

LIBERTARIANISM IS THE BEST WAY TO UNDERSTAND THE INFORMATION REVOLUTION

CHRISTIAN MICHEL



What follows is the text of a talk given at a libertarian Seminar held in Amsterdam, 22 February 1997.

Since biologists discovered in the 1950s that all life forms could be understood as the processing of information, a new paradigm was conceived, a new era began, which we call the Information Age, and most people don't like it. The reason for this dislike is that the post-modern societies of the Information Age are chaotic, complex, multicultural ..., and no philosophy has given yet the general public the road map to find out where these new phenomena are taking us to: globalisation, the Internet, bio-technologies, etc.

I maintain libertarianism is that philosophy. Libertarianism has something to tell us about our behaviour as human beings, how we ought to relate to others in society and to nature. Libertarian philosophy and ethics are much more efficient in explaining the transformation which is taking place in the world than social-democracy, which represents today's consensus (to the point that the French refer to it as *la pensée unique*). I am not going to tell *this* audience what libertarianism is about, you know as much on the subject as I do. My purpose today is to share with you my analysis of the Information Revolution, and let you work out how libertarianism applies. I would like to start with the proposition that we live in certain types of societies, which I call Political Societies, for lack of a better term; that the last transformation of

these Political Societies came as a by-product of the Machine Age, and that they are slowly dying, as the Machine Age is replaced by the Information Age, and that societies of a radical new type are forming, which are best described as Knowledge Societies.

Depending on your beliefs and values, and whether you read Oswald Spengler, or the *Financial Times*, or *Cosmopolitan*, you will variously say that this move from Political Societies to Knowledge Societies is the end of Western civilisation, or a world crisis, or the sun entering Aquarius. Whatever it is, we all know it is fundamental. I believe personally that the Information Revolution is no less important in magnitude and in impact on the future of humankind than the revolution which took place in the Neolithic period, when humanity changed from being nomadic to agricultural. What we are witnessing here is like a reversal of this process, not that we are going back roaming the world with backpacks, but that we are slowly adopting the values and the culture of the nomads and giving up the values and the culture of the tillers of land. This change in the scale of our values has a profound impact on all three elements which constitute our Political Societies.

- Spatially and geographically, our societies are nation-states.
- Operationally, they function as democracies.
- Ideologically, they live by the book of social-democracy, which is a blend of socialism and nationalism.



Historical Notes No. 37

ISSN 0267-7105

ISBN 1 85637 495 5

An occasional publication of the Libertarian Alliance, 25 Chapter Chambers, Esterbrooke Street, London SW1P 4NN
www.libertarian.co.uk email: admin@libertarian.co.uk

©2000: Libertarian Alliance; Christian Michel.

This piece was first made available at the Liberalia website (www.liberalia.com), which is run by Christian Michel and which contains a variety of libertarian writings, by him and by others.

Christian Michel was born in Paris 57 years ago. After dropping out of the Sorbonne University, he did odd jobs in the film and advertising industries, before entering real life as a telex operator at an American stockbroking firm. Working his way up the corporate ladder, he eventually became finance director of a public company in Geneva. In 1986, he bought his employer's small portfolio management unit. It grew into one of the largest trust and corporate services companies, with twelve offices throughout Europe. Having sold the business to his partners, Christian Michel moved to London in June 2000. He is the author of "La Liberté, deux ou trois choses que je sais d'elle", published by the Institut Economique de Paris, 1986, and numerous articles and conference papers (for some of which see the Liberalia website).

The views expressed in this publication are those of its author, and not necessarily those of the Libertarian Alliance, its Committee, Advisory Council or subscribers.

Director: Dr Chris R. Tame

Editorial Director: Brian Micklethwait

Webmaster: Dr Sean Gabb



FOR LIFE, LIBERTY AND PROPERTY



Let's see how these three constitutive elements are affected by the Information Revolution.

