

CARBON BUREAUXIDE: ELECTRONIC INFORMATION AND THE DEATH OF PARENTAL GOVERNMENT

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Forget AIDS and Ebola, forget Chernobyl and CFCs, there is a far greater threat arising from the graveyard of the Industrial Revolution. It is colourless, odourless, and tasteless. It is a wraith from the Victorian past that, like Gibson's KGM-11 virus, is unfolding its polychrome shadow over today's Information Society.

We are living through the transition from the Industrial Age to the Information Age. This transition, brought about by rapid advances in information technology, is radically transforming man's commercial and political structures in such a way as to undermine the power and authority of governments. The reluctance of governments to accept this trend is generating huge underground economies in their respective states and driving an accelerated global commercial economy into the hands of organized 'crime'. This corruption of legitimate economic activity distorts the opportunities for entrepreneurs and depresses the broad wealth generating activities of the free market. Coupled with first-order restrictions placed on trade, in the form of taxation and regulation, governments themselves are now becoming increasingly pernicious — producing the deadly poison of Carbon Bureauxide.

Briefly, the transition from an Industrial Society to an Information Society is one of control to communication. The Industrial Revolution gave us large-scale machine-factories that mass produced goods for mass markets. The Information Revolution, by reducing the cost of transacting, is giving us small-scale companies producing particular goods and services for selective markets. In other words, the Industrial Revolution created a few big firms while the Information Revolution is creating many small firms. Moreover, the cost of making things has plummeted. This allows more people to buy increasing quantities of a greater variety of commodities — many of which did not even exist fifty years ago.

Politically, the Industrial Revolution transformed empires into powerful industrial nation-states. The Information Revolution is destroying the nation-state and promoting regional confederations of city-states. Whereas the Industrial Revolution was a centralizing force, the Information Revolution is a decentralizing

force. The choice, then, of nation-states today is how to manage decentralization. What politicians just don't seem to understand is that we in the West are on the same path as the former Soviet Union. The difference is that the background advances in technological innovation — particularly advances in information technology — brought their system down first because it was more centralized and more rigid.

THE LEGACY OF THE INDUSTRIAL REVOLUTION

The Industrial Revolution was a 'making things' revolution. There were two key factors responsible for this revolution. The first was the concept, introduced by Adam Smith in 1776, of the 'division of labour'. Instead of one craftsman making one entire clock all by himself from start to finish, one hundred 'workers' could make one thousand clocks in the same time by splitting the work up into simple component steps. The second factor was technological innovation — new knowledge about making things — and the resulting use of steam powered machinery in manufacturing. Thus the Industrial Revolution produced the Machine Age.

With the Industrial Revolution came bureaucracy — an essential organizational structure for big business and big government. It worked because of the simplicity and uniformity of the tasks being organized. In big industrial companies, division of labour created a simple classification of employees who performed a limited set of tasks in a uniform manner. Moreover, this simplicity and uniformity was so similar across different industries that all Industrial Society became simple, uniform and mechanistic. For example, many companies had 'pipefitters' and 'welders' and 'bolt-turners'. Thus there arose the pipefitters union, the welders union and the bolt-turners union. These in turn tended to become amalgamated into the 'plumbers' union, the 'electricians' union and the 'mechanics' union. Within society as a whole, these people were then grouped as 'the working class'. If we add the farmers to the working class, call the landowners the landed gentry or 'upper class', and lump the merchants and shopkeepers together as the 'middle class', then an Industrial Society had a simple structure of three fairly uniform 'classes'.

Governing a large Industrial Society was therefore fairly simple. All that was required was a large bureaucracy. A handful of politicians and an army of civil servants could easily impose and collect taxes because jobs were very similar and income was simple to measure. Social programmes were easy to set up and administer because society was fairly uniform, and business was easy to regulate because most businesses were structured and operated in a similar fashion. Most men worked on the assembly line in the factory, they got their pay-cheques on Friday, and bought things made in other factories. Governments taxed their pay-cheques and created insurance plans for unemployment and pensions.

