

THE INFORMATION REVOLUTION AND THE DEATH OF THE NATION STATE

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Just open any newspaper, or switch on the radio or television, and you'll find journalists worldwide bemoaning a crisis of confidence in social, political and economic institutions. There is a deep feeling that it is all coming to an End. For they know we are on the verge of an Information Revolution that is taking us out of the Machine Age, into ... who knows what.

Many commentators are deeply pessimistic, they see only chaos ahead. In Britain, both press and politicians keep asking themselves (and us interminably) "where is the 'feel good' factor?" Even when the "numbers" look good, with the economy growing, low inflation, and unemployment falling ... the country is still miserable. A malaise has contaminated the national consciousness. The British people aren't stupid. They know that for the majority of our society, any society, it has gone forever — and there is nothing that anyone can do about it. Everywhere the socioeconomic certainties of the twentieth century are collapsing. The world as we know it is changing; it may even be moving in reverse.

"History is the natural selection of accidents" (Trotsky) and our world today is full of accidents just waiting to

happen. The very nature of work, of institutions, of society, and even of capitalism itself, are mutating. These mutations are confronting each other in the political power vacuum left by the fall of communism, and the increasing impotence of liberal democracy, as the utopia promised by science and technology has turned into a nightmare for the "common man". Poverty, unemployment, pollution, overpopulation, mass migration, global plagues etc, have left us with a world full of frightened people. For the masses will not win in the natural selection for dominance of an increasingly elitist world. Naturally the politicians don't like it. For the past two centuries "the values of the weak prevailed because the strong have taken them over as devices of leadership" (Nietzsche). But no longer. The politicians may promise, but now the markets decide.

GLOBALIZATION AND LOCALIZATION

But why is it happening now? The answer is quite simple: a new order (which many will call disorder) is being forced upon an unsuspecting world by advances in telecommunications. The future is being born in the so-called *information superhighways*. Very soon these electronic telecommunication networks, covering the world via cable and satellite, will enable everyone in the world to "talk" to everyone else. We are entering a new elite cosmopolitan age. Global commerce will force through the construction of multi-media highways, and anyone bypassed by these highways faces ruin. Information technology, together with speedy international travel, is changing the whole nature of political governance and its relationship to commerce, and commerce itself.

One major consequence emerging out of the new freedoms bestowed by global telecommunications is the *globalization* of organizations, and not merely their in-

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ternationalization. Individuals and companies are setting up large transnational networks that pay absolutely no heed to national boundaries and barriers. The commercial enterprise of the future will be truly global, it will relocate (physically or electronically) to where the profit is greatest and the regulation least. The umbilical cords have been cut; the global company no longer feels the need to support the national aspirations of the country of its birth. Recently this new business paradigm was expressed most forcibly by Akio Morita, causing uproar in Japan, when he announced that Sony was a global company and not Japanese!

But paradoxically, globalization is resulting in a trend towards *localization* or, as Morita calls it, “global localization”. Global companies are setting themselves up within *virtual enterprises*, at the hub of loosely knit alliances of local companies, all linked together by global networks, both electronic and human. These companies assemble to take advantage of any temporary business opportunity; and then separate, searching for the next major deal. Apart from local products, local companies also deliver local expertise and access to home markets for other products created within the wider alliance. Companies and countries outside such networks have no future.

International trading now includes new forms of barter and exchange on these networks, particularly in superior scientific and technological expertise and knowledge. Money, which is merely a means of facilitating economic transactions, has itself become electronic information, and what constitutes money can no longer be monopolized by national Governments. This inevitably lowers the transaction costs of money — a real competitive advantage for any virtual enterprise with a moveable centre of gravity; and for those individuals who are willing to trade their expertise in this electronic market.