THE INEFFICIENCIES OF THE NATION-STATE

Seven thousand years ago, a new mode of production, agriculture, created a new mode of living: permanent dwellings, walls, warehouses, irrigation ... Land became the primary source of wealth. A sedentary life allowed the emergence of the state, as we know it, with a permanent bureaucracy, financed by recurrent taxes. Where you lived defined in large part who you were, and where you lived was necessarily within a state, and your collective identity came to be defined by the state. For a very long time, nation and state did not coincide. There were people with a lot in common — religion, language, culture — which were fragmented into many states, like the ones which merged into present day Italy and Germany, and there were states which ruled over many different nations, with little in common, the typical examples being the Russian and Austro-Hungarian empires.

The nation-state really only dates back to the French Revolution, and there is no reason to think that this way of organising society is eternal. Certainly, one can make a case that there is a growing demand for "nation-states". More are created every year: the Baltic States, Croatia, Bosnia ... This inflation in the number of units may reflect, however, the diminishing value of each unit, because the reasons for a nation-state structure are no longer relevant.

The primary reason for a nation-state type structure was to reduce transaction costs by having a larger and homogenous market for products and to create economies of scale by reaching a critical mass for the maintenance of certain so-called *common goods*, above all, an army. That reason is now obsolete. The nation is nowhere the scale by which one measures a market. Consumers have no passport. It is plain that the optimal scale for so-called *common goods* is no longer reached at state level. To quote Daniel Bell: "the nation-state is too big to be bothered with the small things and it is too small to cope with the big issues." For instance, nowhere, except maybe in Japan, is the population homogenous enough to make the provision by the state of a service such as education an efficient proposition, and the trend is for more population movements across borders and for more multiculturalism.

Even in the ultimate attributes of sovereignty, which are foreign affairs and defence, the nation-state is ineffective. I gave a short paper here last year about defence problems in the Information Age, in which I attempted to show that aggression is no longer a factor of geography. We can wage war today without ever violating the enemy's borders. We can cripple its telecommunications, air traffic, banking settlements, electricity production, and many other vital services, by launching a massive infiltration of its computer systems. In a way, electronic warfare creates a new balance of power between the highly-developed countries, which their own sophistication renders vulnerable, and the smaller potential belligerents, who can attack them successfully with a small gang of hackers. Reprisal is not easy, electronic warfare can be launched from anywhere in the world, not necessarily from the territory of the aggressors; for instance, you could have Algerian hackers, posing as tourists travelling with laptops, who could attack France simultaneously from hotel rooms in Rome, in Lebanon, wherever, so that it would take a long time to determine the identity and the objectives of the aggressors. In other words, the nation-state is not even good at making war.

We knew the state could not stop terrorism, it could not restore law and order in our cities; we now know that the state cannot even provide that one service which has always been the ultimate reason invoked by luminaries like Rand and Nozick for keeping it at least in its minimal format, national defence.

For me, the sad tragedy with the nation-state is that it reduces everything that you are, the multiple facets of your personality, to a single dimension: your nationality. Only one question is relevant: Are you Serb or are you Croat? Are you French or Algerian? If you are French or Croat, and I am on the other side, I'll kill you or I'll deport you. Forget that you are a good lover, that you like Beethoven, that you collect garden gnomes, that you

enjoy old claret, that you are a Catholic homosexual banker who practices Zen meditation ... None of this matters. Your only identity is your nationality. I can only rejoice therefore when I see all the signs that the nation-state is heading towards the dustbin of history.