Big business was not necessarily opposed to a partnership with government. For not only could they use government to stifle competition and regulate markets, but they saw themselves as part of the governing process. Remember, "What's good for General Motors is good for America". The end result was that

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governments of industrialized countries became well oiled machines — big powerful internal combustion engines: intake stroke, compression stroke, ignition stroke, and exhaust stroke.

But somewhere in the 1970s, the big powerful internal combustion engines of the Industrial Revolution began to cause problems. For the Industrial Revolution, even at its zenith, was being eroded by the Information Revolution — a revolution that was undermining the simple uniform structures of Industrial Society. Not only were fewer people required to produce greater goods, but completely new industries with completely new structures and modes of operation began to take form. Now, software houses and contracting firms employ systems engineers to develop custom evaluation and re-engineering methodologies; computer games companies subcontract graphics modules to freelance coders; five-man corporations sell brokerage and liaison services to physicists, chip designers and their potential financial backers; media information agents buy satellite time from telecommunications companies to advertise their desire to purchase the services of strategic analysts to develop new management structures in order to capture a rapidly depreciating market for their on-line educational videos. *This complexity and diversity is the sugar in the gastank of the social cohesion of Industrial Society.*

CARBON BUREAUXIDE

Cough, sputter, the big internal combustion engines of Industrial Society are choking on the new complexity and diversity of the Information Economy. Big business, facing increasing global competition from new entrants employing new technologies and more responsive management structures, is no longer able to ‘deliver the goods’. And as governments become less effective and efficient at ‘managing’ their states of affairs, they are increasingly producing the deadly byproduct of carbon bureauxide.

Ask a bright prospective entrepreneur today why he chooses not to open a business, and he will frequently reply: “Why should I sweat and toil to earn enough money to invest in a very risky business, then slave day and night to see the business prosper, only to have the government tax away huge percentages of my profits to hire bureaucrats and police to tell me who I can hire, who I can’t fire, what wages I must pay, what hours I can open and close, where and when I can and cannot smoke, and a million other rules and regulations. *It’s easier to put my savings in the bank and collect interest.*” This is carbon bureauxide.

In London England I know of a large building on the famous Lambeth Walk. For ten years this building, and the shops on the ground floor, have been sitting empty — rotting — because the local council that owns it objects to selling it. Near Rose Bay in Nova Scotia, Canada, there is a famous restaurant that for at least thirty years has been serving simple good food. It has been closed for several years because the family that owned and operated it can’t afford to meet new health regulations. In Ottawa, a friend of mine, who began fixing cars when he was fifteen years old and who later put his profits into renovating and renting houses, was badly hurt when the government imposed rent controls on his properties. Twenty years of personal labour — plumbing, plastering, painting, and endless dirt under the fingernails came to a standstill. No one wanted to buy his properties when the rents were frozen. This is carbon bureauxide.

But this is familiar — all too familiar. Let’s get to the big stuff: The American Biliary health scare plan, the Japanese MITI digital TV disaster, the British Nimrod fiasco, the German telecommunications fossil, the French agricultural disequilibrium, the European Social Chapter and verse, and minimum wage and capital gains tax disincentives. This is carbon bureauxide.

So what is new? Let me offer an abstraction. Think of a snooker table with the usual 15 balls. This represents a government’s-eye-view of Industrial Society. With a few accountants and mathematicians the ‘policrats’ could generally predict the state of play. But imagine a huge multi-level snooker table in the shape of Cornwall, with 10,000 balls of different sizes, weights and shapes. This is the table that governments preside

over in the Information Age. The only people who haven’t figured it out yet are the policrats themselves, who continue to call the shots like Paul Newman in ‘The Hustler’.

