End of the Nation-State

A special report by Doug Casey, Chairman, Casey Research
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Here at Casey Research, we have been talking quite a bit about phyles in recent times. A phyle is, according to the dictionary, “a tribe or clan, based on supposed kinship.” But it occurs to me that I’ve never discussed the topic myself in any detail. Especially how phyles are likely to replace the nation-state, one of mankind’s worst inventions.

Now might be a good time to discuss the subject. We’ll have an almost unremitting stream of bad news, on multiple fronts, for years to come. So it might be good to keep a hopeful prospect in mind – although I hate to use the word “hope,” as much as it’s been degraded by OBAMA! and the kleptocrats, incompetents, and sociopaths that surround him.

Let’s start by looking at where we’ve been. I trust you’ll excuse my skating over all of human political history in a few paragraphs, but my object is to provide a framework for where we’re going, rather than an anthropological monograph.

Mankind has, so far, gone through three main stages of political organization since Day One, say 200,000 years ago, when anatomically modern men started appearing. We can call them Tribes, Kingdoms, and Nation-States.

Karl Marx had a lot of things wrong, especially his moral philosophy. But one of the acute observations he made was that the means of production are perhaps the most important determinant of how a society is structured. Based on that, so far in history, only two really important things have happened: the Agricultural Revolution and the Industrial Revolution. Everything else is just a footnote.

Let’s see how these things relate.

The Agricultural Revolution and the End of Tribes

In prehistoric times, the largest political/economic group was the tribe. In that man is a social creature, it was natural enough to be loyal to the tribe. It made sense. Almost everyone in the tribe was genetically related, and the group was essential for mutual survival in the wilderness. That made them the totality of people that counted in a person’s life — except for “others” from alien tribes, who were in competition for scarce resources and might want to kill you for good measure.

Tribes tend to be natural meritocracies, with the smartest and the strongest assuming leadership. But they’re also natural democracies, small enough that everyone can have a say on important issues. Tribes are small enough that everybody knows everyone else, and knows what their weak and strong points are. Everyone falls into a niche of marginal advantage, doing what they do best, simply because that’s necessary to survive. Bad actors are ostracized or fail to wake up, in a pool of their own blood, some morning. Tribes are socially constraining but, considering the many faults of human nature, a natural and useful form of organization in a society with primitive technology.

As people built their pool of capital and technology over many generations, however, populations grew. At the end of the last Ice Age, around 12,000 years ago, all over the world, there was a population explosion. People started living in towns and relying on agriculture as opposed to hunting and gathering. Large groups of people living together formed hierarchies, with a king of some description on top of the heap.

Those who adapted to the new agricultural technology and the new political structure accumulated the excess resources necessary for waging extended warfare against tribes still living at a subsistence level. The more evolved societies had the numbers and the weapons to completely triumph over the laggards. If you wanted to stay tribal, you’d better live in the middle of nowhere, someplace devoid of the resources others might want. Otherwise it was a sure thing that a nearby kingdom would enslave you and steal your property.

The Industrial Revolution and the End of Kingdoms

From around 12,000 B.C. to roughly the mid-1600s, the world’s cultures were organized under strong men, ranging from petty lords to kings, pharaohs, or emperors.

It’s odd, to me at least, how much the human animal seems to like the idea of monarchy. It’s mythologized, especially in a medieval context, as a system with noble kings, fair princesses, and brave knights riding out of castles on a hill to right in-
justices. As my friend Rick Maybury likes to point out, quite accurately, the reality differs quite a bit from the myth. The king is rarely more than a successful thug, a Tony Soprano at best, or perhaps a little Stalin. The princess was an unbathed hag in a chastity belt, the knight a hired killer, and the shining castle on the hill the headquarters of a concentration camp, with plenty of dungeons for the politically incorrect.

With kingdoms, loyalties weren’t so much to the “country” — a nebulous and arbitrary concept — but to the ruler. You were the subject of a king, first and foremost. Your linguistic, ethnic, religious, and other affiliations were secondary. It’s strange how, when people think of the kingdom period of history, they think only in terms of what the ruling classes did and had. Even though, if you were born then, the chances were 98% you’d be a simple peasant who owned nothing, knew nothing beyond what his betters told him, and sent most of his surplus production to his rulers. But, again, the gradual accumulation of capital and knowledge made the next step possible: the Industrial Revolution.