THE USELESSNESS OF DEMOCRACY

The operational procedure of the modern state almost everywhere is that of democracy. Citizens believe democracy allows them control over their government, and it does to a large extent, but this control is useless. Democracy is globalisation's most visible victim. Remember where our modern democratic system started. It was in Britain, isolated, of course, by definition; in the United States, also isolated on the other side of a vast ocean, and even, *isolationist*; and in the Alpine valleys, again a place where people were secluded, surrounded by steep mountains. In all these places, whatever the majority decided was applied, there was nothing to prevent it. But look at what is happening today: very few of the important events which affect our lives have been decided by any election, because the truly important events of today are not part of the political domain. Nobody voted the sexual revolution; you do not hold a referendum to ban unemployment; no parliament decided to put a PC in every home; it is not elected representatives who made the Internet global ... The Political Society is collapsing, because everything that is important in the world today is happening outside the realm of politics. We have gone from a belief in the 1960's slogan: "everything is political", to an acknowledgement that politics are irrelevant.

SOCIAL DEMOCRACY AS *THE* IDEOLOGY

I mentioned that today's Political Societies occupy space in the form of nation-states, and that their operating procedure is democracy. The third constitutive element is their common ideology, which is social-democracy. Admittedly, mainstream political parties do not all claim to be social-democrats. What about the US Republicans, the Tories in England, the CDU in Germany ...? The truth is that any difference between these organisations is of form much more than of substance. Fidel Castro and Brezhnev and Mao Ze Dong and Kadar in Hungary boasted also about the differences in their regime; the Iranians and the Saudis argue the same way. When you unwrap the package, however, the product is the same. Without subscribing to Fukuyama's conclusion that we have reached the end of history, I think we can agree with him that the quasi universal political agenda on the planet presently is social democracy. I would even go further and say that the more democratic a country claims to be nowadays, the more it means it has become a one-party state; all its parties stand for the same agenda. Social-democracy itself is rooted in two ideologies, socialism and nationalism, and my point is that the Information Revolution is making both of them obsolete.

THE LEGALISATION OF THEFT

The democratic electoral system leads to enforced wealth redistribution, which is socialism. Wealth redistribution is at the core of the system, no candidate gets elected unless he or she makes the electoral promise to take from the "rich" and give to the "poor". Redistribution has become the process which gives legitimacy to democratic governments. Most human beings feel this temptation to steal what they have not earned. Society, of course, cannot allow "unregulated" theft. If it did, there would be no savings, no investments, producers would consume their output immediately, and such a society of thieves and victims would soon be absorbed by other groups, more efficient because they would give some sort of protection to investments. Because the temptation to steal is still there however, theft everywhere is "regulated", *it is not outlawed*. The rule is that only governments may steal legally, and governments are even allowed the use of armed force to do so. Politics, therefore, has become the way to legalise robbery. Democracy's extraordinary appeal is that it extends to each one of us this capacity to rob our neighbours. In the old days, legalised robbery was a privilege of a few, democracy makes everybody believe they can share in the loot, more, that they can organise the robbery. Robbery has always been the real purpose of any government, but it has been hidden behind a grand design.

We were told that governments had a mission, that they were governing for the greater glory of God, or to increase the power of the nation, or to save that nation from invasion, or to bring civilisation to the savages ... None of this ideological smokescreen works today. It has become all too obvious that the only function of governments is to ensure the forced redistribution of wealth from a minority to a majority of the electorate. In many countries, and certainly in France, the whole rhetoric surrounding *la fracture sociale*, the meltdown of the social fabric, is evidence that politicians nowadays can conceive of only one bond holding society together, and that bond is the one-way dependence which exists between a parasite and its host, between the robber and his victims. By a gross abuse of language, social-democrats dare to call “legalised robbery”: “solidarity” or “social justice”. What I shall attempt shortly to show is that the Information Revolution makes “legalised robbery” a great deal more difficult. This is thus one of the reasons why democracy in particular, and politics in general, are becoming no longer viable.

