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Capitalism, Information and Democracy

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Abstract

Debate as regards the relation between democracy and information has been dominated by the concept of *public sphere*, one that has presupposed over recent decades state subsidy of information and communication resources. In contrast, this article reviews criticisms presented by pro-market analyses of inadequacies of state involvement. It proceeds to examine and engage their argument that capitalism is capable of meeting the informational needs of people when left to its own devices, especially in an era of new media developments. Capitalism can even be presented as an information system that is, in key respects, inherently democratic. The essay continues to address a further pro-market view, which suggests that concern for information in democracies is misplaced. This position contends that capitalism is crucial for liberal democracy, but that an information infrastructure - especially one subsidized by the state - is not vital for democracy's effective functioning. The policy advice of this position is unambiguous: keep the state out of information and communications domains.

Keywords: Information, Democracy, Capitalism, Public Sphere, Hayek, Fukuyama

Since 2005 or so, I have been working on a book, provisionally titled *Democratization in the Information Age*, which I hope to complete over the next three to four years. Questions that I am endeavouring to address there include: What sort of information is required of a healthy democracy? How might one identify and get a reliable measure on these variables? What is democratization, what are its manifestations, and how might it be changing in theory and practice? On what basis can and should information be made available for citizens and how is it best supplied? Of what consequence for democracy is the convergence and integration of information and communications technologies? What prospects and opportunities for new forms of political engagement are coming available in the current 'post-ideological' epoch...?

This essay expresses only part of my reflections on this capacious yet vital subject. My focus here concerns chiefly one aspect of what will be a lengthy book. Here

I shall centre on the relationships between democracy, information and, especially, markets. The essay ought not to be read as one of advocacy, but primarily as one of questioning and critique of others' thought. Its starting point is the observation that, amongst many scholars, there is a supposition that the informational needs of a democratic society cannot be met adequately by the market system and that, because this is so, states must intervene to make up for this shortfall. During the latter part of the 20th century this way of seeing, what might be called amongst Europeans the *social democratic consensus*, seized upon Jürgen Habermas' notion of the *public sphere* to justify government involvement and expenditure, arguing that *public service principles* - at odds with market arrangements - were essential to the formation of a public sphere and thus to the health of democracy (Webster, 2010). This argument is orthodox amongst those who argue that broadcast television, public libraries, museums and art

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galleries, education, social and economic statistics and the like must be funded from general taxation if democracies are to prosper.

Oddly enough, this melding of the concept of the public sphere with public service organizations sets aside Habermas' *historical* account of the emergence of the public sphere in Britain. In his influential book, Habermas (1989) argued that capitalism was the pioneer of the 'bourgeois public sphere' and, moreover, that this was as far as the public sphere advanced before the spread of monopoly capital in the 20th century brought about its denudation. Habermas traced the emergence of the public sphere in England through the struggles of traders, merchants and entrepreneurs who, being a constituency excluded from positions of power in a feudalistic and monarchist society, were to the fore of creating spaces in which discussion and debate about politics could take place. Coffee houses, small magazines, literary clubs and newspapers were instances of this development. The practical importance of capitalism for the formation of the public sphere is underestimated by those whose approaches now start from an idealization of the public sphere that is regarded as antipathetic to the market and expressed in public service *institutions* that are regarded as threatened by commercialization.

Reminding ourselves of the capability of capitalism to build a 'bourgeois public sphere', this essay sets out to reassess the role of the market with regard to information and democracy. More specifically, it will do three things:

- It will review the critique presented by pro-market analyses of inadequacies of state involvement in general and in the informational domain in particular.
- It will examine and engage the pro-market argument that, while capitalism may not produce a fully formed public sphere, it is capable of meeting the informational needs of people when left to its own devices. Indeed, capitalism can be presented as an information system that is, in key respects, inherently democratic.
- It will then discuss another pro-market view that suggests concern for information in democracies

is misplaced. This position contends that capitalism is crucial for liberal democracy, but that an information infrastructure - especially one subsidized by the state - is not vital for democracy's effective functioning.

In brief, this essay will discuss thinkers who are opposed to notions of the public sphere where they do not find the conception irrelevant. For such as Hayek (1899 ~ 1992) capitalism allows liberty, a value that trumps democracy by virtue of its capacity to provide an informational environment that harmonizes individual need and productive activity. From this point of view endeavours to establish a public sphere other than by leaving things to the market are futile if not positively damaging. After Hayek we will encounter a leading neo-conservative American thinker, Francis Fukuyama, who contends that, while capitalism is necessary for democracy to flourish, there is no need to waste resources on bolstering the latter with information on the rates, albeit that the Information Society brings about challenges to social order.

Failings of State Intervention

We may start with criticisms from pro-market writers that are aimed at proponents of state intervention. Crudely, the charge is that state involvement reveals a record of failure that is sufficient to warn against it being tried ever again.

Highlighting such failure represents an assault that reaches well beyond matters of information, highlighting the repeated shortcomings of collectivist measures across economic, political and social domains. Whether it is the terrors of the Gulag in the 1930s or the horrors of Pol Pot's Cambodia in the 1980s, the failure of the Soviet Union (1917 ~ 1991) to match the production of Western capitalism or to allow democratic participation of its peoples, or simply the ineptitude of state-run services, market supporters are scathing about the capabilities of state intervention. To be sure, they do not equate the evils of China's Cultural Revolution with the relatively benign nationalizations of, say,

Britain's post-War Labour Government or François Mitterand's administration of France during the 1980s and mid-1990s. At root, however, there is the conviction that advocacy of the 'all knowing state' will end badly, whether this is carried out by ruthless Bolsheviks or by well-meaning Fabians blind to the perverse consequences of their efforts at reform (Hirschman, 1991).

Pro-market authors do not deny that capitalism also has its faults – that there are booms and slumps and gross inequalities of reward is freely admitted – , but they do insist that the alternative is immeasurably worse. This holds true even in the present era when a failure of the banking system worldwide late in 2008 has impelled states to provide such measures of support from public funds that much of the previously private financial system has been *de facto* nationalized. Nonetheless, even the hapless condition of contemporary capitalism appears benign when set against the sorry record of collectivism, which has been tested in the cauldron of history and found wanting.

