

Digitized Democracy Trends & Implications



August 31, 2017

This summer the INSEAD Alumni Association of Switzerland welcomed forty-five guests at the elegant Zunfthaus zur Waag to engage with Alumnus **Costa Vayenas, IEP01Feb**, who had just published his new book, *Democracy in the Digital Age: How we'll vote and what we'll vote about*.

That evening, he talked about the observation that sparked the book project. Digitalisation is changing all aspects of how modern societies operate, he thought, but one sector appears to have been left untouched: democracy.

Disintermediation, “cutting out the intermediary or middle man between two parties”, seemed to be happening everywhere, except in arguably the most important arena of all – democracy. Was there a special reason, he wondered, why the job of the lawmaker had not changed in the digital age?

“How long would the grand buildings housing parliaments still have activity on their floors while the grand buildings housing the once lively stock exchanges had already gone quiet?”, he asked.

Read on to learn what he discovered in pursuit of the answers....

Speaker: Dr. Constantin Vayenas, IEP01Feb



Former Managing Director of the Chief Investment Office, UBS

Constantin “Costa” Vayenas is an experienced analyst who has worked in the financial centres in London, New York and Zurich. The research for his new book is based on a careful analysis of the data and a deep understanding of the likely financial consequences of these trends.

The Future of Democracy is Digitized, Direct & Different

Revolutionary technology is poised to transfer more power directly to the people than ever before, including important decisions on what the state spends money and how it taxes, according to Costa Vayenas.

While very little has changed in the machinery of the representative system since the late 1700s, this arrangement is starting to unravel. The technology by which the people receive

their information and make their will known is being revolutionised. Technology now holds the capacity to transfer more power directly to the people, including on the all-important questions of how the state taxes and spends.

The shift towards a more digital form of interaction between citizens and their government is being driven by five main forces which, taken together, will propel us further in the direction of a greater use of information technology in the democratic process.



Not Your Grandfather's Democracy

First, democracy is not static. What we are experiencing today is not the same form of interaction that our grandparents knew. Citizens are deciding directly on more things more often, as shown by the surge of petitions, initiatives, and referendums across the globe. Technology is accelerating this trend.

The ubiquitous nature of hand-held devices for sending and receiving messages about anything and everything is further shifting power to their users.

The second driver for more digital interaction between citizens and their representatives comes, ironically, from the representatives themselves. Their primary motivation is to offer their citizens “convenience” and “participation”.

The third is the IT industry, which is designing out-of-the-box software and hardware solutions for the people to make their will known. These vendor solutions are getting better and better. Their business is to develop the software and hardware that governments can use to receive secure instructions from their citizens. The IT industry is not going to stop trying to perfect this arrangement.

Around twenty countries are now experimenting with this technology, and Switzerland will be rolling it out from 2019.

New Models; New Ways of Interacting

The fourth comes from a disparate range of non-governmental forces: “the grassroots”; “civic society”; and idealists, visionaries and revolutionaries from the left, the center, and the right. They want to “improve” the representative model. They’re not in agreement about what the new model should look like, but they are intrigued by the idea that the digital age is opening new possibilities for citizens to participate even more in the democratic process.

The fifth driver is to be found among the general public, who are currently not too focused on this topic. As government begins to offer more and more services online, requiring higher levels of cybersecurity, more and more people are likely to notice that almost all their dealings with the government have shifted online, except the really important one of instructing the people's representatives.

Given these trends, seeking refuge in an unreformed representative system from the late 1700s is not the answer. Such a system is not going to survive the disruption of the digital era. Just as businesses are having to adjust their business models to deal with digitalization and disintermediation, countries are going to have to do the same with their governance models.

Unsure of how to tackle this, but wanting to appear modern, parliaments have started setting up online portals that give the people the ability to ping the legislature via the internet. This is already leading to more issues being raised by the public more frequently. One of those issues may well end up being a petition for greater power for the people. In some places, this is already under way.



Inevitable Evolution

Constitutions are being amended and laws rewritten to give the people more direct say on more things and to permit binding electronic forms of interaction. Technology is now making it possible for the people to petition their government electronically, to launch initiatives online, to vote online and, most radically, to compete with their legislature or even to replace it.

Technology can now directly connect the people to the server where legislation is being prepared on their behalf. That is very different from how our grandparents interacted with the political system.

It seems inevitable, therefore, that in the digital age the question will now turn to how people vote and what they vote on. These changes may work to improve the quality of government or make it worse, but they appear to be an inevitable evolution to the next stage of how free people want to organize themselves politically.

Alumni Event Organizers

Reto Gygax, MBA'13D, Zurich Chapter President

Reto is a partner of VIALEX Attorneys at Law Wit offices in Zürich, Berne and Lugano, a company he co-founded in 2015.

Richard Bissonnet , MBA'81, Ex Officio

Richard is a M&A deal-maker who has worked for more than fifteen years on mid-market transactions in Europe, the Middle East, Africa and South-East Asia. He is an advisor to Quarton International, a boutique firm, manages real estate investments in East Europe and has board experience with start-ups and funds.

---ENDS