion a communications and political revolution (Fang 1997) that transformed feudal Catholic Europe into a system of increasingly secular nation-states codified in the Westphalian System treaties in 1648 (Gray 1999). Conversely, factors inhibiting the full deployment of the printing press and the subsequent reduction in information costs are seen as roadblocks to societal, scientific and economic development (Man 2002). The failure of printing press technology to similarly revolutionize the Chinese or Arab societies is viewed by some scholars as a factor partially explaining the scientific stagnation and isolation of those formerly leading societies as compared to the scientific and industrial revolutions in Europe that propelled that region to world dominance (Lewis 2002).

Information Abundance and Societal-Economic-Political Transformations

Falling information costs re-configure societal power. In the Mesopotamian and European examples cited above, an information technology (clay tablets or movable type, respectively) drastically reduced the costs of information access and dissemination resulting in transformative shifts in societal and governmental power. Diamond argues that the shift from hunter-gatherer nomadic forms of human organization to sedentary agricultural city-states was facilitated by an information system (alphabets, clay tablets, accounting techniques) that promoted more efficient management and policing of surplus grain stocks. The possessor of that information became the entity we designate as "government" today (Diamond 1998). Historian Irving Fang underlines the role of information costs in the explosion of publishing and literacy following Gutenberg's development of movable

typeface printing in 1451. As printing costs fell, literacy rose, producing a synergistic explosion in the range of topics and languages published, fundamentally eroding the information monopoly long held by the Roman Church and setting the stage for mass distribution of Martin Luther's vernacular translation of the Bible (Fang 1997).

Common among the various historical and systemic analyses of ICT involvement in societal and political transformations are the factors intrinsic to the ICT medium itself, and the economic effects of the ICT(s) on the marketability of the new medium to potential users. I will similarly use these two factors in this analysis of ongoing transformation of American democratic governance. In contrast, though, to these historical examples of information-propelled governance transformations, today's ICT revolution has also unlocked long-standing information monopolies, producing a transformative change even more far-reaching and fast-paced than Gutenberg's half a millennium ago. Whereas Gutenberg's printing presses mobilized masses and their demands for governmental legitimacy based upon a popular sovereignty ("consent of the governed") separate and distinct from the political and commercial interests of the Roman Church, my analysis argues that today's information revolution is also creating a new pivotal point of power between society and government.

Our investigation will proceed in the following steps. First, it will lay out the problem: What is the relationship between media and markets as they operate within the process of democratic governance? The hypothesis being tested here is the concept of an information monopoly. Secondly, it will examine transaction cost economics as an analytical approach for detecting and evaluating information monopolies. Finally, the utility of the information monopoly concept as detected and defined by transaction cost economics will be examined as it pertains to its explanatory power for the disintermediational transformations we see taking place in the American democratic governance.

Two Factors: Information Media and Information Markets

Since the 1950s-1960s, the social sciences have investigated and focused on two information-related factors that have permeated change throughout the U.S. political process. The first factor focuses on the way information or content reaches the end user. This we denote as the informational medium, or *media*, manifested today in American politics as mediated political information - primarily television, but also a plethora of online media from Internet websites, blogs, to podcasts - all feeding from print and online information sources, a medium that dominates political dialogue, campaigns and governance (McChesney 2001). Since the 1950s, television has become not only a political medium, but as communication scholar George Gerbner described it, "a culture" in itself (Gerbner 1994). TV is not only

dominant in a content but also temporal dimension: According to the Literacy Project, today's Baby Boomers, the first television generation will by the time they reach 70 years of age have spent fully 10 years of their lives watching TV, including increasingly, Internet-based media (Center for Media Literacy).

The second factor stems from interactions or transactions with information; what political scientist Cass Sunstein calls "information markets," i.e., the expanding range of marketable information-intensive products and services generated by the political process (Sunstein 2002). Otherwise known under the rubric of "lobbying," or "public relations," or "political campaigning," the second factor encompasses a growing range of information-intensive products and services that derive their value-added profitability from their relationship to democratic governance. For example, court trials now employ an expanding army of not only attorneys, but also political scientists, jury consultants, and public relations experts, costing many millions of dollars for a major trial. On the electoral front, one now speaks of the "Initiative Industrial Complex," a term somewhat derisively describing the line up of public relations firms and campaign consultants who market ballot initiatives to labor unions, major corporate and other private sector industrial groups. They hire signature collectors, professional media campaigners, and a myriad of other professionals to conduct ballot initiative campaigns that occur far more often than the traditional cycle of elections for elected officials for the various levels of government. The special election held in California in November 2005 generated some \$250 million in revenues for the Initiative Industrial Complex; California's November 2012 ballot initiatives were far more profitable than those in 2005 (Onishi 2012).

The two factors (media and markets) are linked as agents of systemic change, but exactly how are they linked? And how are they transforming the very nature of the American political process?