The Industrial Revolution and the End of the Nation-State

As the means of production changed, with the substitution of machines for muscle, the amount of wealth took a huge leap forward. The average man still might not have had much, but the possibility to do something other than beat the earth with a stick for his whole life opened up, largely as a result of the Renaissance.

Then the game changed totally with the American and French Revolutions. People no longer felt they were owned by some ruler; instead they now gave their loyalty to a new institution, the nation-state. Some innate atavism, probably dating back to before humans branched from the chimpanzees about 3 million years ago, seems to dictate the Naked Ape to give his loyalty to something bigger than himself. Which has delivered us to today’s prevailing norm, the nation-state, a group of people who tend to share language, religion, and ethnicity. The idea of the nation-state is especially effective when it’s organized as a “democracy,” where the average person is given the illusion he has some measure of control over where the leviathan is headed.

On the plus side, by the end of the 18th century, the Industrial Revolution had provided the common man with the personal freedom, as well as the capital and technology, to improve things at a rapidly accelerating pace.

What caused the sea change?

I’ll speculate it was largely due to an intellectual: the invention of the printing press; and a physical factor: the widespread use of gunpowder. The printing press destroyed the monopoly the elites had on knowledge; the average man could now see that they were no smarter or “better” than he was. If he was going to fight them (conflict is, after all, what politics is all about), it didn’t have to be just because he was told to, but because he was motivated by an idea. And now, with gunpowder, he was on an equal footing with the ruler’s knights and professional soldiers.

Right now I believe we’re at the cusp of another change, at least as important as the ones that took place around 12,000 years ago and several hundred years ago. Even though things are starting to look truly grim for the individual, with collapsing economic structures and increasingly virulent governments, I suspect help is on the way from historical evolution. Just as the agricultural revolution put an end to tribalism and the industrial revolution killed the kingdom, I think we’re heading for another multipronged revolution that’s going to make the nation-state an anachronism. It won’t happen next month, or next year. But I’ll bet the pattern will start becoming clear within the lifetime of many now reading this.

What pattern am I talking about? Once again, a reference to the evil (I hate to use that word too, in that it’s been so corrupted by Bush and religious) genius Karl Marx, with his concept of the “withering away of the State.” By the end of this century, I suspect the U.S. and most other nation-states will have, for all practical purposes, ceased to exist.
The Problem with the State — and Your Nation-State

Of course, while I suspect that many of you are sympathetic to that sentiment, you also think the concept is too far out, and that I’m guilty of wishful thinking. People believe the state is necessary and, generally, good. They never even question whether the institution is permanent.

My view is that the institution of the state itself is a bad thing. It’s not a question of getting the right people into the government; the institution itself is hopelessly flawed and necessarily corrupts the people that compose it, as well as the people it rules. This statement invariably shocks people, who believe that government is both a necessary and permanent part of the cosmic firmament.

The problem is that government is based on coercion, and it is, at a minimum, suboptimal to base a social structure on institutionalized coercion. I’m not going to go into the details here; I’ve covered this ground from a number of directions in previous editions of our flagship publication, The Casey Report, as well as in Crisis Investing (Chap. 16), Strategic Investing (Chap. 32), and, most particularly Crisis Investing for the Rest of the ’90s (Chap. 34). Again, let me urge you to read the Tannehills’ superb The Market for Liberty, which is available for download free here.

One of the huge changes brought by the printing press and advanced exponentially by the Internet is that people are able to readily pursue different interests and points of view. As a result, they have less and less in common: living within the same political borders is no longer enough to make them countrymen. That’s a big change from pre-agricultural times when members of the same tribe had quite a bit — almost everything — in common. But this has been increasingly diluted in the times of the kingdom and the nation-state. If you’re honest, you may find you have very little in common with most of your countrymen besides superficialities and trivialities.