Over the years, capitalism has manifested an extraordinary capacity to deliver economic expansion, making it far and away the most successful form of industrialism (Berger, 1982). One can concede that, when it comes to heavy industrial and infrastructural projects such as shipbuilding and the construction of roads and railways, then state-directed policies once could compare favourably with what the market could deliver, notably during immediate post-War reconstruction (cf. Galbraith, 1967). However, over the last half century the inefficiencies and inadequacies of collectivism have been laid bare, notably when it comes to supply of consumer goods and services. During these 'golden years' (Hobsbawm, 1994) the market system delivered an unprecedented expansion in terms of standards of living. Over the *trente glorieuses* that ran from 1945 to 1975 television, indoor plumbing, washing machines, refrigerators and fashionable clothing came available to ordinary people in the West - while their counterparts under Communism lagged behind (Wasserstein, 2007). Living standards in Western Europe have increased by around 300% in real terms over the past half-century (Crouch, 1999), far outstripping advances under any collectivist system.

The Soviet Union and its satellites eventually collapsed around 1990. The failure of these state-dominated regimes to shift emphasis away from heavy industry and top-down production targets meant that they were incapable of adjusting to an era that was globalized, commercialized and concerned to meet as well as stimulate the desires of people for consumer goods and services (Mazower, 1998, ch.11). Fukuyama (1992) announced it as climactic, when 'Marxism-Leninism as an economic system met its Waterloo' because it was incapable of meeting 'the requirements of the information age' (p. 93). This new epoch is connected inextricably to accelerated innovation, heightened cosmopolitanism and intensified globalization where appeals to the preferences of consumers are vital and clunky decision-making is inappropriate. Fukuyama's dictum, the 'victory of the vcr' (video cassette recorder - now pointedly outdated and outperformed by still more advanced consumer technologies such as the iPhone), encapsulates his argument that capitalism's supremacy comes through the capacity to provide consumers with the exciting innovations they need.

Of course, we do need to differentiate between the state control of Communist totalitarians and the milder forms of state interventions of Social Democracy. Perhaps it is better that we conceive here a continuum stretching between out-and-out free market capitalism and Communist regimes that were (and remain so only in enclaves like North Korea) systemic in their hold. In the ruck of history, few situations are to be found at the extreme edges of this continuum, though precisely where people find themselves along this line can be of utmost consequence. Nevertheless, at this stage of our analysis it is important to acknowledge the criticism of those whose regard all endeavours at and towards state direction of life as a slippery slope towards 'the road to serfdom' (Hayek, 1944). As we shall see as this essay progresses, the decision to intervene by the state has serious implications for how society functions, often in ways that are antipathetic to the intentions of those who initiated and encouraged state involvement.

Meanwhile, we may stay with the more general criticism of collectivism that emanates from pro-market thinkers since it allows us to gain a fuller understanding

of their position as regards information. These thinkers are sceptical of state intervention because they regard government interference as a threat to liberty. Such intervention, they suggest, frequently begins with economic affairs, but it can soon extend thereafter deeper into social and political matters, with deleterious consequences.

Pro-market observers do not necessarily celebrate the grosser instances of inequality that one finds in many capitalist societies. However, they do counsel against exclusive concern for inequalities that is characteristic of many anti-capitalist thinkers - who generally follow expressions of unease about such disparities with recommendations that the state acts to palliate them. Readers will be familiar with such reasoning that identifies, for instance, worrying levels of child poverty or limited opportunities for social mobility that go hand in hand with low levels of income, and then follows such diagnoses with advocacy of government schemes to better resource welfare or education to rectify the identified disadvantages.

The suggestion from proponents of the market is that concern for inequality can become obsessive, leading to an under appreciation of freedoms that are of inestimable importance to how we live now. For instance, freedom of movement, due process in law, free speech and assembly, universal suffrage and, more generally, the right to do one's own thing unencumbered by officialdom are distinguishing features of life in a modern liberal democracy. These are relatively new characteristics in historical terms, yet their contribution to the quality of day-to-day life ought not to be underestimated.

Enthusiasts for the market are quick to point out that excessive concern with economic divisions and resultant government actions to overcome these inequalities can lead to intrusion on at least some of these freedoms. For instance, taxing the wealth of some groups of people in order to fund efforts to redistribute resources to underprivileged sections, or placing restrictions on access to particular schools in pursuit of increasing equal opportunities for disadvantaged groups, intrude on the rights of others to spend their earnings as they personally decide or to send their

children to schools of their choosing. Bluntly, because a concern to eliminate economic inequalities can lead to restrictions on the liberties of others, then pro-market thinkers often remain unpersuaded by, and quizzical of, policies that would have government intervene to change things.

There is an echo here of Berlin's (1969) celebrated distinction between *positive* and *negative* freedom, between those who start from a concern with 'freedom from' wants such that the state is to be urged to support those without shelter, resources and employment, and those whose priority is 'freedom to' so people may be allowed to make their own decisions about how to make their way in life uninterrupted by government edict. It is not hard to comprehend, at least in terms of principle, that there are clashes here between those who recommend government intervention and those who believe that the state is best serving its citizens when it leaves matters alone. It will be no surprise that those who embrace the latter edict proclaim that 'freedom to' is found most prevalent in market societies.

In addition, those sceptical of state intervention aimed at rectifying inequalities point out that many core values and aspirations are incommensurate with one another. One such is the goal that would have us reduce or even eliminate injustices of class differentiation, but there are others values and hopes that remain vital though they may be incommensurate with the ambition to remove barriers of inequality. One thinks, for instance, of the value of love of one's family, loyalty to one's friends or of the freedom to spend one's money as one would wish. Such values, laudable in themselves, may well lead to conflict with ideals of equality. Should a parent, for example, advantage her children by providing an exceptionally supportive and nurturing home, or should fidelity to one's friends lead one to help them gain an advantage in the workplace, or should a grandparent decide to provide a privileged education for a beloved grandchild, then each brings potential conflict with a commitment to eliminating unequal opportunities in life, though the values they express may be widely admired. The fact is that these values stand in conflict one with another.