Media and Markets Analyzed

While there is a vast literature about media or about information markets in the governance process, the vast majority of published mainstream and academic works are anecdotal and/or descriptive, focusing on how media content or media bias affects reporting and thereby, purportedly, individual or voting behaviors. The more promising approaches are evident in the information market literature, which focuses on management and strategies for conducting political campaigns, lobbying, and evolving forms of citizenship in a media-saturated society. Bruce Bimber's *Information and American Democracy: Technology in the Evolution of Political Power* points out:

Contemporary analysis occasionally echoes Truman and Tocqueville on communication. One subtext in the recent literature is that modern organized interests play a game of information at least as much as they play a game of money or organization. A few scholars have even suggested that interest group influence rests primarily on the flow of information, rather than money, organization, or other features of organizational infrastructure. Unfortunately, given that democracies are now in the grip of an informational revolution, this theory has not significantly influenced larger models of contemporary political structure or change in the United States. (Bimber 2003)

And indeed, from Joe Trippi's account of how Vermont Governor Howard Dean's 2004 presidential campaign raised over \$40 million dollars using email and online contributions, to the case studies of *Moveon.org* and other web-based organizational platforms, Bimber's observations are prescient in the current post-*Citizens United* era of "Super PAC" fund raising and expenditures that are demanding increased scrutiny of what are increasingly anonymous mainstream media and online campaigns (Trippi 2004).

Nonetheless, these works have still to discover and elucidate the systemic change taking place. A tantalizing clue about this conundrum is found in one of the standard textbooks for university-level courses about the media and media effects by media scholars Joseph Straubhaar and Robert LaRose, entitled, *Media Now: Communications Media in the Information Age*, 5th Ed. (Belmont, CA: Wadsworth, 2005). After a very thorough review of the various print and electronic media, their organization and regulation, the book then devotes its later chapters to the "Media Issues." Remarkably, the book argues in a section entitled, "What are the effects of advertising and political campaigns?"

...Despite the huge sums of money spent on commercial and political advertisements, their effects are relatively modest; they directly affect perhaps only a small percentage of the audience. Those who are affected by advertisements are likely to be those who are relatively uninformed about or uninterested in the product or candidate to begin with. Interpersonal influence and selective perception act to reduce the impact of advertisements on most audiences... (Straubhaar and LaRose 2004)

This finding is echoed by an article by Michael Schudson published by the Center for Media Literacy in 1986:

Advertising: Hit or Myth?

Advertising is much less powerful than advertisers and critics of advertising claim, and advertising agencies are stabbing in the dark much more

than they are practicing precision microsurgery on the public Consciousness. (Emphasis added)

... One of the more striking examples concerns television advertising for the 1984 Olympics and the 1985 Superbowl. The naïve observer must assume that businesses reap extraordinary rewards for their elaborate and expensive sponsorship of these events. But, it turns out, no one really knows if they do (Center for Media Literacy 1986).

These paragraphs illustrate much of what constitutes a methodological (and very frustrating) impasse for mainstream and academic media effects theories and studies. In short, *there is a big disconnect between the money spent and the effects observed*. Despite all the resources devoted to studying media effects, there remains a paucity of documented observable effect, whether one is attempting to detect and measure a sustained or systematic increase in societal violence following increased viewing (Gerbner), decline or increase in civic participation (Putnam 1995), or even improved or reduced learning in pre-school, K-12, or in higher education (Center for Media Literacy). In sum, *the primary change we observe is the greatly increased amount of funding on commercial and political advertisement*.

In fact, if one thinks about media effects in a systemic way, it would be surprising to find broad changes across wide swaths of society or the economy. The plethora of media ensure that there are probably as many media programs that subdue violence as those that promote it; similarly for civic participation where television viewing caused significant political mobilizations as much as it has depressed participatory behaviors, and as for the schools, there is no significant evidence that computers in the classroom have led to higher test scores or any other assessment criteria evidencing improved learning. Nor do they necessarily depress learning. *But the one aspect that links all of these areas is the fact that money is pouring into all of them*. And this is the point that Straubhaar-LaRose mainstream textbook and many of the other observers and scholars of the communication field miss: the media effect is *not* seen in society *per se*, rather, it is seen in the media. *The media effect is, in reality, to increase revenues, market access and network deployment for the media*. The rest, as Straubhaar and LaRose point out, is mainly statistical noise, which, in certain cases, such as very close electoral races, these minimal effects can make a difference, but not in any sustainable systematic way. In short, media are about maximizing media.

The second, or *market* part of the relationship (lobbying - campaigning), functions to create demand for the media side; in other words, a political campaign consulting firm generates demand for its services by proposing to an industry group that a ballot initiative would have direct benefits to their bottom line (Onishi 2012). Of course, the major part of the revenues generated for the campaign are spent not only by the campaign consulting firm for its work itself, but more lucratively, as

commissions for the media buys it makes for television and radio air time. *The actual policy outcomes of the political ad campaign are secondary to the revenue benefit such ballot initiatives generate, for both the market and media sides of the relationship.* But this is not the way conventional media or interest group theories explain and predict the motivations for either “inside-” or “outside game” lobbying (Greenberg and Page 2011). So, to answer the question, “if there is a negligible effect on outcomes, what explains the massive increase in campaign spending?” we can now begin to formulate an answer: the disintermediation of conventional political processes and institutions (political parties, labor unions, nominating conventions, etc.) increasingly leaves only the media itself to fulfill the role of democratic governance.

Need for a New Logic of Collective Action within the Information Society

In the 1960s, conventional interest group theory was stuck. Truman’s classic works on pluralism were no longer adequate for explaining observed interest group behavior in an era of expanding governmental regulation of business and, especially the emerging realm of environmental impacts (Truman 1951). Mancur Olson’s seminal work, *The Logic of Collective Action*, adapted paradigms from microeconomics to illuminate the underlying rationality that allowed interest groups to recruit members in a way that mitigated the collective goods/free rider problem through the attractive pull of selective (i.e., private) benefits (Olson 1965). Combined with public choice models and theories, Olson’s logic promoted powerful theoretical insights that could analyze wider ranges of organizational structures and behaviors (Shafritz, et. al. 1996).