Ponder that point for a minute. What do you have in common with your fellow countrymen? A mode of living, (perhaps) a common language, possibly some shared experiences and myths, and a common ruler. But very little of any real meaning or importance. To start with, they’re more likely to be an active danger to you than the citizens of a presumed “enemy” country, say, like Iran. If you earn a good living, certainly if you own a business and have assets, your fellow Americans are the ones who actually present the clear and present danger. The average American (about 50% of them now) pays no income tax. Even if he’s not actually a direct or indirect employee of the government, he’s a net recipient of its largesse, which is to say your wealth, through Social Security and other welfare programs.

Over the years, I’ve found I have much more in common with people of my own social or economic station or occupation in France, Argentina, or Hong Kong, than with an American union worker in Detroit or a resident of the LA barrios. I suspect many of you would agree with that observation. What’s actually important in relationships is shared values, principles, interests, and philosophy. Geographical proximity, and a common nationality, is meaningless — no more than an accident of birth. I have much more loyalty to a friend in the Congo — although we’re different colors, have different cultures, different native languages, and different life experiences — than I do to the Americans who live down the highway in the trailer park. I see the world the same way my Congolese friend does; he’s an asset to my life. I’m necessarily at odds with many of “my fellow Americans”; they’re an active and growing liability.

Some might read this and find a disturbing lack of loyalty to the state. It sounds seditious. Professional jingoists like Rush Limbaugh, Sean Hannity, Bill O’Reilly, or almost anyone around the Washington Beltway go white with rage when they hear talk like this. My kind-of friend Ann Coulter sent me a copy of her last book, endorsed with the words “Stop promoting treason.” (I sent her back an email: “Well, maybe Obama will make us cellmates in a few years.”) But the fact is that loyalty to a state, just because you happen to have been born in its bailiwick, is simply stupid.

As far as I can tell, there are only two federal crimes specified in the U.S. Constitution: counterfeiting and treason. That’s a far cry from today’s world, where almost every real and imagined crime has been federalized, underscoring that...
the whole document is a meaningless dead letter, little more than a historical artifact. Even so, that also confirms that the Constitution was quite imperfect, even in its original form. Counterfeiting is simple fraud. Why should it be singled out especially as a crime? (Okay, that opens up a whole new can of worms… but not one I’ll go into here.) Treason is usually defined as an attempt to overthrow a government or withdraw loyalty from a sovereign. A rather odd proviso to have when the framers of the Constitution had done just that only a few years before, one would think.

The way I see it, Thomas Paine had it right when he said: “My country is wherever liberty lives.”

But where does liberty live today? Actually, it no longer has a home. It’s become a true refugee since America, which was an excellent idea that grew roots in a country of that name, degenerated into the United States. Which is just another unfortunate nation-state. And it’s on the slippery slope.

So now what? Here’s where Phyles come in.

Phyles

The concept of phyles originated with the sci-fi writer Neil Stephenson, in his seminal book *Diamond Age*. I’ve always been a big fan of quality science fiction. I’m not sure why it’s true, but there’s no question sci-fi has been a vastly better predictor of both social and technological trends than absolutely anything else.

The book, set mostly in China in the near-term future, posits that while states still exist, they’ve been overwhelmed in importance by the formation of phyles. Phyles are groups of people that get together with others, bound by whatever is important to them. Maybe it will be their race, religion, or culture. Maybe their occupation or hobby. Maybe their worldview or what they want to accomplish in life. Maybe it’s a fairly short-term objective. There are thousands — millions — of possibilities.

The key is that a phyle might provide much more than a fraternal or beneficial organization (like Rotary or Lions) does.

I take the concept quite seriously in my daily life. It’s one reason I don’t believe in organized charity. Phyles might provide insurance services very effectively, since a like-minded group, held together by peer pressure and social approbation, eliminates a lot of moral risk. It might very well offer protection services; a criminal might readily take out a citizen “protected” by a state, but they’ll think twice before attacking members of the Mafia.