And politicians wonder wide-eyed why they are so unpopular. In North America governments are being exchanged wholesale in the hope of relief. The Canadian Progressive Conservative Party was wiped out in the last General Election, the New Democratic Party of Ontario was wiped out in the last provincial election. In the United States, George Bush was sacked, but Clinton inhaled sharply as the Congressional Democrats were kicked in the ... into the long grass. In France, Mitterrand and the Socialists have gone the way of Robespierre and the Committee of Public Safety. In Britain, the Conservative Party under John Major is scheduled for destruction. But people think the problem is with the party in power. It is not. It is with the nature of government itself. The problem is that Industrial Revolution style government can no longer function in the Information Age.

So what is the future of politics? Again, centralized bureaucracy was the skeleton of the Industrial Revolution. It was the only method of managing the large-scale organizations of the firm and the state. The hallmark of the Information Revolution is ‘small and fast’. Thus bureaucracy, a useful byproduct of the Industrial Revolution, is becoming seriously unhealthy in the Information Age.

The political problem is this: *All governments assume the right to limit the choices of their citizens.* Forget how and why governments come into being for the moment. Forget how and why they justify the choices they make. But never be confused about what they *actually do*. They take choices away from individual people and invest it into the hands of the policrats. The policrats make decisions for us. They enforce those decisions with police. Full stop.

But, because the world economy is becoming increasingly complex, sophisticated and integrated, governments are becoming less able to predict the consequences of their decisions. Go to Westminster some day and watch them endlessly debate the wording of a single sentence. Worse, as governments make poorer and poorer predictions, and bigger and bigger mistakes, they try to make up for their inadequacy with more laws and more police. Two things follow: larger proportions of the economy are driven underground, and governments increasingly lose respect and legitimacy in the eyes of their citizens. In time, the underground economy — like clay being squeezed in a tightening fist — becomes *the* economy. But it is an economy distorted and twisted out of shape. It is an economy that slips easily into the waiting hands of the mafia. For the legitimate use of force is only relevant to a legitimate economy — as has been proved *beyond all possible doubt* by the Prohibition Era in America.

Such is the story of the Soviet Union. Rigid central planning, imposed upon a nascent industrial economy, distorted its economic development such that by 1990 most people still waited years to buy a lousy toaster. But growing at the roots of this great bureaucracy was the black market. Networks were built and run by very clever and well connected people — with guns — who smuggled in nice American toasters for the right price. In time these networks evolved into a vast underground economy. This economy and its agents became a state within a state. Eventually the underground state supplanted the surface one. Now the mafia competes with the national government for control of the economy.

A BIT OF THEORY

Let’s look at this in more detail. First, the easy part. The one thing you do, from the time you wake up until you go to bed, is to make decisions. Do I sleep in a little longer or get up right now? Do I make the bed or do I leave it? Coffee or tea? The pale blue shirt or the white? Is there a bit of extra shopping to do today or do I have everything? Every human being lives by making thousands of decisions every day. Even the beggars in the street make decisions.

Now, many decisions are routine. Tea beside the bed in the morning, the same train to work, same overcoat all winter, fish on Friday. Some of these routines are patterns of preference, like marmalade on toast instead of jam. Others are patterns of convenience, like catching the same train or returning to the same place on vacation because you know what to expect. Still others are pure tradition, like passing the port to the left or watching the Grand National. These routines simplify our lives by reducing the need to make decisions. In other words, routines provide stability. It is helpful to us therefore if other people have routines too. This way we know what to expect when we are with them. It's called social cohesion. If other people are predictable, then there is less chance of them spoiling our routines. That is why we hate poor train service, or lunatics on them. We want peace of mind. We want to be left alone to get on with our lives.

One way to get other people to be routine is to have governments tell them how to behave, so we get together as a society and elect representatives to sort things out. But when we ask governments to do this, we give up some of our decision making power — we give up some of our choices. Moreover, we presume that governments make better decisions for us than we can make for ourselves.