KNOWLEDGE WORKERS VERSUS SERVICE WORKERS

With the rise of teleworking/telecommuting/televillages Peter Drucker has a very interesting forecast. He says that humanity is polarizing into two employment categories: the intellectual, cultural and business elite (the mobile and independent *knowledge workers*), and the rest (the immobile and dependent *service workers*). In a similar vein, Robert Reich believes in the Information Age there will be three categories: *symbolic-analytic services* (the knowledge workers who are problem identifiers, solvers and brokers), *in-person services*, and *routine production services*. The latter two groups roughly correspond to Drucker’s service workers.

Routine production services can either be replaced by robots or exported anywhere on the globe. Wages in this sector are already beginning to converge worldwide to Third World levels. British Polythene Indus-

tries is to close its factory at Telford with the loss of 150 jobs, and switch to China. BPI’s payroll bill will be cut by 90%. Even the Home Office at one time was seriously considering subcontracting a large but straightforward data-entry job to the Philippines. Such “social dumping” is dragging down the wages of in-person service workers, a sector which is itself being increasingly automated. It is estimated that 150,000 UK bank jobs will eventually be lost because of automation. Millions of jobs will be lost if teleshopping takes off. Inevitably the slow redistribution of wealth that has occurred over the last centuries is being reversed, rapidly. Societies are stratifying; new elites are appearing. The future is inequality; at the very bottom of the heap, western societies are already witnessing the emergence of a rapidly expanding underclass.

Now we can see that knowledge workers are the real generators of wealth. The income of these owners of intellectual and financial wealth will increase substantially, and they will be made welcome anywhere in the world. As from October 1994, foreign “entrepreneurial investors” with £1 million at their disposal could bypass the usual entry rules into Britain. But Britain has been slow off the mark, with the added embarrassment that none of the migrant rich want to live here. In the United States, there is a fast-track immigration policy for businessmen and women who can offer \$1 million and guarantee to employ 10 people. Six hundred millionaires emigrated to America in 1993. It is only a matter of time before intellectual capital, such as scientific and technological expertise, will be included on the balance sheet.

On the other side of the coin, there is a growing realization that each service worker is a net loss both to the state and to the company — they cost far more than they generate. Service workers will now be expected to add far more value to the company, unlike in the past where service work meant just turning up. Companies will be reducing the wages and staffing levels of service workers, and it is no accident that most Western companies are presently instigating major *downsizing* programmes.

This is all happening against a background of an exploding population in the third World (95% of the world’s population increase is in developing countries). To combat the inevitable mass migrations, state barriers will be thrown up everywhere to keep out alien service workers; each state has a surplus of its own to support. It is already happening. Canada is to impose a c\$1,000 tax on people seeking landed immigration status, thus sending out a message which is likely to reduce applications from poor service workers but increase applications from richer knowledge workers. In California, proposition 187 intends to bar the nearly two million illegal immigrants from schools, welfare services, and all but emergency health care. How long will it be before there are “differential rights” for “dif-

ferentiated citizens”, identified in a data base and policed by smart cards? How long before the notion of “Human Rights” is as outdated as the “Divine Right of Kings”?

LOYALTY, BUT TO WHAT?

At a time when their skills are in increasing demand by global companies, knowledge workers feel more and more undervalued and betrayed by the nation-state. Exile no longer holds any terrors, and so it was inevitable that predatory global networks would drive loyalty to the state into a steep decline among the swelling number of would-be “economic mercenaries”. Those who wrap themselves in the flag can soon expect to be buried in it.

The situation is possibly even more complex, because of the increased reliance of companies on the symbolic-analysts, the owners of intellectual equity. We are witnessing an intensifying power struggle between the symbolic-analysts and the owners of financial equity in those companies, and this is likely to change fundamentally the very nature of capitalism itself. This battle is likely to be at least as significant as that between landowners and industrialists in the early part of the nineteenth century, that was formative of today’s capitalism.