Today, democratic governance is operating also in a fundamentally different environment, one marked by radically lowered information costs that obviate some of the collective-private goods characteristics analyzed by Olson (for example, information as a selective benefit). Once again, however, (micro)economics theory at this point comes to the aid of the political scientist attempting to explain and map the topography of information age political processes. While Olson’s logic pivoted on rational choices undertaken by interest group leadership and members, the logic I am proposing is premised upon the cost contours of information access and dissemination. In essence, an interest group, a firm, or a governmental institution, will become a distinct and significant landmark in the political topography when it commands an information monopoly. In an information society, it is less the logic of collective action, but rather the logic of information that serves as the organizing concept for determining when, in the rational choices taken by participants, to enter into information transactions or not to. The organization is defined, therefore, by the perceived value of the information it possesses, a value it seeks to

support by maintaining the cost of access and controlling dissemination (i.e., “transaction costs”). Let’s explore this concept of “information monopolies.”

Information Monopolies

According to *Webster’s Collegiate Dictionary*, a “monopoly” is

... 1 : exclusive ownership through legal privilege, command of supply, or concerted action 2 : exclusive possession 3 : a commodity controlled by one party ... (Woolf 1974)

The *Oxford English Dictionary* stipulates that an “organization” may have a monopoly over a “service:”

1 the exclusive possession or control of the supply of a commodity or service. 2 an organization having a monopoly, or a commodity or service controlled by one. 3 exclusive possession or control of something.

“Information” is a multi-dimensional entity, manifesting itself in both physical and ethereal forms. According to the *Oxford English Dictionary*, “information” is defined as:

1 facts or knowledge provided or learned. 2 what is conveyed or represented by a particular sequence of symbols, impulses, etc. (Oxford English Dictionary 2012)

However contrary to purely physical objects, information is not “used up” in the conventional sense of consumption; and while it may be very expensive to generate the first piece of information, it may cost almost nothing to duplicate it millions or billions of times. For example, a piece of software may cost millions or billions of dollars to develop at the cost of millions of labor hours, but practically zero to copy in almost zero time. Whether or not an information monopoly exists, depends upon the particular cost contours determining access and dissemination prices. What I am arguing here is that the relationships between media, markets and governance are usefully defined and described by the mechanisms of information monopolies.

Similar to conventional monopolies, the possessor of information with the capability to set high access and dissemination prices, in essence exerts significant control over the market’s prices for such information, a situation analogous to the economic definition of a conventional monopoly. The relationship between information-intensive media and markets is defined by the cost contours of information access and dissemination. Information, in its most traditional manifestation, exist-

ed as physical objects (i.e., books, papers, files, etc.) or in the human form as materials stored by a human brain's memory or thought processes. Access and dissemination, then, corresponded closely to the informational medium - physically stored information required physical access and dissemination, creating the economic dimensions of access scarcity and monopolistic price controls.

An "information" monopoly in real life

The "political entrepreneur" perspective of pluralist politics combines political and economic cost-benefit decision-making for policy actors, thereby illuminating the insights afforded by the information monopoly concept to explain actual behaviors, as in this case, on Capitol Hill. The information monopoly that is central to the power of Congress as an institution and for each of its members is the information they choose to use for the casting of their votes, for which they possess a rather exclusive monopoly. The schedule and attention span of a member of Congress is extremely limited in terms of the personal access afforded to members of the public and insider knowledge about the member's voting intentions on upcoming bills. The information costs to a member of the public to gain access to that member's schedule to express their views or to find out the voting intentions of the member are extremely high, involving usually at a minimum, transportation to the member's Capitol Hill office, lodging, etc.. The member of Congress has, in this respect, an information monopoly, where they determine the "price" of information access and dissemination. A member "sells" this information in a way they believe promotes their own cost-benefit calculus, usually in terms of promoting campaign funding or other goals, such as re-election, policy, or institutional leadership. (Mayhew 1974, 2004).

The lobbying firm exists and justifies its economic relationship based upon its ability to harness economies of scope and scale for its client association's members as determined by the Capitol Hill information monopolies. In terms of economies of scale, the lobbying firm consolidates contributions from members so that each pays an amount shared among the other association subscribers, and, with regard to scope, the lobbying firm offers an enlarged range of services, ranging from public or private access to the Congress member's calendar or activities (a constituent meeting in the office compared with a round of golf), to insider's access to the Hill staff, committee staff, and to various "insider" journals, etc. As the economies of scope and scale pare down the inordinately high costs of member information access and dissemination by parsing it out among many dues payers, and consolidating the transaction to a single individual (the lobbyist). This is what the lobbying firm is selling to its clients, namely, lowered information access and dissemination costs through economies of scope and scale. The lobbying firm capitalizes on the preferred relationship it has to the member of Congress, garnered through campaign funding donations, and information access it "sells" in

turn to the member of Congress along with preferred information dissemination channels back to the membership.