This incommensurability of values encourages caution

amongst those who are wary of state intervention in social affairs, especially since the latter so frequently stems from prioritization of eliminating inequalities over all else. Government action to rectify inequalities can in these ways have unintended consequences such as reducing the liberties of others. This being so, pro-market devotees are generally disposed towards the belief that people should be left alone by the state since then they are more free to make their own decisions and fulfil their own dreams when unhindered by interfering governments.¹⁾

Then there is the related criticism of those whose identification of shortcomings in the here and now leads them to propose untried – if feasible in the abstract – solutions under the direction of the state. Pro-market thinkers, as with conservatives more generally, urge caution before such leaps in the dark. Indubitably, there are injustices and imperfections in the here and now, as there were in the past, but untried plans presented as solutions are perilous and should be set against the known historical record of steady progress in standards of living, health and widening opportunities made within capitalism. What we have may be unsatisfactory, runs this objection, but we must beware destroying what we lack full knowledge to replace (Scruton, 1986).²⁾

Furthermore, how often have utopian plans, when implemented by the state, proven to have unanticipated, unintended and unwanted consequences? To the forefront of pro-marketers' attention here have been failings of the Welfare State, conceived and introduced as a grand scheme whereby citizens would be protected and sustained 'from cradle to the grave' (Segalman & Marsland, 1989). The welfare system has been developed,

one may recall, because of demonstrable failings of capitalism to provide adequate housing and health to working class people (until the late 20th century the overriding majority of the populace of Britain), because markets had proven to be unstable and incapable of ensuring the livelihoods of large numbers of citizens, and because it had not seemed possible to eradicate poverty within a *laissez-faire* order. Nonetheless, decades after the widespread introduction of welfare provision, market-oriented thinkers were drawn to observe manifest problems such as the persistence of poverty and even the Welfare State's creation of an 'underclass' of welfare dependents, perverse consequences of state housing schemes such as resentment of rules and regulations and tenants not wishing to occupy municipal properties (Saunders, 1990), and the spread of officialdom and inefficiencies in the administration of state-funded schemes (Murray, 1984, 1989; Douglas, 1989). As Glazer (1988) glumly declared, state-led 'efforts to deal with distress are themselves increasing distress' (p. 5). The market system undoubtedly had its problems, but it hard to deny nowadays that state involvement has been no panacea and that it has even brought renewed difficulties as well as failing to overcome entrenched problems.

The foregoing is somewhat general as well as applicable to considerably more than the informational domain, so let us illustrate the case. Public libraries are found in just about every sizeable habitation in the United Kingdom today. Borrowing books and associated materials is free to users, as is membership of libraries, a privilege taken up by the majority of citizens. Public libraries were established for a variety of reasons, ranging from the largesse of industrial

1) This argument was at the heart of Murdoch's (2008) assault on the BBC in the summer of 2008. In his McTaggart lecture, delivered at the Edinburgh International Television Centre, the son and heir to Rupert Murdoch's corporate interests urged the break-up of the BBC since the state subsidy of its services disadvantaged entrepreneurs. Murdoch's claim was that 'independence' of news was essential, but that this was threatened by 'the (state) apparatus of supervision and dependency', while 'independence is sustained (only) by true accountability to customers'. It thus followed that 'the only reliable, durable, and perpetual guarantor of independence is profit'.

2) This is a point made still more forcefully by numerous former Communists. Leszek Kolakowski, the brilliant Polish philosopher whose disillusion with Communism came from direct and initially enthusiastic experience, replied to Thompson's (1973) celebrated 'Open Letter', with these words: 'the only universal medicine these people (socialists) have for social evil – state ownership of the means of production – is not only perfectly compatible with all the disasters of the capitalist world, with exploitation, imperialism, pollution, misery, economic waste, national hatred and national oppression, but it adds to them a series of disasters of its own: inefficiency, lack of economic incentives and, above all, the unrestricted role of the omnipotent bureaucracy, a concentration of power never known before in human history' (Kolakowski, 1974, p.9).

magnates such as Andrew Carnegie, the pride and pretensions of local authorities, to fears about leaving the masses untutored and incapable of performing as well as competitor nations (Allred, 1972).

For much of the twentieth century there can be little doubt that these institutions, chiefly if not solely supported from the public purse, were justified in the main on grounds that everyone ought to have a right of access to information free at the point of delivery and irrespective of the individual's circumstances. Access to information was conceived here as a right of everyone, whether for personal enjoyment, education or enlightenment. This justification for the library network was supported by insistence that information was a public good, not something to be regarded as subject to the vagaries of market pricing for individual purposes, since an informed population made for a healthier society and democracy. Those who advocated public libraries were particularly keen that poverty should not be a reason for the ignorance that inexorably followed being shut off from a world of books and reading. The premise was that were information left to the market, then poorer sectors of society would be excluded because they could not afford subscription fees. At the same time, it was proposed that by making libraries accessible to everyone, then the information offered would bring benefits not only to individuals but also to the wider society since it would benefit from having a readily informed and even learned populace.

Testimonies to this outlook are readily found, whether in the earnest schoolchild doing homework in the reading room of the library, the autodidact discovering the classics alone, or the fledgling politician coming from the wrong side of the tracks and preparing materials to advance his standing in debate. Booker Prize-winning novelist John Banville, for instance, voices a common sentiment when, in 2009, he reminisced that 'when I was growing up in a small town in Ireland in the 1950s, the local county library was for me both a haven from the bleak realities of the time, and an opening on to a wider and richer reality' (J. Banville, 2009, April 3, p. 17). The eloquent leader of the Upper Clyde Shipbuilders

Work-In of the early 1970s, Jimmy Reid, soon to serve as Rector of Glasgow University, when asked on television where he had received his education, replied bluntly 'Govan Public Library'. And Hoggart (1988), one of Britain's most influential intellectuals of the late twentieth century and eventually a university vice-chancellor, though he was orphaned young and reared by his working class grandparents, reflected that the public 'library was a home from home for people like me', adding that 'a great many people from poor backgrounds have paid tribute to the place of public libraries in their unofficial education. For many people what the public libraries gave was as near as they had come until then to a revelation of the possible size and depth and variety of life, knowledge and understanding' (p. 173).