DEMOCRACY’S TWIN FREAK CHILDREN

The other ideology on which democracy is based besides socialism is nationalism. If casting a ballot can decide on the redistribution of wealth and on many other issues, such as culture, education, justice, police, the army, housing and urban planning ..., then it becomes essential to know who has this power to vote and who is entitled to the benefits provided by the state. The average European voter objects to immigrants, with their ten children, collecting family welfare; the Basques don’t want the Spaniards to decree that all education should be in Spanish; nobody wants the Moslems to make the sharia the law of the country ... But if I don’t want this to happen, then the *other side* must be denied voting rights, or else those of my persuasion have no other choice than to secede and create a new state. Witness how Israel, which claims to be the only democratic state in the Middle East, never annexed the Occupied Territories and could not create a Greater Israel, because, by giving all Palestinians an Israeli nationality, the majority of the country would become Arabic and Moslem. Note how, as soon as democracy was introduced in Eastern Europe, ethnic violence erupted. No one wanted the rival ethnic group to gain control of the state, especially a state so much infected with decades of socialism, controlling as it does so much of one’s life. Watch how Italians in the North of the peninsula are openly talking about secession. Not to mention Belgium ... I remember some time ago, I was sitting in an aeroplane next to a passenger who introduced himself as a French tax inspector. I was careful not to give him any details about myself, but I could not disguise my French accent. In the course of the conversation, I asked him whether he could give me a single good reason why people ought to pay taxes, other than avoiding going to jail. “What about helping the poor?”, he offered. I agreed with him that there is a case for helping the poor, but I added, “Let’s start with the ones who are the most in need. I am ready to send my tax money to Haiti.” This bleeding-heart friend of the poor was shocked. “If you are a Frenchman”, he banged on the armrest between our seats, “your money must go to the French people!” Nationalism and socialism are the twin children of democracy. They go hand in hand; when you see one, the other is not far behind. The good news is that they are both bankrupt.

RETURN OF THE NOMADS

What is causing this bankruptcy? The Information Revolution is shattering the three pillars supporting our Political Societies. For the spatial dimension of the nation-state, the Information Revolution is substituting virtual communities in cyberspace. To the operating procedure of the nation-state, based on “democratic robbery” and coercion, the Information Revolution is opposing off-shore commerce, encryption, digital cash ... To the twin ideologies of nationalism and socialism, leading to closed inward-looking social-democratic societies, the Information Revolution is replying with the physical wiring of the collective human consciousness.

A mobile society moving from agriculture to commerce, from land-based to trade-based activities, has always spelt bad news to

governments. The Belgian historian Jacques-Henri Pirenne, who wrote the monumental *Great Trends in History* in the 1950s, made a convincing case, I believe, that the more agricultural, the more sedentary, a society, the more authoritarian its political tradition. The culture of liberty was stronger in the maritime and trading nations of Holland, England, Venice, where people could move their property and their business out of reach of their government, than in the continental countries of Russia, Germany, Spain ... In these countries, most of the wealth was generated by the landed gentry and their peasants; later wealth took on the form of mines and factories, but whether fields or mines, these immovable assets could be controlled easily by the police and the tax collector. The maritime and trading societies were not only more independent from the state, but they cultivated the values of entrepreneurship, self-responsibility and openness to alternative life-styles. This difference between maritime and continental societies cuts across nation-states. Compare New York and San Francisco today with the Mid-West, Shanghai with Beijing, and notice how France, which is both continental and maritime, sways between the two traditions. But globalisation, which is a product of the Information Revolution, means this opposition between liberal trading societies and agricultural authoritarian ones is no longer imposed on us by geography. If we wish to, we may all live in the virtual equivalent of the cosmopolitan open-minded maritime gateways of Amsterdam and San Francisco. We can all benefit from whatever is generated in terms of products and of ideas, wherever in the world. We can go further, even break away completely from our land-based authoritarian societies and embrace the free life of the nomads.

WHY THE INFORMATION REVOLUTION IS A REVOLUTION OF A NEW TYPE

There is a vivid example in the Bible of the difference between land-based and nomadic societies. Abraham and Lot had a quarrel about who should be the leader of the tribe. If they had resorted to a vote, the minority would have had to accept the rule of the leader it didn’t like. Being nomads, however, they had a more sensible option. Abraham rallied those who wanted to follow him, Lot did the same, each clan took its possessions and they went their separate ways. Of course, in a land-based society, you cannot carve up the country around each family’s plot of land into thousands of little enclaves. You have to submit therefore to the leader, whether this leader is the one you chose or not.