Supply v. Demand Side Pluralist Politics

Conventional pluralist theory, (Truman 1951), emphasized the role of constituent demands for representation. The disturbance theory of pluralism holds that problems inspire members to associate and to petition their demands through lobbyists (Greenberg and Page 2011). In contrast, the “supply side” school argues that legislative and lobbying actors actively seek out ways to generate market demand for their services. Morris Fiorina argued that the decline in the marginal district was linked to the “monopoly of bureaucratic unsticking power” consolidated and maintained by members of Congress as a means for translating constituent services to winning electoral coalitions (Fiorina 1977). What Fiorina is, in our perspective pointing out, is the existence, and indeed, dominance, of information monopolies between congressional members and the bureaucracies, which are marketed to constituents through mailings, speeches, and other media products. Fiorina is arguing that the cost contours of bureaucratic “unsticking power” create an information monopoly that is actively marketed (i.e., “supplied”) by congressional incumbents and lobbying groups to constituents. The cost contours are themselves the costs of transacting the sale of information; if we understand the transaction costs, we will be able to determine the topography of information monopolies, and thereby political power configurations between government and society.

Transaction Cost Economics

Oliver Williamson’s, *The Mechanisms of Governance*, “propose[s] a logic of organization in which the discriminating alignment of transactions with governance structures is the source of refutable implications” (Williamson 1996). It forms the core of the following application of transaction cost economics to the problem of determining the cost contours of information monopolies as configurations of societal and political power. Transaction cost economics is an analytical framework for understanding the origin and functioning of organizations, firms, and institutions, utilizing the transaction as the unit of analysis. As Williamson states:

As I shall show ... the analytical action resides in the details of transactions and governance. I propose a logic of organization in which the discriminating alignment of transactions with governance structures is the source of refutable implications.... [T]here is growing agreement that the institutional environment (laws, polity, etc.) and the institutions of gov-

ernance (markets, hierarchies, etc.) matter a lot and in ways that are pertinent to industrial organization and much else, such as economic history, comparative economic systems, labor economics, economic development and reform, health care, business strategy, multinational business and even aspects of corporate finance. Applications outside of economics to law and the other social sciences are numerous and growing (Williamson 1996).

Why Government?

Williamson's logic is extracted from the rich vein of theoretical mother lode ore underlying micro-economics. In the 1930s, economist Ronald Coase asks the famous question, "why the firm?" If all transactions could take place in the market, Coase asks, why would sellers and buyers pay the additional costs inherent in the institutional costs of the firm? In the view of transaction cost economics,

[G]overnance is ... an exercise in assessing the efficacy of alternative modes (means) of organization. The object is to effect good order through the mechanisms of governance. A governance structure is thus usefully thought of as an institutional framework in which the integrity of a transaction or related set of transactions, is decided (Williamson 1996).

In other words, Coase argued that the firm is able to justify itself because it lowers transactional uncertainty costs to users. Multiplied by many transactions, the firm exists due to the very high information costs (also defined as "bounded rationality") imposed by "the *identification, explication, and mitigation of all forms of contractual hazards*" [Emphasis in original] (Williamson 1996).

The firm, is, according to transaction cost economics, a type of "institution." Institutions, "as sets of ordered relationships among people which define their rights, exposures to the rights of others, privileges, and responsibilities," therefore, are another type of firm, whose existence is premised upon its function in lowering the information costs of transactional certainty and integrity. Examples abound.

The revolutionary aspect of *Ebay* in the 1990s that solidified its dominance as an online marketplace institution is the compilation and dissemination of the buyer's or seller's feedback score. The inclusion of the feedback score about each participant in an *Ebay* auction is the piece of information that lowers the transaction costs for both buyers and sellers by identifying, explicating, and mitigating contractual hazards imposed by the anonymity of the *Ebay* online auction transactional environment, i.e., as a governance institution within its realm of online commerce. The *Ebay*, or *Facebook*, examples point out, however, an alternative

argument that downplays the defining power of the Coase-Williamson transaction cost model.

Mueller's Critique

Milton Mueller's analysis of network governance looks specifically at how governance is likely to take root in the vast online spaces created by rapidly expanding ICT service and network deployments. Mueller contends that the Coase-Williamson model of the rational actor to be overly confining, as it is, in his view, unable to adequately explain the on-going expansion of governance especially in collaborative and social networking milieus (Mueller 2010).

Mueller cites the work published by Walter Powell in 1990 that downplays the role of hierarchically organized firms or institutions (Powell 1990). As Powell points out,

...firms are blurring their established boundaries and engaging in forms of collaboration that resemble neither the familiar alternative of arms' length market contracting nor the former ideal of vertical integration (Powell 1990).

Powell is clearly arguing for an analytical framework that takes into account the network effects of blurring boundaries and relational incentives. "Networks, then are especially useful for the exchange of commodities whose value is not easily measured," such as a "style of production, a spirit of innovation ... or a philosophy of zero defects" (Powell 1990). *In other words, networks are blurring the walls separating transactions dealing with concrete commodities and those transacting decisional commodities.*

The "open platform" concept for organizations formed and structured around network incentives and rationales has gained greater currency with success stories such as those from Wikipedia and Linux.

The Logic of Transaction Cost Economics in more detail

Williamson's argues that transaction cost economics effectively illuminates the interplay of economics, law and organization with regard to the mechanisms of governance. To sketch out his argument in more detail:

Economics

The transaction of the unit of analysis; the firm is focused on reducing transaction costs to buyers and sellers, and when used for this purpose it becomes a governance structure. When buyers and/or sellers do not realize transaction cost reductions while utilizing a firm, they will revert to pure market transactions (as in the Ebay example above) which are an alternative governance structure.