People are social. They’ll inevitably organize themselves into groups for all the reasons you can imagine. In the past, technology only allowed people to organize themselves by geography — they had to be in the same area. That’s been changing, especially over the last century, with the emergence of the train, the car, and especially the airplane. The same with communication. The telephone and television were huge leaps, but the Internet is the catalytic breakthrough. It’s now possible for people to reach out all over the world to find others that are their actual countrymen, not just some moron that shares a piece of government ID with them.

As things develop, people will find out — or create places — where their loyalties lie. The nation-state has mostly been an inefficient, counterproductive, and expensive nuisance; it’s rapidly becoming completely insufferable. And dangerous; the people living off the state (which is to say acting as parasites upon their “fellow citizens”) are going to resist having their rice bowls broken. Undoubtedly they’ll use the coercive powers of the state to try to maintain the status quo. The military and the police (whose loyalties are first to their coworkers, then to their employer, and only then to those whom they’re supposed to “serve and protect”) will be out in force wearing riot gear.

If the last major change in social structure was catalyzed by the printing press, it’s pretty easy to see how the Internet serves that function today. But what will facilitate it, the way gunpowder did? My bet is on some type of nanotechnology.

I’ve long been a fan of nanotech as a world changer. I believe Chap. 35 of *Crisis Investing for the Rest of the ’90s* is still the best short presentation of where it’s going to take us.
Technology has always been the friend of freedom and the common man. Sure, the powers of suppression usually get first access to it and always try to monopolize it and use it to keep the “masses” under control, but in the end the cat always gets out of the bag. Even though the state is using an intimidating variety of technologies to keep its subjects under control, technology is evolving much faster and spreading much more broadly, to the benefit of people in general. The end of the state will be precipitated by the Nanotech Revolution. In the years to come, nanotech will, in many ways, be an analog of gunpowder. But thousands of times more potent.

It will do a number of things to totally overturn the current world social order. It will, among many other things, show that (at a minimum) the state no longer serves a useful purpose. And will act as the means to facilitate treason … simply because it’s logical, if nothing else.

But I’m jumping just slightly ahead of the story. Nanotech is going to become the major force in the world over the next generation. But you’re not going to have to wait nearly that long for all this stuff to start happening.

Let me draw your attention to two important things that are just starting to happen, right now, that are going to lead to a New World Order. But not at all like the one envisioned by Bush and Kissinger.

Economic Collapse

I’m not going to spend a lot of time on this. Economic collapse doesn’t mean the world is going to come to an end; it just means there’s going to be a major change in who owns what and how things are produced and consumed. Our main focus at Casey Research is to suggest investments that should not only weather the building hurricane but allow you to profit from it.

The purpose of articles like this one is to try to put all that in context. One thing that’s going to militate towards the creation of phyles is the breakdown of the ability of governments to provide the services that people expect from them. At the same time that they’re extracting hugely more in taxes, they’ll be beset by inflation, economic depression, financial chaos, and regulatory havoc. People will increasingly realize the state isn’t a cornucopia that can solve their problems but is, in fact, actually the main cause of their problems. They’ll start withdrawing loyalty from it.

People will start organizing themselves into incipient phyles (although they probably won’t call them that), using the Internet. The governments of the world will increasingly clamp down on the Net, recognizing it for the subversive medium that it is, seeing that it’s defrocking their game.

Among other things, economic distress usually leads to military action, as governments try to find an outsider to blame for their problems. The tendency is compounded by the perversely wrong-headed notion that a war can somehow cure a depression. This time around, I expect military events will play a significant part in the sea change -- just as they did during the agricultural and industrial revolutions.

Military Collapse

Like any bureaucracy, the military is completely predictable and so is again fighting the last war. Spending $400 million on a single F-22, $2 billion on a single B-2, and many billions on a single aircraft carrier is simply crazy. These technically amusing toys would have been helpful for fighting the armed forces of another nation-state, like those of the USSR, but those largely disappeared almost 20 years ago. In today’s world, with a near total shift to unconventional warfare, they’re about as valuable as cavalry.

Besides, the attack won’t come from Russia, which is on its way to demographic, economic, and political collapse anyway. Or from China. It’s clear to them they don’t need a military confrontation when it’s just a matter of time before they win through economics and demographics.

