

ONE FLEW OVER THE CUCKOO'S EXTORTION NEST¹ IN 2009... AND KEEPS FLYING SOLO EVER SINCE!

"The power to hurt -to destroy things that somebody treasures, to inflict pain and grief is a kind of bargaining power, not easy to use but used often. In the underworld it is the basis for blackmail, extortion, and kidnapping, in the commercial world, for boycotts, strikes, and lockouts. . . It is often the basis for discipline, civilian and military; and gods use it to exact discipline."

—Thomas Schelling

Bitcoin forever altered the balance of power between state-run extortion and individual freedom, once it provided individuals with unrestrained control, and instantaneous access to their capital, while rendering it impregnable to debasement, intrusion, and confiscation. An event so transcendental, it changed the world.

WHY POWER HAS ALWAYS LIVED BEYOND POLITICS

Although we tend not to perceive power dynamics² in these terms, the proportion of assets that are controlled and spent coercively, through crime and government, provides a rough measure of the megapolitical balance between extortion and protection. Thus, a government's capacity to tax itself depends upon the same vulnerabilities as do private shakedowns and extortion.

For instance, if not for the technologies (military and civilian) that raised the returns to violence during the Industrial Age. The capacity to create assets has always entailed some vulnerability to extortion. The greater the assets created or possessed, the higher the price to be paid, in one way or another. Either you paid off everyone who gained the leverage to employ violence for extortion, or you paid for military power capable of defeating any shakedown attempt by brute force.

Consequently, when twentieth century Industrial Age technology made the protection of assets difficult, crime became widespread, and so did union activity. Under such circumstances, protection by the government would therefore command a premium. Taxes would be high.

Where taxes are lower and wage rates in the workplace are determined by market forces, rather than through political intervention or coercion, technology has tipped the balance toward protection. The technological imbalance between extortion and protection reached an extreme at the end of the third quarter of the twentieth century. A time when government elites commandeered the majority of national resources, as heavy-industry and collective bargaining power, not production efficiency, set the rules, even in the most advanced Western societies.

Unsurprisingly, while the welfare state and the trade unions shared the spoils, the income of the population was set via fiat debasement. None of which could have happened, without the heightened influence of state coercion.

¹ A COLLECTION OF MODIFIED OR ENTIRELY REWRITTEN EXTRACTS FROM 1997'S "THE SOVEREIGN INDIVIDUAL" BY J. DAVIDSON & W. REES-MOGG

² DECIPHERING THE LOGIC OF EXTORTION

To a greater degree than most people imagine, the prosperity of government, like that of unions, was directly correlated to the leverage available for extortion. That leverage was much lower in the nineteenth century than in the twentieth. In the next millennium, it will fall almost to the vanishing point. The whole logic of government and the character of power have been transformed by microprocessing. This may seem exaggerated when you first think about it. But look closely. The prosperity of governments has gone hand in hand with the prosperity of labor unions in the twentieth century. Before the twentieth century, most governments commandeered far fewer resources than the militant welfare states to which we have become accustomed. Likewise, unions were small or insignificant factors in economic life prior to the twentieth century. The ability of workers to coerce their employers into paying above-market wages depended upon the same megapolitical conditions that allowed governments to extract 40 percent or more of the economy's output in taxes.

THE REVENGE OF THE NERDS

Yet, while gigantic factories coincided with the age of big government, microprocessing began to dramatically alter the balance of power between protection/extortion and efficiency, by miniaturizing and gradually making globally available the technological components that launched the Information Age. Once technology began enabling individuals to access knowledge-complexity advantages, never previously available to them, the Information Age economy was born. An economy that slowly began to replace sheer industrial size and assembly-line collectives, with exponentially higher levels of production efficiency, employee productivity and consumer reach.

Over time, the constantly expanding growth, accessibility, productivity, and use-cases for microprocessor diversification have since, gradually made private assets protection easier to manage and more accessible to private individuals, while in many cases limiting the power of government extortion.

The Internet, for instance, has already taken on characteristics of an organic system, as foreseen by the late physicist Heinz Pagels in his visionary book, *The Dreams of Reason*, "I am convinced that the nations and people who master the new science of Complexity will become the economic, cultural, and political superpowers of the next century."

MATHEMATICAL CERTAINTY ARRIVES ON EXTORTION'S JUDGMENT-DAY

Yet the megapolitical dimensions of the change described above are so little understood, that even those who have recognized its mathematical importance, have done so in an anachronistic way. Until January 3rd, 2009, the day the Information Age's top encryption technology made it possible to create a digital asset, outside of the reach of state coercion³, it was still difficult to fully internalize how much the technological change brought upon by cyberspace, will render the world's political systems obsolete.

As Bitcoin made it possible to safely place private assets outside the reach of coercion, a new asymmetry between protection and extortion stands on a fundamental mathematical truth. It is easier to multiply than to divide. As basic as this truth is, however, its far-reaching consequences were disguised prior to the advent of an encryption algorithm so powerful, it allowed the creation of a protected realm for assets in cyberspace. A deep, organic and extensive frontier where the leverage of violence is significantly reduced.

The 21st century's cybereconomy will inevitably be shaped by this profound mathematical truth, as the algorithm that dramatically tipped the balance between extortion and protection in the direction of protection, facilitates the emergence of an independent economy, where free markets are emerging as spontaneously adaptive mechanisms, not as the result of a bureaucracy's conflicted resource allocation.

THE COMING "SUPERPOWERS" OF THE 21ST CENTURY

Societies that reconfigure themselves to become more complex adaptive systems will indeed prosper. But when they do, they are unlikely to be nations, much less "political superpowers." The more likely immediate beneficiaries of increased complexity of social systems will be the citizens of those nations that first recognize and adopt the technology that brought upon the balance of power change that will render the central-control stage of development obsolete.

"Just as the individual control of fire radically changed the balance of power between humans and nature, individual control of the creation, transfer, and storage of value maximizes energy to value conversion and shifts the balance of power between ordinary humans and bureaucratic extortion." —Oswaldo Lairet

³ **BITCOIN (฿)**

An open-source, peer-to-peer network algorithm that every ten minutes, prior to registering a single accounting entry on its digital ledger, achieves simultaneous, verifiable, and irreversible consensus among its innumerable, unrelated, anonymous, and globally disseminated stakeholders. An encryption technology so advanced it allows private individuals unrestrained control and instantaneous access to their capital, while rendering it impregnable to extortion.