Law

The contract forms a central pivotal point for transaction cost economics. The contract structures the transaction as a framework, allowing buyers and sellers to use the contract “as an occasional guide ... and as a norm of ultimate appeal when the relations cease in fact to work.” Rather than the parties seeking outside adjudication by judges with limited knowledge applying general rules, they instead resolve disputes through “avoidance, self-help and the like.”

Organization

As Williamson states:

...[T]ransaction cost economics owes its behavioral assumptions to organization theory. These are truly important, in that all interesting problems of complex economic organization would vanish were it not for the twin conditions of bounded rationality and opportunism. Herbert Simon's remarks are apposite: 'Nothing is more fundamental in setting our research agenda and informing our research methods than our view of the nature of the human beings whose behavior we are studying (Williamson 1996).

In other words, Simon's “bounded rationality” refers directly to the information costs incurred when more immediate action is required. Here is where the organization takes form as users resort to “satisficing” in recognition that “all complex contracts are unavoidably incomplete.” The logic of the organization or institution, then, is the attempt to mitigate that contractual incompleteness and complexity. *Ipsa facto*, whenever we see an institution, the logic tells us to look for high transaction costs. Most notably, in this view, if transaction costs are not sufficiently high, the justification for an institution disappears into the simpler alternative form of preference determination (i.e., “governance”) - the market.

To emphasize again, the logic of transaction cost economics can explain and predict that a firm/institution will come into existence when sellers and/or buyers perceive a “satisficing” lowering of transaction costs, many of which arise under very complex contractual conditions. Jared Diamond's argument about the origins of government is supported by the logic of transaction cost economics, as it is consistent with the impetus to establish an institution in order to significantly reduce the transaction costs, i.e., information costs of accounting grain stocks and polic-

ing their security involved with agricultural urban society (Diamond 1998). It also follows, that the higher the transactional costs, i.e., information costs, the more complex the contract and the more restricted the range of buyers (fewer can afford to buy). This is the basis for monopoly.

What happens, though, when the dominant form of commodity being transacted is information itself? As discussed above, the properties of information as a commodity are unique and different from physical commodities. Information is not “used up” in the sense of a physical good (the ideas in a book, for example), nor is it diminished by others using it (your TV reception is not affected by millions of other viewers). This non-rivalrous characteristic of information transactions acts to further facilitate the seamless web of transactions between even highly dissimilar suppliers and users.

The Logic of Transaction Costs and Information Monopolies

High transaction costs, i.e., significant costs incurred in accessing and/or disseminating information are the necessary condition for an information monopoly, and in fact are the method for detecting them. Pushing the Coase/Williamson logic further arrives at the epistemological point where boundaries of information monopolies increasingly define institutional jurisdictions and organizational reach.

For example, Terry Moe’s “political entrepreneur” would now find that in a political environment of information abundance that “turn[ing] the medium of communication into a selective incentive” no longer works. Moe continues:

He can do this by providing members with specialized information related in various ways to their economic well-being- information about their industry, government relations, recent economic developments, new production techniques, labor or management relations, etc. Moreover, because such information is likely to appeal only to a select clientele, it probably cannot easily be obtained elsewhere; the general communications media must appeal to a more heterogeneous population and cannot regularly supply the kind of narrow, detailed information that is needed. Given the nature of the market, therefore, the entrepreneur may find himself sitting on a gold mine - in a position to establish a virtual monopoly over a commodity of value to a set of consumers.... Moreover, ... effectiveness is enhanced to the extent that the entrepreneur can establish a virtual monopoly over certain kinds of information.... This does not mean that any given entrepreneur can actually attain this level of control, for there are organizational competitors, alternative channels of communication, and costs of communication that stand in his way. Because of such factors, some entrepreneurs may not find it worthwhile to estab-

lish regular communications links with members at all. What direct contact represents, rather, is a strategic option available for use to the degree that the situation permits.

The change wrought by the Internet from Moe's 1980 analysis to 2012 is that the information is obtainable elsewhere, posing the challenge to the political entrepreneur that his or her virtual information monopoly gold mine has to be built and maintained with new strategies and techniques. A group or institution will only exist where the transaction costs create an information monopoly and the "trick" is how one does that.

Strategies for Information Monopolists

Monopolies exist in *de facto* or *de jure* forms. The possessor of a *de facto* monopoly enjoys the benefits of either owning or controlling such a dominating amount of a good's supply, that he or she may dictate the price. The other form of monopoly, *de jure*, usually takes form following governmental policies recognizing the existence of a "natural" monopoly (typically a networked good, such as natural gas, electricity, or telecommunications, where high entry costs prohibit a second provider) thereby granting *de jure* monopoly price-setting privileges with governmental oversight. *De jure* monopolies are also found in cases where governmental policies establishing patent, royalty or copyright protections provide the possessor monopoly powers.

Transaction costs to maintain both *de facto* and *de jure* information monopolies during eras where information existed almost exclusively in physical (i.e., written or printed) form were directly linked to the costs of information access and dissemination. To gain access to information one had to physically go to where the information was stored, e.g., a library, archive, or institution, and the dissemination of the information likewise required a physical transference, whether from paper to paper, or from human to human. Governments and universities, for example, functioned as possessors of information, and were able, as Moe's political entrepreneur, to enhance their power and legitimacy by controlling access to that information.