There are fine sentiments in evidence here as well as inspiring instances and it is hard to deny that they are responses to unsatisfactory circumstances of life. Books, and especially reference materials, were once prohibitively expensive in relation to earnings and therefore out of the reach of most working class families³, so public libraries could provide a ready solution to this exclusion. However, state involvement has not worked out as many of its advocates may have envisaged. For a start, public libraries have been 'captured' by the better-off sections of society as well as by the professional staff who operate them (Adam Smith Institute, 1986). Thus it is the educated middle classes who can well afford to buy information from their own resources who are the most active users of the public library, in effect getting a public subsidy for their reading habits from those, chiefly the working class, who pay taxes but do not personally use the libraries that are funded from the public purse (less than four in ten working class adults visited a public library in 2005-6, compared to more than half of the higher classes [Social Trends, 2008, p. 181]). Moreover, library staff have benefited disproportionately from the establishment of these services, being provided with secure and pleasant (if not lavishly remunerated) employment. Indeed, the majority of public library revenue is expended on staff salaries, with less than 10% of their

3) Though historian Rose (2000) reminds us of the vital role of the second-hand book trade, from as early as the 1840s onwards, which meant that while 'the high cost of new books and literary periodicals was an obstacle to the working class reader, (it was) not an insurmountable one' (p. 120).

budget going on book purchases. Further, public libraries are book-lending monopolies, their creation having put out of business the subscription libraries since, while cheap at a few old pennies per loan (their sobriquet was the *Tuppenny Library*), these could not compete with an entirely free lending service. Moreover, secure public library staff also determine what will be stocked in the absence of market signals from customers, so it is their tastes and dispositions, succoured by high-level education to at least first degree levels of attainment, which prevails when it comes to deciding on what will be appropriate reading for the wider public. From this perspective one may regard librarians as in effect censors of materials that are to be made available to readers.

Furthermore, the overwhelming majority of loans from public libraries are accounted for by light fiction and biographies. Why, one might ask, does the public purse need to support the likes of Agatha Christie, John Grisham and Jeremy Clarkson when their books are readily available for cheap purchase and their literary merit, still more their intellectual and uplifting qualities, are at best of minor significance? It is surely hard to defend making available pulp literature – fiction and non-fiction alike – on the rates in this way. The pro-market Adam Smith Institute (1986) put the issue pointedly when it observed that ‘while the ambitious librarian may like to look on him or herself as part of a vital information industry, the bulk of library customers use the service as a publicly funded provider of free romantic fiction’ (p. 21). This being so, what might be the objection to those who request state support for other recreational activities such as cinema-going, football attendance and bowling watching?

Such observations raise questions regarding the efficacy with which public libraries actually operate (Leadbeater, 2003). It follows that a driving force behind their establishment and continued state support, the appeal to mitigate the inequalities of capitalism in the informational domain, seems to have been less than fully effective.

Moreover, a compelling case can be made that the market system itself has itself managed to respond effectively to the needs of the public by, for instance,

nurturing the ‘paperback revolution’ that was pioneered by Allan Lane at Penguin in the middle of the last century and has made books affordable to just about anyone with an interest in a given subject. By 2006 British households were spending much the same proportion of their income on books, magazines and newspapers as fifty years previously – though only around 2% of total budget – yet with that investment they got a great deal more reading materials (National Statistics, 2008). Again, it has been entrepreneurial book stores such as Waterstone’s (established in 1982) and Borders (founded in the United States in the early 1970s and opening in Britain in 1998) that have spearheaded moves to make book services more appealing to the customer, by attractive price deals, considerate display of goods, sensitive design of ambience, comfortable seating, and attractive complementary services such as tea and coffee as standard. Further, online book services, most famously Amazon (founded as recently as 1995) but now routinely offered by all major booksellers, have developed apace, being capable of bringing almost any book – new or used - and associated products to customers within a few days since they manifest the ‘long tail’ of huge stocks that can answer the most recondite and specialist query. In addition, Amazon has pioneered innovations such as facilities to offer an online review of a work, to search inside a book prior to purchase and to nudge prospective customers with recommendations based on individualized records of previous buys. Finally, an ambitious project led by the Google corporation to digitize millions of volumes from library stocks promises to make available to anyone with an internet connection all out-of-copyright materials. As this service evolves, so does the concept of the ‘virtual library’ become real, and with its emergence there comes about the prospect of there being no further need for the bricks and mortar (and expensive) library of today. Hard-pressed local authorities, long concerned about the costs of library services that must be met from their restricted budgets, may then be able to divest themselves of responsibility altogether and even cash in on sales of real estate located in prime sites.

All told, the public library idea and practice look somewhat dim when set alongside these observations.

The familiar ‘library silence’, the intimidating ambience, the limited and often tatty stock... when set against the customer-oriented and customer-sensitive marketers of information today the public library soon looks dowdy and dated.

Capitalism as an Information System: the case for the market

The foregoing has been concerned chiefly with the negative views of pro-market enthusiasts when they examine the role of the state. As we have seen, it is not difficult to pick holes in the efforts of the state when it comes to the record of its interventions in the informational (and other) realms of life. In contrast, in this section we will examine some of the ideas that stem from the writing of Friedrich von Hayek to look more closely at a more positive analysis of the relation between capitalism and information.

A starting point of this approach is that, while markets are imperfect, still they offer the best available means of ensuring that people’s needs are satisfactorily met. This is argued on at least two grounds. The first is that, if not actioned by the market, then decisions as regards needs must be taken by those who occupy positions wherein which they are capable of deciding for others. State agencies are frequently to the fore here, where accredited or presumed experts of one sort or another decide what others require or will be allowed to have. There is a wide range of institutions that undertake this in any advanced society like Britain, from government ministries to quangos (quasi-autonomous non-governmental organisations), of which there are currently over five hundred. Their existence presupposes that élites or otherwise superior groups are better informed about people’s requirements than they are themselves. Accordingly, where the market is not permitted to operate, various planners, experts or distinguished others are left to determine what will be made available to the rest of us. Most of us are familiar enough with these sorts of situation, for example, where credentialised educationalists or medical personnel assume the right to tell how and what one’s

children should be taught or what one ought to eat to maximise one’s health. The objection is that these people are acting presumptuously, arrogating the right to organize the lives of the rest of us. Such actors are frequently, but not solely, employees of government and they encourage the spread of a ‘nanny state’ in which responsibilities for oneself are removed and placed in the hands of the allegedly better informed. Their presence across many domains leads to the domination of most of us by élites of one sort or another whether in arts, news reporting, or political affairs. The university educated, metropolitan professionals assume the right to tell the rest of us what to think and how even to live our lives.