Political parties are formed according to types of beliefs about choices. Political parties have particular philosophies about which choices governments should make and why. To use some extreme examples, the Nazi Party of Germany believed Jews should not be allowed to run businesses or be public servants or teach in schools. Later, the Nazi Party took away the choice of Jews concerning life and death. The Communist Party in the Soviet Union, decided who ran what businesses and with whom they would trade. It also decided where you could live, where you could travel, what you could read, and who you could talk to. But these were extremes. So why mention them? Surely today, in a civilized country like America or Britain, such talk is out of place.

But it is not out of place. The reason it seems so is because we have the wrong framework for political measurement and debate. We continue to think in terms of left/right but this way of thinking is dangerously wrong. So let me give you a new framework. I would like you to imagine a yardstick. Today, these usually have 100 centimetres on one edge and 39 inches on the other (to make them one meter long). Now glue the yardstick to your wall so that it points straight up and down with 100/39 at the top. Then, take a red felt pen and colour in the number 100 on the centimetres edge, and take a black felt pen and colour in the number 39 on the inches edge. Since 39 inches almost equals 100 centimetres, the black and red marks are almost side by side at the top of the yardstick.

The question I want to ask you is this: where would you put your favourite political party, and on which edge would you put it — left or right? Then where would you put other parties from other countries? Where would you put Castro's Communist Party? Around 95 or 96 centimetres (on the left)? And how about the ruling parties of Iran or Iraq? Maybe 35 inches, or would you rate them at 37 (on the right)? Remember, the higher the number, the fewer the choices of the citizens. Iran, for example, has just banned satellite dishes.

Viewed in this way, the political spectrum of left and right has less meaning. In fact, the difference between left and right is simply the 'flavour' or justification of control. What is important is the amount of control that a government exercises over its citizens. Also notice that the method by which a government comes to power is not shown. But I think it is fair to say that those governments at the top are not elected in the usual way — if they are elected at all. It generally seems that elected governments are somewhere in the middle of the yardstick.

Now here is the dilemma. On the one hand you want stability and security. On the other, you don't want to be arrested for something your neighbours don't like. Where do you want your finger on the yardstick? But be careful. Don't be fooled by

thinking that centimetres is different from inches. You may want to ban one type of movie while your neighbour wants to ban another. You may want to have legal abortions, but are you willing to let your neighbour export his live calves from England to the Continent? You may want a minimum wage, but will you accept the raising of the drinking age to 25? Do you want prayer in schools? Will you accept sex education as well? Forget the left versus right debate because it is really the centimetres versus inches debate. Politics is about where you put your finger on the vertical yardstick. *Politics is about the limitation of choice.*

Some of you are probably itching to point out that our democratic system of government has no problem with all of this. Today, through free elections, the voters determine quite nicely thank you, the limitations of choice. Every four or five years the 'swingometer' comes to rest on more or less centimetres/inches. But there is a big problem that no one has quite expected. The problem is that the number of possible choices that people can make is growing faster than government's ability to limit them. The economy is becoming too complex and sophisticated to be governed effectively. Think of Charlie Chaplin trying to cope with an increasingly fast assembly line. Meanwhile, political parties are very slow to change. Sure, the British Labour Party got rid of Clause Four, but Clause Four only made sense, really, up until about 1920. After that, the economy of Britain was too diverse to be 'run' like some huge company.

The other problem is that governments are not neutral entities. They don't just do what the voters want them to do. They have their own agendas and their own interests. Politicians *like* being elected and civil servants *like* their jobs. It is fun to be a boss and fuss over your children. Remember in school when your friend became a Prefect. Remember how, all of a sudden, he became very concerned about your behaviour and made sure — I mean really made sure — you followed all the rules? Somehow he went from being your friend to being your father. Somehow he suddenly knew what was best for you. And didn't he just love his job! So, if you think politics is some sort of neutral business, where the best and wisest minds soberly contemplate serious issues with dispassionate calm, well, you are not from this planet!