As sociologist Saskia Sassen advocates, in order to investigate the true nature of an entity or system, it is necessary to observe its behavior under stress (Sassen 2006, 2012). In our investigation, we can ask, "what happens, though, when those factors erode that created the high transaction costs maintaining the information monopoly(ies)?" Employing Williamson's logic of transaction cost economics, we can postulate that the political entrepreneur will attempt the following:

Convert an eroding de facto information monopoly to de jure.

If normal information access and dissemination costs do not maintain the power value of the information, the possessor will attempt to maintain the transaction costs through copyright or patent protections, or in the case of government, to classify growing swaths of information. There is a direct correlation between the ease of gaining access to information and the propensity of the United States government to classify it. In the commercial realm, as music CDs were ripped and distributed online, the *Recording Industry Association of America* began to file lawsuits against their customers as a strategy for discouraging downloads of copyrighted works.

Increase demand by converting information

Increase demand for your information by converting it, (a) either to an entertainment product (Postman 1986, and Gabler 1999), or, (b) marketing it to narrower customer niche groups, the “Daily Me” (Sunstein 2002). Neil Postman’s seminal pre-Internet work, *Amusing Ourselves to Death: public discourse in the age of show business*, and Gabler’s Internet-era book, *Life the Movie: how entertainment conquered reality*, thirteen years later both emphasize the commercial strategies of possessors of eroding information monopolies. Declining viewership of the major television networks blurred the line between news and entertainment, as myriads of new cable TV channels fragmented audiences. The strategy of focusing on an audience fragment is precisely what Cass Sunstein identified in his book, *Republic.com*, as an option created by advanced webpage profiling metrics and algorithms allowed political entrepreneurs to narrowcast political information geared for specific individual preferences.

Convert the information monopoly to a service monopoly.

Examples abound, such as the Automobile Club marketing insurance or tow services, or more recently, the American Association of Retired Persons (AARP) advocating Medicare prescription drug reform and then becoming a drug wholesaler.

Re-capping the argument thus far ...

So, to briefly summarize our analysis to this point: Williamson’s transaction cost economics uses logic frameworks posed by Coase and Olson to detect the cost contours inciting users to contribute or collaborate within the firm; Powell points out that networked entities exhibit relational incentives for collaboration that are specifically designed to mitigate the transaction costs of the informational monopolies that prompted their creation. Universities are particularly apt examples of

this phenomenon. Created to reduce information transaction costs of authorized users (i.e., professors and students), the university's once impregnable information monopoly is now falling victim to the ubiquitous availability of online information. As this model predicts, universities are re-thinking how they can justify their "value-added" to client groups. The sprouting of recreational facilities, plus initiatives to exercise greater control over massive online courses such as the collaboration between Harvard University and the Massachusetts Institute of Technology illustrate strategies 1, 2 and 3 above. These structures emerge as information costs all around them subside, leaving institutional "islands" dominating the societal and political topography. Terry Moe's elaboration of Olson's logic posits that these information monopolies are maintained however by the political entrepreneurs within these institutional islands, but whose work, tragically, is more akin to building sand castles against the onrushing tide of ICT-reduced information costs than a seawall. Users vote with their mouse clicks, requiring the political entrepreneurs to adapt new strategies beyond those conceptualized by Moe in 1980 in order to maintain the selective benefits that enhance subscribers' loyalties.

Applying the Information Monopoly Framework to the Question of Money in Politics

.... The medium has not only become the message, but has created it as well.
 - Michael Kergin, outgoing Canadian Ambassador to the U.S. (Kergin 2005)

Breaching the Wall

If we apply an economics perspective to the functions of government, it quickly becomes clear that its chief function has long been to procure, process and apply information to decision-making. Government, like the university, has been, and remains, essentially an information society, whose dominant mode of production uses information as a raw material for its finished [policy] products. Going back to Diamond's anthropological narrative, society, in contrast to government, has progressed through stages of economic evolution characterized by different dominant modes of production, i.e., agriculture, manufacturing, and services, as the means for producing wealth.

Central to our transaction cost analysis, is the fact that government, during earlier information-as-physical entity eras, enjoyed an information monopoly as transaction costs for accessing information within the hierarchical governmental institutions were extremely high. During this time of "information as a physical entity", there existed an impenetrable transaction cost wall (i.e., information monopoly)

between government and agricultural or industrial society. The transaction cost wall not only made government's information-intensive transactions functionally distinct from the agricultural or manufacturing transactions characterizing societal markets, it also shielded government's claim to legitimacy based on the governmental sector's functional separation from the supply and demand forces of the free market economy. Government was accountable to the citizenry for governance and not profitability.

This began to change as information evolved into ethereal bits of ones and zeroes, while society's dominant modes of production themselves became more information-intensive (i.e., the "services-based economy").

As a result, the government's information monopoly became increasingly penetrated as transaction costs fell between itself and a society whose dominant mode of production required ever greater densities of information transactions. Evolving from its agricultural and manufacturing origins, today's information-intensive economy creates networked firms with transaction cost contours closely congruent with those of the institutions of governance and government. To borrow from the techno-bionic vision of futurist Raymond Kurzweil, the "singularity" is achieved between the previously dissimilar realms of society and government (Kurzweil 2005).

Societal – Governmental Informational Convergence

Society and government have now converged for the first time in terms of their prime economic activity and organizational structure – informational transactions among networked firms. Society and government both see each other in terms of potential market expansion as information transaction costs decline overall due to ICT innovations, and, as the compatibility of societal - governmental information products and services converge. In sum, we are witnessing an industrialization of the governmental process, where both society and government see each other as potential markets for revenue growth.