There is a related observation to make here. While pro-marketers stress that, where market mechanisms are not available in order to fulfil people’s needs, then state-accredited personnel tend to fill the void, more critical accounts contend that corporate employees manipulate people’s needs in order to persuade them to purchase what their company offers. There is a plethora of writing in this mode (e.g. Galbraith, 1958; Packard, 1957; Ewen, 1976), where ‘mind managers’ such as advertisers, copywriters and PR staff are alleged to work assiduously to manipulate the public to desire things which, without the alluring imagery and associations guilefully inserted, people would never want. The essence of this argument is that ordinary people are actively misinformed about their needs, the better to persuade them to consume whatever is being put up for sale.

Both these anti-state and anti-corporate positions assume a deficit model as regards ordinary people, the former that they lack expertise enough to decide for themselves, the latter that they are so lacking in self-knowledge and scepticism as to be susceptible to the blandishments of the advertising industry and its associates. On one view people abrogate responsibility to experts; in the other they are duped by clever manipulators. Both positions also share the view that people’s needs cannot be made clear directly by people, hence experts must intercede, deciding for them or leading them to accept artificially imposed needs. There must, in short, be mediators who express and

define people's needs since the latter are incapable of doing this for themselves.

An example will help clarify this situation. Take the remarkable expansion of the business of toiletries over the past twenty years or so. The rise of specialist outlets such as the Body Shop and Lush and the more general growth of soaps, scents, unguents, nail varnish and related cosmetics in department stores may be regarded by some as an instance of people – women especially, though the more recent rapid growth of toiletries for men makes one wary of distinguishing too sharply along gender lines – being easily conned by clever marketers into yearning for unattainable beauty while being made anxious as regards their own bodily imperfections and aromas. The rush to toiletries from these points of view stems from a combination in contemporary society of many advisers on what constitutes 'keeping in shape' and maintaining 'good health' and manipulative salespeople eager to persuade consumers to buy things their forebears could scarcely have imagined worth having such as shower gel, anti-aging cream, aroma therapy liquid, tea tree oil and eye reviver.

However, a more plausible explanation is that customers have bought toiletries extensively, not because they were once ignorant of personal hygiene and/or misled by marketers, but because they have decided that these are products that give them pleasure and enjoyment, so much so that they continue to buy bath bombs, exfoliants and specialist face washes (Obelkevitch, 1994). The success of such companies as the Body Shop reflects the ability of founder Anita Roddick to respond effectively to the needs and desires of her customers and this was manifested in the remarkable growth of her company, from a small shop in Brighton in 1976 to about 2500 stores in over 60 countries by the time it was taken over by L'Oréal in 2006. Lush, established in 1994 and now with some 600 shops in over 40 nations, followed a similar trajectory under the guidance of founder Mark Constantine. To be sure, men have lagged in this sphere, and until a generation ago deodorants, *eau de toilette* and after-shave balm readily evoked suspicions of effeminacy. Women's refusal to tolerate body odour and sloppy manicures in

their partners may have encouraged a transformation of men's bathroom practices. However, whatever the contribution of gender relationships, what is most important to grasp is that the most convincing explanation for the boom in toiletries amongst both sexes is that buyers felt better about themselves when using them, found bath essences, fragrances, body butter and massage bars pleasing, and came to place a heightened importance on personal care and presentation. In sum, the rise and rise of the toiletries business in recent years comes down to the operation of enterprising people and the market system in which they succeeded.

This leads on to the second argument in favour of the view that markets are the preferred means of ascertaining and meeting people's needs. This has it that any one individual's needs are so complex and variegated that it is impossible for any planner, expert or even advertiser to identify precisely. However, the market system, through its everyday price signals, does allow the effective mediation of relations between producers and consumers. Hayek (1945) in this way conceived the market as an extremely complex yet simultaneously sensitive *information system* that allows for individual needs and wants to be calibrated with economic activity in ways in which no amount of planning, state or otherwise, can possibly match.

It is an important insight of Hayek that markets are as much about information as they are about resources. In his terms prices and sales are information flows mediating between consumers and producers and they are the only satisfactory way in which demand can be matched with supply. Reflect for a moment on the extraordinary volumes of information that one personally generates in one's everyday life, from buying one's breakfast (cereals? – and which cereals? Pastries? Coffee? Tea? Toast?...), getting a newspaper (Which one? Where? How often?), organizing lunch and dinner, maybe purchasing some music or even some toiletries... Looked at this way, particularly in terms of the everyday arrangement of one's day, then Hayek's argument is surely resonant. He even conceives of 'things we know but cannot tell'⁴⁾ to capture the density and sophistication of routine transactions undertaken by many millions of people during the course of the

day. How else but by market signals might one calibrate consumer needs and products and services than by this self-organising process of *catallaxy* that enables the harmonization and synchronization of many individual preferences and allows what Hayek terms ‘spontaneous order’ to prevail? The only imaginable alternative – and it has been tried *à outrance* by former Communist regimes – is by establishing experts who then intercede and organize production on behalf of the people: so many types of shirts and shoes deemed necessary, so much bread and milk required, so much heating oil and coal needed.... Planning from the centre in such ways has proven to be ineffective at best and totalitarian at worst. It will be clear that the logic of Hayek’s analysis is that the state ought to have but a minimal role in society, with the market best left to its own devices to ensure information flows smoothly through the price mechanism.

To clarify: Hayek emphasizes that information signals via market exchanges are essential to keep the wheels of society turning – to ensure that adequate provision is made for assuring service and consumer goods. With regard to the supply of information *qua* information, Hayek sticks to the same principle: leave arrangements to the price mechanism since this will allow the making available of information that people want and need as regards things such as media (the variable range of specialist periodicals, entertainment, news, documentaries, music and so forth) and, indeed, of more recondite information such as caters for financial and economic interests. In sum, the market trumps state direction on every front, a radical insistence given the powerful presence amongst informational activities of government interference in so many nations, notably as regards broadcasting, education and research.

Hayek’s view is that the state cannot possibly know everything that people need and should it presume to do so it thereby intrudes on liberties. Indeed, in his view liberty can only be ensured by the free market since it is via the latter’s signalling of ‘dispersed information’ (Hayek ,1976, p. 9) that people’s requirements are

made known and circulated. Here indeed is a radical vision of the original ‘information society’: it is one in which markets are left unrestrained to operate as signalling devices to ensure that people are at once maximally free and able to have their needs fulfilled by the unrestricted flow of countless transactions that allow producer and consumer to rub along together.