We are rapidly approaching a situation where, in order to attract and keep the elite with their knowledge and money to enliven the economy, *the elite group will be expected to pay less tax and not more!* The great majority of governments are lowering top tax rates in line with declining global levels. “Top income tax rates fell an average of 16.5% between 1975 and 1989.” “The main producers and repositories of wealth — multinational companies — have increasingly been able to adjust their accounts and the prices of their internal international transactions so that their profits are declared in low tax countries, while they continue to operate in high tax ones.” Very soon companies will be negotiating preferential tax deals not only for themselves but also for chosen elite employees. A major growth market will be servicing the global information flows of the mobile rich: anywhere, anytime, anyhow. Karl Ziegler claims that already 60% of the world’s private banking is held in trust in offshore unsupervised tax havens.

All the while, the disposable income for most of society will be drastically reduced. The power in global economic forces means that the tax burden is moving irrevocably onto the shoulders of the immobile; and away from income and onto expenditure. When Leona Helmsley said “only the little people pay taxes” she was unwittingly making a prediction. This goes counter to every notion of social justice that has been prevalent over the past two hundred years. Inevitably in the transition we can expect massive civil unrest and disorder.

A ROLE FOR THE NATION-STATE?

Everywhere the nation-state is in retreat. All the while citizens are losing their faith in the nation-state, seeing it as a peculiarly twentieth century phenomenon. For the state is failing to deliver its side of the Faustian pact, where the individual submits to the legitimate violence of the state in return for protection and security. Globalization has shown the James Bond myth, that the state is good and global corporations (Spectre) are bad, to be blatant propaganda on behalf of the nation-state. James Bond, the patron saint of the nation-state, is now just another dirty old man.

The nation-state is based on the premise that the state owns the individual and that the leaders of the state can dispose of his property as they see fit. But knowledge workers call it social injustice: for there is no justice in equality. All taxation is theft. It is the state obtaining money with menaces. They say with derision that the “Common Good” isn’t good, it is merely common! The protection of the interests and independence of the knowledge workers is going to be big business in the Information Age.

The very nature of the nation-state itself is mutating; increasingly it will have to behave as merely another form of commercial enterprise. According to western sentiment some states are becoming criminal enterprises, but these too will be part of global trade. That the roles of governments and organizations are converging was unconsciously highlighted in the *Guardian* of 10 December 1993. They asked the question: “what’s the difference between Zambia and Goldman Sachs?” The answer: “One is an African country that makes \$2.2 billion a year and shares it among 25 million people. The other is an investment bank that makes \$2.6 billion ... and shares it between 161 people. FAIR ENOUGH!” Of course the “bleeding heart” liberals of the *Guardian* haemorrhage at such gross unfairness and make snide comments about “Goldmine Sachs”. Unfairness? They fail to see that the symbolic-analysts of Goldman Sachs earned that money. Yes, they earned it, and they earned it fairly.

To the knowledge workers, this call for fairness is the mere whinging of failures and parasites. They say it is time to rid ourselves of that backward looking idea, that work involves physical effort. Of course labour is needed — but there is a world full of labourers out there. It is that rare commodity, human intellect, which is the stuff of work in tomorrow’s world. Politicians really must stop saying “nanny knows best” and playing to the sentimentality of the herd. Governments, like all other organizations will have to survive economically on the efforts of an elite few — and no nation-state has an automatic right to exist.

A FUTURE FOR DEMOCRACY?

Because of the need to employ local workers, the major social problem for politicians in the coming de-