But surely, you add, we have muddled along just fine for the last 200 years. Sure we get the odd Hitler but things are sorting themselves out alright. Wrong! Not any more, because the simple mechanical world that arose out of the Industrial Revolution is being torn apart by the Information Revolution. I repeat: the Industrial Revolution is over! It ended with Telstar and the IBM 360 mainframe computer. And all our institutions that evolved in the context of the Industrial Revolution are no longer valid — are no longer functional — in the context of the Information Age.

THE REAL-TIME REVOLUTION

So what's the big deal? The big deal is that we now have real-time (live) worldwide media coverage. Secrets are becoming impossible to keep. Rodney King and O. J. Simpson are household names — in Scotland! The Serbs can't sneeze without you knowing about it. The coup against Margaret Thatcher unfolded on millions of portable radios around the globe.

Next, money flows around the world like quicksilver on a big flat satellite dish: tip the dish slightly and the mercury rushes to the edge. And that which tips the big flat dish is world events — the same world events being broadcast around the world in the blink of an eyewitness. In September 1992, the British government gambled £10 billion of taxpayers money — your money (about £180 apiece for every man, woman and child in the UK, or £10 per week for a family of three) — that it could control the international currency markets. The British government lost the bet.

Next, computers store and organize information. The ability of computers to do this is increasing beyond the realm of the imagination. Your video camera is now more powerful than the

IBM 360 mainframe computer. To repeat a comment I once read in *Fortune* magazine: “You receive one of those little greeting cards that plays ‘Happy Birthday’ when you open it. Casually toss it into the trash, and you’ve just discarded more computer processing power than existed in the entire world before 1950.”

Next, the Information Revolution has combined the book, the calculator, the telephone, and the television into a single entity — cyberspace. And cyberspace is anarchy. Conceived in the 1950’s as a highly decentralized system to withstand a nuclear war, the Internet, as it is now known, linked military installations, research institutions, universities, and government agencies. Today the Internet is approaching one hundred million users — *and no government, no company, and no group or organization governs or controls it*. It is solely the sum total of millions of people interacting with each other. The only rule, or ethic, of the Internet is ‘no junk-mail’; in other words, it’s one-to-one, it’s individualistic. And the Internet ethic is pervading society as a whole.

Thus, the Information Revolution is both expanding the world’s communication infrastructure and reducing transaction costs. It is this that has created new types of businesses making new things in new ways for a greater number of people; and increased the speed and decreased the cost of doing it. Whole new industries are coming into existence. The American computer games industry, for example, is larger than the American film industry. Microsoft, the fountainhead of the Information Revolution, is only twenty years old! And these are the obvious examples. But anyone in engineering or graphic arts or the media knows the world has changed forever. You may not use a computer or advanced telecommunications, but the company that made your washing machine does. So does your local supermarket, car dealer, veterinarian, and even the company that brews your beer!

So if there are new businesses doing new things in new ways, and more people buying new things in new ways from new places, and new people are working in these new businesses in new ways, and everything is becoming more complicated and changing faster and faster, how on Earth can a government go on making simple old fashion decisions about the economy? By the time all those words in all those sentences in all those paragraphs in all those sections of all those drafts of all those laws of all those sessions of Parliament pass through all their committee stages and readings to become law, the damn law is obsolete. Worse, remembering that governments tend to like managing things, they foolishly cling to the belief that they can predict the consequences of their actions. In other words, since they want to be a good Dad, they often pat you on the shoulder and say “I’ll put it right for you”. But sometimes Dad just doesn’t understand. We have all been embarrassed in our lives as Dad ‘tried to put it right’. God help us when our Charlie Chaplin governments do the same.

The perfect example is smoking. Canadian politicians decided recently that increasing the tax on cigarettes would stop people from smoking. Simple but wrong. Within months of the legislation coming into effect, 50 percent of cigarettes in Canada were being bought on the black market. Small shops selling legal cigarettes — dependent upon cigarette sales to generate small but essential profits — began openly selling illegal cigarettes. The politicians fought hard but were finally overwhelmed by reality. The government slashed the tax and cigarettes returned to the legitimate economy — mostly. Of course the black market once formed, with all its agents and distribution networks, was not just going to evaporate. I hear it now moves a lot of bootleg liquor. So when Ken Clarke says that he will increase the price of cigarettes to stop people from smoking, I can’t stop laughing!