Hayek does recognize a role for the state when it comes to upholding the rules of conduct in society. Because it is impossible to stipulate all the ends that individuals might wish for there needs to be a set of procedural rules so their infinite variety might be accommodated and adjusted to. Were it possible to ‘agree on ends there’d be no need for moral rules of procedure’ because life would be straightforward. However, just because individual needs cannot be so identified, the state must maintain rules of conduct as ‘equipment for certain unknown contingencies’ (Hayek 1976, p. 23). Such a point of view allows Hayek to support rules for regulating behaviour so long as these provide a framework for competition, hence free markets.

There can be no doubt, however, that Hayek (1944) has little tolerance of government interventions when it begins to talk in terms of ‘what people need’ or ‘how justice might be established’. His most renowned book, *The Road to Serfdom*, proclaims that state intervention is the thin end of a wedge that ultimately threatens to bring totalitarianism. Here, in a tract written during years of World War, Hayek depicts Nazi Germany and Soviet Russia (the two enemies whose fate decided the outcome of the 1939-45 struggle) as but ‘rival socialist factions’ (p. 6), both antipathetic to freedom and both collectivist through their dedication to ‘central direction’ (p. 26) by states which presume to know what society needs and which are quite prepared to impose their visions on the populace. And it is not just the Communist and Fascist states that come in for Hayek’s chastisement: he is prepared to attack even mild versions of social democracy since an ‘unintended consequence’ (p. 9) of their commitment to planning is

4) Sociology readers with long memories will catch here an echo of the concerns of ethnomethodological writers from the late 1960s and early 1970s. These also placed emphasis on the unstated, indexical and always contingent features of social interaction. Of course, they did not cite authors such as Hayek. See, for example, Garfinkel (1967) and Cicourel (1967).

a drift towards totalitarianism.

There is in fact wariness towards democracy itself that pervades Hayekian thought. On one level, this comes from the conviction that free markets are the most appropriate means of maximizing liberty in that they best respond to individual needs through the unceasing transmission of signals identifying consumer wishes. As we have mentioned, insofar as the polity can provide a regulatory framework to smooth the operation of markets, then it is acceptable. However, it is hard to escape the conclusion that Hayek has little but suspicion for politics and politicians. His view being that markets best express and allow freedom, he worries because politicians have a propensity to interfere in economic affairs. Modern democratic politicians are attracted towards interventionism; they presuppose the legitimacy and efficacy of planning, so much so that for Hayek (1991) there is 'an irreconcilable conflict between democracy and capitalism' (p. 385).

There are vital issues here. The usual approach to democracy has it that in the political sphere voters make known their preferences, by choosing from a range of programmes and candidates, and thereafter elected officials endeavour to put into practice the expressed will of the people. Actual processes are complicated and compromised, but the primacy of politics in a democratic society is acknowledged in so far as this is the arena in which people's wishes and aspirations find expression. However, in Hayek's conception of capitalism as an 'information system' we encounter a relegation, perhaps even a reversal, of this notion that democracy prioritizes politics. In his view endeavours to articulate the wishes and wants of people in the polity is at once an oversimplification of the heterogeneity of individual preferences and, at the same time, it encourages politicians to intervene in and to attempt to shape affairs in ways they believe desirable. This imposition of the will of the politician at best is destined to fail and at worst hurtles the society down the road towards totalitarian rule. This must be so since, insists Hayek (1988), the 'spontaneous order' of the market system 'generate(s) and garner(s) greater knowledge... than could ever be obtained or utilized in a centrally-directed economy' (p. 7). Set against this, the

interventions of politicians must appear clumsy and insensitive and, as such, they jeopardize the successful working of catallaxy, hence threatening liberty.

In this way, Hayek privileges markets as the most preferable means of meeting people's needs, in the process contending that liberty trumps democracy insofar as the latter presumes to articulate and act upon the will of the populace. Trying to give voice to and act upon voters' expressed will, democratic politics perversely oversimplifies people's needs and threaten their ever being met by cack-handed efforts to direct the market from the polity. To paraphrase Hayek (1991), if Parliament is free to do what it wills, then there is not a free people in the land over which Parliament has jurisdiction (p. 403).

It scarcely needs saying that Hayek's position leads to antipathy towards conceptions of the public sphere, at least once these reach beyond being expressions of market activity. He would be especially hostile to those public sphere claimants of the 20th century who adorned themselves in the rhetoric of public service while in receipt of state funds. A Hayekian analysis would deem it unavoidable that organizations such as public service broadcasters take on characteristics of self-serving élites, drawing their members from privileged backgrounds in the main, being unsympathetic towards capitalism because removed from market disciplines, and presenting audiences with what they, the producers, determine what is worthwhile, unconstrained in what they do because their revenue is secure whatever programming they produce. Such are familiar criticisms of the BBC that is assured of its finances from the returns of an obligatory and hypothecated poll tax on all television owners (the license fee that provides the bulk of the BBC's 2007 income of more than £4 billion, double that of commercial operator ITV and considerably more than the £3.8 billion going to British Sky Broadcasting), whose audiences have little or no leverage and whose staff is composed disproportionately of metropolitan and élite university educated personnel (cf. Tracey, 1998; Burns, 1977; Born, 2004).

It is hard to avoid the conclusion that to Hayek the market is the best form of information exchange. Any state-funded organization that sets out to provide a

service that claims will inform the public of what it needs to know is acting presumptuously and is in danger of becoming an imposition on individuals who are in better positions to identify themselves what they need rather than are state-subsidized institutions.

Hayek's perception of an unbridgeable divide between the unknowable needs of individuals and the all-knowing state it discerns in modern politics is overly Manichean. We may acknowledge the particularities of individuals and be alert to the dangers of oppressive or even heavy-handed government without denying that, in many aspects of life, we require social and political discussion and decision-making that has constraining consequences on individuals but serves the general good – one thinks of schooling, transport and even of welfare arrangements in this respect. Living within agreed – after debate – constraints is, in part at least, what it means to belong to a society.

Nevertheless, Hayek does effectively remind us of dangers that accompany state interventions in society, notably so in the informational domain. It is not hard to see risks of individual voices being overlooked or even silenced in face of top-down institutions such as dominate in broadcasting, education and even in formal political organizations. All are commanded by highly educated, professionalised élites whose views are readily heard and in face of whom the majorities are silenced. The ostensible reason for such exclusion is that the populace do not possess appropriate expertise: the dominating dominate through their accredited qualifications, experience and ease of operation in these domains.