The "Political Industrial Complex" operates analogously to the roles of multinational corporations that operate across national boundaries in a globalizing marketplace. Today, a rapidly growing array of firms and individuals operate seamlessly from within both governmental and societal marketing environments. Each sells to the other, attempting to maximize the revenue and market share their information monopoly may control.

For example, society "sells" data profiling directly to government's Department of Homeland Security, which is, ironically, fueled by data outsourced by governmental data collections (drivers' licenses, tax returns, police investigations). Or, TV

and radio stations coverage of political campaigns as “news” shrinks, compelling political incumbents and challenges to buy more airtime.

Government “sells” to society “subscriptions” to the regulatory soap opera of the Kabuki Theater of the shakedown of big corporate donors. Politicians “rattle their cages” to create new market demand sectors by threatening regulation, or deregulation. Professor James Thurber stated that during that during 2006, over \$56 billion in earmarks were added to appropriation bills (Thurber 2006). The courts have done their part as well, declaring that campaigns for judgeships are open to almost unlimited political fund raising. The 2008 and 2012 election cycles confirm and reinforce the explanatory power of these perspectives.

Assessing Transaction Cost Economics and the Political Industrial Complex Model

As we have seen, the logic of transaction cost economics posits that institutions arise when sustainable information monopolies create the basis for political power and legitimacy. Government, as an entity, has always been an “information society,” whose *raison d’être* was the gathering, processing, and dissemination of information required for decision-making. Information in physical form maintained the high transactions costs of anyone seeking access (information media) into the governmental process, ensuring a ready stream of income for the lobbying organizations (information markets). While the rest of society was economically focused on agricultural, and later, industrial and service-based activities for the generation of surplus value, government alone functioned as an information-dependent entity.

Each expansion of the information economy creates further commercialization in the governmental sector. Conversely, each expansion of the democratic process is accompanied by an even larger expansion of the marketing and commercialization of the process. For example, the *Google* and *Facebook* are but two of the most visible data aggregators whose multi-billion dollar stock valuation is based on their ability to directly sell profiles of their users to advertisers. Those same techniques of market research for purposes of national security, and are in fact sold to the Department of Homeland Security in synergistic societal-governmental marketing relationships argued by O’Harrow, as the “Security Industrial Complex” (O’Harrow 2009). Freed from constraints of physicality, geography and time, the societal-governmental information economy enjoys declining transaction costs that act to further accelerate the commercialization impulse to expand markets.

Conclusion: The Disintermediation Theory of Democratic Governance, or “Show Me the Money!”

In short, the ICT revolution has made democratic governance a saleable commodity in itself, irrespective of red or blue ideological divisions, age, gender, or other traditional categorizations of the body politic. This pivotal shift opened the floodgates to the billions of dollars now flowing into not only the traditional presidential, congressional, or state and local legislative campaigns, but also to the opening of whole new market sectors such as judicial races, “vanity” ballot initiatives, and a plethora of inter-mingled private-public information industries focusing on monetizing voter-consumer profiling through data aggregation services, to name a few. To understand how the ICT revolution has merged politics into economics, I argue that a new logic is required that transcends the conceptual limitations of conventional pluralist paradigms. Applying Williamson’s logic of (transaction cost) disintermediation explains the erosion of the information monopoly wall that once defined government as an entity separate and distinct from society’s economy.

To understand the dynamic forces shaping the contours of democratic governance in the post-Internet era, you now have to look at politics as a marketable commodity. I argue that the creation and deployment of disruptive ICTs within a liberalizing market regulatory environment has created both vast new revenue-producing products as well as new industrial sector to create and exploit expanding markets for the democracy product. This new core of democracy market creators is the political industrial complex.

Something fundamental has changed the way Americans play the political game. Someone or something has rewritten the rules because the players aren’t running the bases the way they used to. All the worse for the game, since a lot of the spectators have left the stands, leaving even the most diehard fans who used to lead the “waves” and cheer the team even during boring or losing contests, also looking around for alternative spectacles more deserving of their attention and devotion. All the more mysterious, because if the political process were looked upon as a business, one would have to say that, on the basis of revenues, the business of politics was booming. Every year, more and more money was being raised and spent not only for political campaigns, but also on the spectacular growth sector of lobbying the governmental sector (Kaiser 2009). Paradoxically, while money is up, attendance is down as voters opt to sit out the elections and increasingly choose just to sit (usually in front of a screen) and not leave the house to engage in other forms of involvement in civic life. What’s going on in the world’s superpower and pre-eminent democracy?

American politics has become professionalized - similar to the way amateur sports have disappeared from the Olympics and from the colleges and universities of America. The political game is no longer something Americans consider to be

fundamentally very different from the many other components of our culture that have become increasingly commercialized - from college football and baseball, religion, police protection, parks, education and your DNA, to name a few. During an earlier era, in order to understand politics and the process of governance, one researched and studied first of all, philosophy, then law, and then the disciplines subsumed within the field of “political science,” which included elements of philosophy and law combined with sociology, psychology, and even anthropology. Today, these can’t make sense out of the political spectacles that saturate the airwaves. U.S. tax policy is over 10,000 pages of regulatory gibberish with no perceivable connection to a public interest or function. However the tax code and a lot of other mysterious political phenomena make a lot more sense if we switch channels, or paradigms, as it were. This analysis has peered into the new game of politics and government, which today is now much more about a highly commercialized spectacle of governance, than the de Tocqueville perspectives taught in high school and university American government textbooks.