BACK TO THE FUTURE

Think of those action movies with the classic ‘massive explosion’. You know the ones where the hero has to outrun or outfly an expanding fireball. Well the Information Revolution, like that expanding fireball, is overtaking and burning up the world’s big

fat bureaucratic organizations — nation-states and corporations alike. One after another, the biggest, slowest and most rigid are being consumed. Kaboom! The battle star *Soviet Union* disintegrated in the brilliant cinematography of the world’s media. Bang! Captain Ceausescu is shot ‘live and in colour’ on the bridge of the *Romania* by order of the National Salvation Front assembled in a television studio below decks. Crack-whumph! *SFR Yugoslavia* dissolves into flaming fragments of nightly news. *Cuba’s* paintwork is blistering and peeling. *North Korea* glows red. The Captain of *HMS Britain* is for turning — but can’t decide; the officers of the *Germany* scream for more power; the crew of the *France* goes on strike; and *Italy* is having engine trouble. *Vietnam* has jettisoned its heavy tanks and seems to have a chance; the *New Zealand* is clear! And the *USS Enterprise*? The good ship *Enterprise*? Go see “The Next Generation” and find out. As you will see, timing is everything.

The only way to escape the expanding fireball is decentralization — to throw off the ballast of bureaucracy. The price of decentralization is the loss of crude stereotypes and simplistic prejudices; the prize, believe it or not, is social stability and wealth. To demonstrate how painful this process will be, governments must face the terrible fact that their propaganda on drugs is false, that ‘drugs’ as a general classification is impractical because there are a vast range of different drugs that have greatly different effects, and that ‘drug addicts’ only cause problems because the black market inflates prices. Governments must overturn decades of naive stereotyping and return ‘drugs’ to the legitimate economy.

Now look at the prize. Maybe your granddad worked in the mill, maybe your dad worked in the mill, maybe you worked in the mill. But your kids don’t have to work in the mill. In fact, as technology drives up standards of living in those countries that embrace technological innovation and promote free enterprise, the populations of those countries become richer — across the board. Thus your kids can do something else; they don’t need to work 40 hours a week hard labour to survive. Have you been to the store lately? There is stuff there that your dad could only dream about; and it’s getting cheaper by the minute — except when governments decide otherwise — like food! And, believe it or not, Mr Average Joe knows it. All he wants is an opportunity to get ahead. He wants freedom of choice and for everybody to mind his own damn business.

But, whether you like it or not, the Information Revolution is happening. It is freeing the firm from the constraints of the nation-state. Firms can now shop around for the best political-economic environment in which to produce. Information can be encrypted and transmitted across borders. Information is money. Information *is* the economy. Just try nationalizing a company today. Sure you might get the factory — if there is a factory. But remember when Timex was under siege from the unions in Scotland, it simply flew in a big helicopter, loaded up some computer equipment and flew away — abandoning the factory. Remember that the international tourism industry is worth \$3.5 trillion per year, or about 10% of the world’s GNP, and employs about 200 million people. But to really drive the point home, remember also that the global *derivatives* trading business is worth \$16 trillion per year — 45% global GNP.

Therefore governments have an important decision to make. They can wittingly place power into the hands of their citizens, or they can unwittingly squeeze it into the hands of the mafia. *There is no alternative*. Michael Howard’s stupendously naive campaign against ‘crime’, for example, is not only anathema to the core political philosophy of Great Britain and deeply offensive to the intelligence of her citizens, but smacks of state terrorism. What this Darth Vader wannabe does not realize is that the tighter he squeezes his fist, the more power slips through his fingers. The whole nature of parental government, where we must vote for either Mummy Labour or Daddy Conservative, Mother Democrat or Father Republican, is coming to an end. The question is whether to open the window, or ignore the hot air, snuggle down and choke to death.