Commentators on the internet have a good deal to say on this matter and here we call attention to the recurrence of Hayekian themes encountered amongst enthusiasts for blogging, Wikipedia (and wikis more generally), Twitter and social network sites such as Facebook and MySpace. A key refrain of these observations is *disintermediation*, that is, the capacity with these technologies for quite ordinary people to get a platform for their views and avenues wherein their individual contributions may be consequential. Wikipedia, for instance, resonates with Hayekian tones in its emphasis on the capabilities of the anonymous many to

match – and even outdo – the quality of production of the accredited expert while it also creates an ongoing, never completed or definitive, encyclopaedia that is far more inclusive than established competitors (in what established compendium could one have a running commentary of the post-2003 Iraq invasion and occupation, details of the recordings of Leonard Cohen, or a biography of Keith Jarrett?). Revealingly, Wikipedia's founder (in 2001), Jimmy Wales, explicitly avows that 'Hayek's work.... is central to my own thinking about how to manage the Wikipedia project' going on to stress that 'one can't understand my ideas about Wikipedia without understanding Hayek' (as quoted in Mangu-Ward, 2007).

Wikipedia stands against orthodox encyclopaedias that are put together by acknowledged experts who have generally undergone extensive training and have taken years to build a reputation sufficient to gain approval to produce definitive statements on a given topic. With as effective an outcome (if not beyond criticism for occasional lapses), Wikipedia invites anyone who feels they have something to contribute to the subject to participate, the proviso being that what they submit must be open to immediate correction, amendment or elaboration by anyone else. This is pure Hayek – minimal rules of conduct apply, but only in order for individuals to be able to make their individual and anonymous contributions more effectively. Aggregated individuals can, it appears, generate information as reliable and robust as groups of recondite experts.

Sunstein (2006) takes this wiki principle – and with it a Hayekian 'profound truth' (p. 17) – to contest the primacy, in politics and the wider society, of deliberation amongst experts or elected representatives as a means to develop the best possible information, thereby to arrive at the most persuasive policy decisions. Sunstein directly evokes Hayek to claim that groups of officials can arrive at poorer decisions than disparate individuals, this time to suggest a parallel between the free market and wikis in a homage to 'the wisdom of crowds' (Surowiecki, 2004). When many contributions can produce documents and policy by having opportunities to correct one another's efforts without fear or favour, then the final product can outmatch even the deliberations

of the most distinguished authority.

It should be noted that Sunstein (2007) distances himself from full-blown endorsement of Hayek. In particular he refuses to adopt what he takes to be a consumerist approach towards information. Consumers too readily are self-indulgent, passive and content to remain in safe information enclaves. These may be contrasted with *citizens* (Barber, 2007) who are engaged and alert, eager to contribute to wider public knowledgeability and stimulate disputation using new media. As citizens choose to participate in political and other affairs and as they adapt new media to facilitate their involvement, they might find Hayekians approving insofar as they bring disparate opinions and details to the market of ideas. One suspects, however, that when such activists commence formulating policies aimed at changing circumstances, then Hayek would withdraw approbation in face of what he would interpret as untoward intrusions on liberty.

The Market and Democracy

We have seen that Hayek has little time for those who would defend the public sphere as a requisite of democracy. He saw in the spontaneously organized information system that is capitalism a means of securing the liberty that he prized above all else and was deeply suspicious of democracy's propensity to interfere in people's lives. Today's public sphere, heavily financed by the state, is part of the threat as far as Hayek could see.

There is much wrong with Hayek's account. We have mentioned already the risks of consumerism's triumphs, but there is also his determinedly over-abstract vision and reluctance to acknowledge fully that the market can have profoundly negative effects on information availability as well as its quality. Davies (2007), for instance, identifies the emergence of 'churnalism', that is reportage characterised by a lack of independence and courage, built round PR handouts and agency items consequent on the heightening of corporate drives towards profitability. Playwright Potter (1994) deplored a similar corporate intrusion,

acidly describing the cancer that was killing him his 'Rupert' to depict his derision for News Corporation and its owner, Rupert Murdoch. Such critics point to the denuding effects on information of capitalist activity, regarding it as likely to weaken public knowledgeability. One suspects Hayek would have been less condemnatory, insisting that the market system was the best guarantor of liberty and, anyway, customers' purchases, freely chosen, are what powers the likes of News Corporation (Murdoch, 2008).

However, whatever criticism one might wish to make of Hayek's thinking, he was surely correct to challenge the conceit of politicians, collectivists most especially, who believe they know best what other people need and wish for. By the same token, his warnings about the all-knowing state's threat to liberty (and, ultimately, then to democracy itself) are to the point (as an early reviewer of *The Road to Serfdom*, George Orwell [1944, p. 143] appreciatively observed). This insight has been effectively drawn upon in a good deal of comment on new media, notably in the ways in which it allows the release of information from below. The capacity of internet technologies to allow contributions from just about anyone – in Castells' (2009) terminology, its enabling of 'mass self-communication' – is surely a democratizing impulse insofar as it presents opportunities for the formerly excluded many to contribute to discussion, debate and the creation of knowledge. Some, me included, regard this as a positive development.

We turn now to a pro-market thinker who has a good deal to say about democracy and capitalism, though he appears unconcerned about public information and knowledgeability. He stands unapologetically in favour of capitalism, yet he neither aligns with Hayek in the latter's view of the market as an information system nor in Hayek's prioritisation of liberty over democracy. Fukuyama (1992) acknowledges that greater freedom and equality have accompanied the emergence of a 'society built round information' (p. 4), conceding these things as increases in choice, freedom from constraints and a decline in hierarchies. They are to be embraced, but Fukuyama also expresses concern for a less positive development that he dates from the 1960s, namely a diminishment of social order and attendant

feelings of togetherness, alongside a decline in the mutual trust that comes with these.

Fukuyama contends that only market society can sustain liberal democracy, though a public sphere is not a prerequisite for its operation. His well-known argument has it that there is directionality to history in that market society, being the most efficient form of production, has triumphed over all alternatives. At the same time, there has been an accompanying 'struggle for recognition' amongst citizens that has culminated in liberal democracy. The conjoining of democracy and capitalism is hereby completed, though Fukuyama (1992) sees no sublimating satisfaction since it is only during the struggle that people feel most free. Once they have 'create(d) for themselves a stable democratic society', they will have forfeited, in victory, 'the possibility of their ever again being as free and as human as in their revolutionary struggle' (p. 312).