The Information Revolution allows you the joys of nomadism without the need for you to leave the comfort of your room. You can do what Abraham did, you can defect, you can drop out, but it’s not you who is moving if you do not wish to; you need only move your possessions.

I want to stress here another difference, the difference between a libertarian project and all political revolutions. Libertarians nurture no desire to change society for others, if others prefer the *status quo*. We may find it sad, but the fact is that many people are not interested in being free, it scares the wits out of them. They have other values. I have no problem with that. I say to these people: If you like your government, keep it. If you enjoy being told what to do, if you enjoy being taxed, being censored, being drafted into the army ..., you can have it, but, please, leave me out of it. The Information Age brings all of us the opportunity to do like Abraham and Lot, we can opt out of government. This is how, and it starts with the separation of State and Space.

THE SEPARATION OF SPACE AND STATE

It will not be agricultural land, coal mines, oil wells, brick factories, that we will call *wealth* in the next century; it will be information — in all the diverse and exploding manifestations that human ingenuity can create. And information, by its very nature, is difficult to restrain. It will soon become impossible for governments to monitor and manipulate the streams of data that will become the substance of wealth creation. While tax collectors had the power to confiscate a factory or a pay cheque, they cannot arrest an idea. A farm cannot be spirited into the night, but an idea can cross the world in milliseconds.

And this Knowledge Society is already here. I am ready to bet that nine out of ten of us in this room are knowledge workers. All

that we produce and process is information, whether we are lawyers, computer programmers, consultants of one kind or another, priests, bankers ... What we do, we could do almost anywhere.

The following businesses, by essence, are “nomadic businesses”:

- all companies doing cross-border business, and this is now the case for most companies
- all trading in securities, stocks, bonds, investments in unit trusts, pensions, life insurance
- all media business, newsletters, television, magazines, publishing
- all information related business, databases
- software
- gambling

The non-taxability of these nomadic businesses comes from the development of new technologies of encryption and digital authentication. For the first time in history, it becomes possible for two parties anywhere on the globe to transact business that is both confidential and verifiable. Commercial correspondence, contracts, even the object of the transaction, the digital product itself, may be encrypted. So it is not that the authorities cannot stop the business, it is that they don't even know that it exists. Accounts can be settled in a new medium of exchange, digital cash, a technology that allows reliable and verifiable funds transfers, without leaving a paper trail. There are many projects of digital cash being tested now, including one by a Dutch entrepreneur, based in this very city. Digital cash can be exchanged for gold or the currency of your choice in any offshore jurisdiction, or it can be spent to buy other goods and services on the net.

I understand Visa, the credit card people, are also looking at the idea of offering their own currency, because for them, any government printing cash is a competitor. People will gladly deal in “Visa Money” because it is accepted in most shops, hotels and businesses around the world.

I know there are tax advisors in this room who can help you shield your earnings from tax confiscation, but I fear that even their noble profession is in danger, because very soon it will be so easy to cheat the tax man, that you won't need any advice on how to do it.

You all know Max Weber's famous definition, “a government is the agency that exerts the monopoly of legitimate violence over a given territory”. The separation of State and Space means simply that a vast territory has been discovered over which no government can exert any violence. That is not bad for a start, but, just to dampen your enthusiasm, remember you will still be physically living somewhere, there is still this place in “meatspace”, where the tax police can catch you. But what can they charge you with? If you are self-employed, or employed in a small and smart firm, which knows how to take good care of its employees, you get paid offshore, and your friendly tax man knows only the income you are kind enough to declare, which, presumably, is what you need to justify your visible standard of living. The big difference becomes that taxes are no longer taxes on wealth creation, they are taxes on consumption, they are taxes on what you buy in your local shop, like VAT, or taxes for the services you use locally, like a property tax or a road tax. All income not spent in your country of residence remains tax free abroad. Many of us have already adopted this style of living. So you can well understand that when they hear the words “Information Revolution”, bureaucrats everywhere brandish garlic and crucifixes. (And they may have a point: If you believe in the Gnosis, the initials of the World Wide Web, “WWW”, translate as 666, which is the number of the devil!).