The real military threat to the U.S. (and China, Russia, and all the other nation-states) is what’s evolving in Iraq and Afghanistan. On the one hand, these wars can be viewed as a contin-
The average Muslim takes his religion much more seriously than the average Christian. Maybe that’s just because Islam is a simpler religion. More likely, though, it’s because Muslims are much poorer and generally more backward than the West; it might be said they’re still socio-logically where the West was during the Middle Ages.

Be that as it may, there are 1.3 billion of these folks, and they feel badly treated. Osama has spelled out, clearly and public-ly, the three reasons for the current jihad — of which the average American is totally ignorant. One, Western support of Israel. Two, the presence of Western troops in Islamic countries. Three, Western support of corrupt puppet governments throughout the Islamic world (almost all of them, but prominently including Egypt, Saudi Arabia, Pakistan, and Iraq). His views are factually correct. And the facts greatly antagonize hundreds of millions of poor Muslims, who subsequently feel they have a lot to gain, and almost nothing to lose, by fighting the infidel.

But what’s the nature of this War Against Islam, which shows every sign of heating up in Iraq and Afghanistan and spreading catastrophically to Pakistan and Iran? And beyond.

It’s not a war against another nation-state; those governments are pathet-ically incapable of fighting a real war. Their armies are now, and always have been, used exclusively for suppressing the population.

Because they aren’t uniformed and organized into conven-tional units, and because they attack only small or soft tar-gets, the mujahidin (“terrorists” to Boobus americanus) look like the guerrillas we saw in the 20th century. But they’re not. They aren’t fighting a war of liberation. They don’t have a central command. And they’re not actually trying to over-throw a government. Stupidly, the U.S. government is re-sponding by using all kinds of impressive and very expen-sive hi-tech devices to kill small numbers of fighters. Which is not only non-productive, it’s totally counterproductive. Every fighter who’s killed (forget about innocent wedding parties) gives rise to ten more young, motivated fighters. And these people have the highest birthrates in the world.

The Americans say they want to kill Osama. This is not only stupid but pointless. It’s stupid because, if they succeed, it will make a martyr of him, further legitimizing his cause and drawing millions more to it. And pointless, because this isn’t like fighting the Vietnamese, where there was at least a leader-ship hierarchy. It’s not like fighting ants or bees, where if you kill the queen, you win. It’s more like killing cockroaches in your apartment, when they infest the entire building.

Sidebar here. I’m not using the word stupid as a pejorative, or because I can’t find a thesaurus. Nor am I using it to denote a low IQ; some people in the U.S. government have quite high IQs. I’m using it in either of two other senses. One: as the in-ability to predict the consequences of actions. Two: as an un-witting tendency towards self-destruction.

Anyway, it’s stupid to focus on Osama’s Al-Qaeda. That organi-zation was just a flag planted in the sand, to draw attention to the cause. The movement has long since metastasized, and there are now undoubtedly hundreds of informal little organi-zations, some of whom are friendly toward each other, some of whom are bitter rivals. But all of whom share a common goal. They all watch each other and learn from what the other does.

It’s like the early days of the auto busi-ness, when there were hundreds of companies. They were all innovating as rapidly as they could and all watch-ing each other in order to profit from each other’s advances. They didn’t particularly like each other and were in true competition, but they had the same goal, and every-one immediately applied advances in technology that anyone else made. Unstoppable.

By comparison, the U.S. is like GM today. It’s got a research lab that comes up with good stuff now and then, but at huge cost. And whatever it does come up with is applied slowly, bureaucratically. It will be completely overwhelmed by what amounts to a military marketplace.

Which is another point. The mujahidin buy all their technology off the shelf. They may be poor and superstitious, but they’re not stupid in the way they’re dealing with the U.S. We attack them with a million-dollar (hard cost only) missile; they counterattack with a $1,000 IED. We attack them with an airstrike, using hundreds of millions of dollars of aircraft; they counterattack with a suicide bomber, at about zero cost.
The U.S. takes out one of their leaders; they attack a city like Mumbai and create mass hysteria.