Fukuyama's suggestion is that at the core of the difficulties of an Information Society is the question of how might we connect with one another. What binds together a society and prevents social ills such as crime, broken relationships and increased alienation? Fukuyama (1999) suggests that in the Information Society there is a malaise springing from 'unbridled individualism' (p. 14). While we undoubtedly have more freedom, 'social capital' (Putnam, 2000) appears to be on the wane and with it respect for authority, commitment to the commonweal and a sense of belonging. This is, of course, a resonant theme in social thought, one that cuts across the political spectrum, that we are moving inexorably from communally-oriented ways of life to more individualistic modes (Nisbet, 1967). Fukuyama's response is also decidedly conservative, in search of re-establishing connectedness between people and to this degree at odds with Hayek's more hard-nosed liberalism. What is also striking about Fukuyama is his perception that this tendency is exacerbated by the spread of the Information Society.

He identifies several reasons for social breakdown in the Information Society. First is the ongoing and accelerating pace of change, through automation and reorganization, that unsettled and threatens all communities. The former mining, cotton and steel

towns of the North of England, now consigned to the 'rustbelt' and riddled with petty crime, family dislocation and high levels of unemployment, were once by-words for social solidarity and order. In the Information Society the labour that sustained these communities has gone and with it their more talented members who have moved to find employment in information businesses. The second challenge is closely related, with the Information Society undermining the fixities of place in its emphasis on geographical (and virtual) mobility and an attendant transitoriness of relationships. Sureties that once accompanied long-term living in particular locations, working in a specific place over generations, and possessing high levels of familiarity with one's neighbours are weakened, people increasingly thrown on to their own devices and compelled to trust only to themselves.

Third, the transition to information work demotes the contribution of brawn in favour of brain, a prowess that promotes women to levels with men, encourages the feminisation of the labour force, and leaves many men – the poorly educated, the unskilled, the discarded, the graceless – in a state of limbo. As it happens, Fukuyama believes that women in employment are taking on the attributes of their male counterparts, hence competitive, self-oriented and calculative, which in turn weaken the role traditionally played by women in neighbourhoods of mutuality, socialization and care, adding thereby to a decline in the resilience of social bonds. Fourth, he draws attention to the import of women's control over their bodies, modern contraception leading to reproduction becoming a lifestyle option. As many as one in five women in the UK over the age of forty have chosen never to have children and these women come disproportionately from the most educated and professionalised, hence relatively high in the Information Society hierarchy.

Deindustrialisation, the declining significance of place, the feminisation of employment and child-rearing an option of decreasing appeal, together contribute to heightened individualism, a weakening of belonging and a drop in social capital. Concomitants are increased family breakdown, more criminality and associated discontents (expressed not least in the appeal to elements

of the white working class of neo-fascist political parties). It is not so important whether Fukuyama is correct in his ascription of responsibility (there seems, for example, little evidence to suggest a causal connection between women's labour force participation and any growth in crime). What matters more is his argument that, while he believes capitalism singularly cultivates liberal democracy (itself a contested assertion [Gray, 2007]), the parallel growth of the Information Society brings about social disorder. And while Fukuyama suggests that the spread of information intensive work in 'flat' organizations can stimulate a countertendency by constructing networks of trust across space amongst fellow professionals, his general prognosis is dim.

Conclusion

The thinkers and ideas considered here generally get insufficient attention in discussions of democratization. They are eclipsed by proponents of the public sphere that requires apparently never-ending state support to address shortcomings identified with the market system when it comes to the information domain. There are reasons to be wary of state interventions in life that even advocates need to acknowledge. By way of contrast, this essay has engaged with those who contend *tout court* that the market works best when left to its own devices. Here state intervention, even where it is well intentioned and even when aimed at demonstrable imperfections, is ineffective, generating problems of its own and even making unsatisfactory matters worse.

Such strictures apply equally to informational issues as they do to other expressions of the directive state. Thus pro-market thinkers readily decry and warn against state provision of television services, internet supply and even of public libraries. Friedrich von Hayek, the most important and trenchant of these pro-capitalist theorists, indubitably resists state meddling, insisting that market mechanisms are the superior and more sensitive instrument for gauging people's needs and desires. Capitalism is, in effect, an information system that ensures the harmonization of supply and demand.

This being so, it will be readily appreciated how

hard it is for Hayekians to envisage any circumstances in which tax revenues might be committed to institutions with a brief to service the informational needs of the public. Their very formation and practices would be necessarily presumptuous and destined to end badly. Indeed, as we have seen, Hayek has doubts about modern democracy *per se*, being suspicious of the tendency of modern political parties to create 'plans' to better 'manage' the economy (and much else), thereby undermining liberty, his overriding value. Here we are a far cry from those who would bolster the public sphere by yet more state support. From such market enthusiasts there are few concerns about downsides of increased commodification of information, the presence of monopolies in the arena, the extension of consumerism throughout society, or the consequences of differential power in a capitalist society to advance particular points of view.

Francis Fukuyama announces capitalism's singular capacity to meld productive efficiency and consumer desires with liberal democracy. In this neo-conservative analysis informational matters are not noticeably relevant to either capitalism or democracy, save that the unfolding Information Society contributes generally to a diminution of social capital that, in turn, leads to disorder and disharmony. Such trends may weaken democratic societies, though it appears that Fukuyama regards them as unlikely to challenge the hegemony of the capitalism and democracy connection.

I close by emphasizing that this essay ought not to be read as offering support for the views of either Hayek or Fukuyama, still less as endorsement of their variable expression in neo-conservative politics. I write as a European Social Democrat, one committed to the necessity for state intervention to address shortcomings of capitalist activity cross a range of areas, from welfare provision, the alleviation of poverty, to the, in my view, undeserved and even deplorable influence of media moguls such as James and Rupert Murdoch who encourage the commodification of information at the same time as they use their media to shape disproportionately political life. Nonetheless, it does appear to me necessary to acknowledge the shortcomings of many statist policies as regards information, just as it is

important to recognise challengers and opportunities that have accompanied the changed information environment of recent years (Castells, 2009). In so doing, the import of markets and market mechanisms need also to be acknowledged since for far too long critics of capitalism have presupposed that state provision is the best solution, even a panacea, for capitalism's failings. The desirable future lies, to adopt terminology of the late Dahrendorf (1968), between market and plan (Nove, 1983).

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