



## **Chapter XI**

# **Social Issues in Electronic Commerce: Implications for Policy Makers**

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### **INTRODUCTION**

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 Additionally the current legislative framework, drawn before the advent of electronic commerce, is perceived as outdated, thus impeding the expansion of online transactions.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

As the need for appropriate policy measures that support the information society is increasing, it is important to prevent a predominantly technical, commercial or legal approach that neglects the broader social issues related to policy making. To this end, this chapter examines social issues related to electronic commerce policy-making and is structured as follows. In the next section we present two fundamental social concerns that are related to policy making in electronic

commerce: trust and digital democracy. In Section 3 we discuss these concerns in the light of different policy issues arising from the use of network technologies, and in Section 4 we present their implications for policy making in electronic commerce. The paper concludes with the importance of a holistic approach to policy making and suggestions for further research.

## **SOCIAL CONCERNS**

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

### **Trust**

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

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