In the near future, you’ll find these people carrying out mass and random assassinations. Blowing up power transformers. Cutting fiber optic and electrical cables. Doing nasty things in the air-conditioning systems of high-rise buildings. Sit down and brainstorm for 15 minutes about what you’d do if you really wanted to punish The Great Satan. If you don’t scare yourself, then you don’t have much imagination. Their return on investment is almost infinite. That assures the U.S. will go bankrupt on the path it’s currently on. They don’t need NSA supercomputers; all they need is a few laptops, cell phones, some stuff you can buy at Radio Shack, instructions on the Internet, and a few buddies who share a common goal. And none of this postulates nanotech devices, which will be created in thousands of garages in the years to come.

A determined guerrilla war is almost impossible to win, as the French found in Algeria and the Americans found in Vietnam. The reason is that if you’re fighting guerrillas, you’re almost certainly fighting the average guy in a country – which means you’ve got to kill almost everybody to win. If you’re fighting a guerrilla war, be assured you’re an outsider, and you’re on the wrong side (even if you think you’re the good guy).

An open-source guerrilla war (to use computer jargon) is a new thing and much worse from the nation-state’s point of view. For one thing, it’s truly impossible to win. That’s for the same reason the behemoth IBM had its lunch eaten first by Apple (founded by a couple of hippies in a garage), then the PC (with thousands of independents writing code, strictly on their own). It’s the nation-state fighting hundreds of what amount to phyles, whose main common denominator, at the moment, is that they’re all Islamic. But that’s going to change soon.

What’s going to happen? The U.S. is going to lose this undeclared war catastrophically. The defeat is going to occur, in part, because it’s going to accelerate the ongoing bankruptcy of the U.S. The U.S. is also going to be soundly defeated on a strictly military level. A nation-state can no more win against phyles than tribes could win against kingdoms. And nanotechnology, which will give individuals the power that only armies once had, is just in its very beginnings.

Incidentally, phyle warfare is going to spread way beyond the Muslim world. My guess is that will occur in at least two other circumstances: the unwinding of dysfunctional colonial structures in most Third World countries, and internal economic collapse in some advanced countries.

You’re already seeing phyle warfare against both the Nigerian government and foreign oil companies in the Niger Delta. You’re going to see this all over Africa and all over the parts of the world the Europeans colonized, creating artificial nation-states by drawing arbitrary lines on maps, with no regard for who was already living there. About 100 countries in the world have absolutely no business being countries to start with. Lots of little phyles are going to spring up, not to take over the collapsing governments of Africa (which are nothing but vehicles for theft anyway), but to facilitate their destruction and replace them by something local. Or nothing.

The Europeans and Americans will call them “failed states” — an accurate description. But they’re too stupid to realize that a failed state is actually a good thing today — the next stage of what’s going to happen. Somalia provides an early indicator. Governments, with their hugely expensive capital ships, are completely incapable of preventing teenagers in dinghies from controlling a major sea lane. Worse, governments are preventing commercial ships from arming their crews so they can effectively engage the boarders. Governments are incapable of preventing merchants, only capable of preventing merchants from protecting themselves.

Phyle warfare isn’t going to be restricted to Africa, the Islamic world, and the like. It will arrive in America. All kinds of groups -- outlaw bikers, skinheads, religious right types, local sovereignty enthusiasts, young Hispanics, and groups of every kind -- could easily form loose networks, as opposed to tight organizations, sharing little more than dissatisfaction with the status quo.
The world has been evolving ever more rapidly as time goes by. The recent rise to legitimacy of so-called NGOs (non-governmental organizations) is another straw in the wind. I’ll bet the next change is going to be turbo-charged. And bigger than anything that we’ve seen, or read about, so far. The Greater Depression may just serve as a background for all this — just a sideshow in a much bigger circus.

Doug Casey and his team of experts at The Casey Report have been amazingly prescient about budding trends in politics, the economy, and the markets… a foresight that has proven to be a virtual gold mine to their subscribers. Read the latest report by Casey’s Chief Economist Bud Conrad on his favorite investment for 2009 by clicking here.