THE SEPARATION OF STATE AND COMMERCE

Governments can expect even more bad news. What about the separation of State and Commerce? When the primary source of wealth was derived from the land, there was a natural collusion between the governments of nation-states and business people. Their interests converged. Powerful companies made govern-

ments powerful. Rich companies made their country rich. Remember all those companies which proudly affirmed their national origin: US Steel, American Telephone & Telegraph, British Petroleum, Compagnie Française des Pétroles, and so on. Today they are happy to be known by a neutral acronym, they are “denationalising” their names. Very few businesses want to be “national” any more. The Knowledge Society has no allegiance whatsoever to any political society. Even in Japan, the president of Sony dared declare recently that Sony is not Japanese, it is a “global company”. The only relationship left between politicians and business people is through taxes and corruption: Taxes, because for the time being they cannot be entirely avoided; corruption, because when the government throws money out of the window, you want to buy yourself a good place under the window. But as more and more individuals and companies alike evade taxes, money thrown out of governments windows will dry up. Big companies, which owe their dinosaurian size mostly to political favours, will lose their importance. Small will really become efficient, and small, as I pointed out earlier, means even greater opportunities to escape the long arm of government.

THE SEPARATION OF POLITICS AND STATE

I believe we shall see the eventual separation of State and Politics. During the 17th and 18th centuries, Western societies successfully fought to separate the Church from the State. This separation is not total yet, we still have Sundays, Easter, Christmas, etc., as legal holidays (Holy Days), we have monogamy, and all sorts of laws which are nothing but moral precepts; yet big progress has been made towards shifting religious matters to the private sphere where they belong. Because religion is purely a belief, there is no justification to impose this belief onto others, who do not share it. But politics is also a belief. It cannot be proved that social democrats govern better than Christian democrats, or the reverse. The next logical step, therefore, is to separate the State from Politics, and make politics a private matter, like religion. If my community, which I joined freely, tells me it is wrong to look at a naked woman's bottom on the screen of my computer, or that I should wear a *kippah*, or that I should pay 30% of my revenues to the Party, I am free to obey or to leave the community. Why should all others, who have not chosen to join this community, be affected by its decisions?

I stopped participating in all democratic elections twenty years ago, but not because they were useless (at the time I didn't realise they were). On the contrary, I became an abstentionist because I believed that if my party won the elections, its program would become the law of the land, it would be forced on those who had voted against it, an imposition on others which I didn't want. Conversely, of course, I expected others to live by their political opinions, but not to force them on me.

If we separate state from space, from commerce and from politics, there will be very little left of the State as we know it, so maybe we could leave it to wither away quietly.

FREEDOM, PEACE AND ABUNDANCE

The material conditions of a freer life are slowly being put in place, not because Libertarians are preaching freedom, although I hope we all do that, not because politicians are embracing the philosophy of Ayn Rand and Rothbard, but simply because the procedures of a Political Society can no longer be adapted to the Information Age. The new societies of the Information Revolution, the deterritorialised virtual communities which are engendering the Knowledge Societies, are evolving autonomously from the states, they are not part of the power-based Political Societies of the Machine Age. People do not know yet what will replace Political Societies and they worry. What we, libertarians, can do is to load libertarianism into the Information Age; we can explain what is happening because we have conceived it intellectually already. We can explain that the Knowledge Society which is emerging will bring freedom, peace and abundance. And if people do not believe us, let them go their own way. Opt out. Get the government out of your life. We are nomads, so let's form our own tribe and secede.