comes is going to be how to attract global employers to partner local companies, and how to keep them attracted. Governments will have no choice other than to acquiesce to the will of global enterprises. A new paradigm is upon us, in which the nation-state has mutated into just another form of organization, which will delegate market regulations to continent-wide bodies such as North American Free Trade Agreement or the European Union, which in turn will use their economic muscle and conspire with local communities to undermine each member state. Not only will state be pitted against state, but also area will compete against area, town against town, even suburb against suburb. It will be inevitable that nation-states will fragment: rich areas will dump the poor areas. Such shakeout trends can be interpreted as *downsizing*, a strategy that is being considered by most shrewd major corporations these days. As Daniel Bell so eloquently put it, “the nation-state is too small for the big things and too big for the small things”. Some futurologists, such as Heineken, expect that early in the next century the number of states in the United Nations will increase from the present number of 184 to over 1,000. Each state will permit entry to holders of “UN style” company passports. Tax holidays and reduced regulation aimed at attracting employers will be “the name of the game” everywhere. Already different states in Europe have embarked on “regulatory arbitrage” to tempt financial sector companies away from their “European partners”. Inevitably this trend will undermine national legislation and taxation policies. Any area with independent aspirations will use economic weapons against its neighbours and distance itself from their legislative oppression.

One inevitable consequence of global trade will be the rise of the New City State at the hub of global electronic and transport networks. The non-democratic model of Hong Kong is an exemplar, even though the city itself doesn’t yet realise that it has defined the future. Singapore under the enlightened leadership of Lee Kuan Yew is another. What European city will be the first to break ranks with the nation-state mentality holding back progress? A number of European cities can make the leap. Liechtenstein has already started; what about Monaco? And let us not forget Venice, perhaps it will rediscover former glories. What about Lisbon? They have the singular example of attracting the Gulbenkian wealth earlier this century. The Corporation of the City of London too has enormous potential and could be revitalized. However, the dead hand of the “Mother of Parliaments” will make this far more difficult.

To protect their wealth, rich areas will also undertake a *rightsizing* strategy, ensuring a high proportion of (wealth generating) knowledge workers to (wealth depleting) service workers. Rich areas have to maintain and expand a critical mass of scientific and technological expertise, and use it to underpin an effective educa-

tion system to regenerate the resource. These rich areas will reject the liberal attitudes of the present century, as the expanding underclass they are spawning, and the untrained migrants they welcomed previously, are seen increasingly as economic liabilities. “Many too many are born. The state was devised for the superfluous ones” (Nietzsche). Mass-production methods needed an over-supply of humanity; in a sense the Machine Age spawned the nation-state, but with its demise what is to be done with the glut as we enter the Information Age?

As far as global enterprises are concerned liberal democracy is an artefact of the Machine Age, an ideology from a time when the masses were needed — but it will soon mutate into an irrelevancy. It will be merely the means of governing the immobile and dependent service workers. That citizens elect their slave masters makes democracy slavery none the less.

Global companies have no interest in populism, unless it adversely affects their business, when they will simply leave: in the Information Age “democracy is bad for business”. The Marxist myth that labour creates wealth has been buried once and for all. A large population, particularly an uneducated and ageing population, has now become the major problem facing all Western governments. The masses themselves will put employment and economic well-being before the dubious privilege of electing powerless representatives. Even Karl Marx anticipated politicians becoming ineffective, but for other reasons!

As the nation-state mutates into corporation-states in the new order, the role of each corporation-state is to produce the right people, with the right knowledge and expertise, as the raw material for the global companies that profit from the Information Age, to service these companies, and to provide them with an efficient infrastructure, a minimally regulated market and a secure, stable and comfortable environment. If a state cannot produce a quality “people product”, in sufficient quantities, then it must buy them from abroad. Each state will have to view education, not as the right of every citizen, distributed arbitrarily, but as an investment on which it must expect a return: they must invest in success and not failure.

If the state can convince the commercially attractive elite of knowledge workers and local entrepreneurial companies to stay, then a virtuous circle of success is ensured. For then, migrating global players and their wealth will also be attracted into that country. If, however, the state maintains a greedy collectivist and populist stance, under the defunct motto “power to the people”, then the entrepreneurial and knowledge elite will move on to more lucrative and agreeable climes, and, in the long-term, leave that country economically unviable, composed solely of the unproductive masses, sliding inevitably into a vicious circle of decline.