Big changes in science and technology require concomitant shifts in our world view and the way the government governs in both domestic and foreign policy arenas. Development of the atomic bomb was one such change ushering in a nuclear rivalry between the United States and the Soviet Union known as the Cold War. On January 17, 1961, President Dwight D. Eisenhower addressed the nation on television and radio for the final time during his eight-year tenure in office. In his farewell address, Eisenhower, a career Army officer and former Supreme Allied Commander during World War II, emphasized that Americans should be cognizant of the special status gained by the military establishment during the Cold War. The “military-industrial complex” was a direct outgrowth of the Cold War, a confrontation between continental superpowers that far outstripped the conventional means for weapons armaments research, development and production:

... Until the latest of our world conflicts, the United States had no armaments industry. American makers of plowshares could, with time and as required, make swords as well. But now we can no longer risk emergency improvisation of national defense; we have been compelled to create a permanent armaments industry of vast proportions (Eisenhower 1960).

President Eisenhower’s farewell address pinpointed the “permanency” of the arms build-out as the organizing principle of the Cold War constellation of power. Contrary to historical experience where wars were followed by build-downs of arms and their procurement and production, the Cold War was different. This was a superpower standoff that required constant innovations in missile accuracy, payload capacity, and the development of smaller and smaller nuclear warheads, each the result of billions invested in research, manufacture and deployment (Bacevich 2010).

Today, we are experiencing another big change in science and technology. Over the past five decades, an accelerating series of technological innovations in telecommunications, computing, and broadcasting have permanently transformed the way people create, store, process and disseminate information. Similar to Eisenhower's identification of the military industrial complex as a central fulcrum of power in the Cold War's constellation of governmental-economic spheres, the center of gravity and energy driving 21st Century post-Internet society is the "political industrial complex," with the media, both traditional and online, as the planets orbiting this massive black hole of commercialized governance. Precipitating out from the confluence of the communications revolution and the information economy, governance in the 21st Century is already emerging as a vastly different political game as the system responds to these fundamental economic cost signals that have disintermediated long-standing governance institutions. The implications are evident in the increasing ideological polarization of political parties seeking revenues from the most highly motivated donors usually at the extremes of the political spectrum. This is not confined to the United States, as democratic governance in a growing number of highly industrialized countries (and hence networked economies) also becomes a commodity for media marketing (Wieczorek 2012). Perhaps Silvio Berlusconi, former Prime Minister of Italy and billionaire media magnate, stands as a seminal figure in the evolutionary process toward outright media commercialization of democratic governance.

Solutions and Recommendations: Disentangling the Political Industrial Complex

To a very grateful extent, this article builds upon an impressive array of works by authors who have astutely observed that ICT are transforming the way people perceive and participate in politics. From the communications field, Neil Postman, Noam Chomsky, Herbert Schiller, Robert McChesney, among others, point out how the rapidly expanding media market sectors are changing political discourse. On the political science side, Cass Sunstein, Theda Skocpol, Bruce Bimber and Robert Putnam, among others are examining the factors "professionalizing" the political process, excluding the rank and file amateurs from campaigns and governance. But while these scholars have identified the factors, they have not been as successful in deciphering the consequences.

This requires some "out of the box" thinking for the factors and their consequences spillover traditional academic or theoretical boundaries. Just as President Eisenhower conceptually linked economics, politics and nuclear weapons in his famous "military industrial complex" speech, this analysis must likewise conceptually link the causes and consequences of the ICT revolution for American democracy. Cyberspace legal theorist and activist Lawrence Lessig has shown

how the political industrial complex is benefitting from and using ICTs to capture the democratic process for the furtherance of its market goals (Lessig 2012). As political entrepreneur Arianna Huffington at the April 2002 *Los Angeles Times Festival of Books* observed, “the political establishment is interested in itself, not in any political program” (Huffington 2002).

Indeed, the political industrial complex is not about policy, but profits. Therefore, to understand American politics during the first part of the 21st Century, the empowered citizen is well advised seek ways to understand democratic governance as a business first, and as a political force second. I hope my analysis and arguments in this piece move the discussion along. I have attempted to show how the powerful logic inherent in Williamson’s transaction cost economics can illuminate how the information society promotes a commercialized system of democratic governance, whose integrity as a separate accountable entity succumbs to the disintermediation imposed by an all-encompassing media market that respects no boundaries other than those defined by costs. Only an engaged and empowered citizenry can re-impose the transaction costs that can protect their democratic system from becoming just another entertainment commodity competing for attention amid the media din endemic to an increasingly commercialized information society.

FUTURE RESEARCH DIRECTIONS

The “disintermediation school” of political-economic theorizing is gaining visibility as increasingly wide swaths of our information society experience fundamental transformations that defy conventional explanations. The health care sector is undergoing a revolution, not only from the side of technology and service delivery, but perhaps even more disruptive is the re-structuring of the economic platform of health care finance, as evidenced by the Affordable Care Act (“Obamacare”). A recent article pointed out how the opening of online health insurance exchanges portends that private health care insurance companies “will be the next to undergo disintermediation.”

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¹ See, Jeremy Rifkin. (2014) *The Zero Marginal Cost Society*. Palgrave Macmillan.