

# The new federalism: blockchain will decentralise big tech's power on the internet



For most of history, the only form of government that humanity had known was despotism. Pharaohs, tsars, emperors and kings enjoyed a centralised and absolute power. The world had known but a few democratic experiences in the Athenian polis, the Roman Republic, and the Florence and Venice of the Renaissance.

In the 18th century, revolutions in France and the United States triggered a process of decentralisation of power. Politicians and intellectuals of that time, in particular the Federalist writers in America, debated how to structure the government of a great republic. There were no previous experiences of large scale democracies. Representative democracy with a division of powers was the best answer found by then to structure a system that avoided the concentration of power.

At the dawn of the 21st century, humanity faces a new disjunctive, in some way, analogous to the 18th century democratic revolutions: the transition from the early internet to the blockchain era.

As Jaron Lanier argues in [Who Owns the Future](#), the internet was born with a liberating ethos. Silicon Valley entrepreneurs and idealists were fighting for democratising access to information and knowledge. Yet, it ended in the largest concentration of power mankind has ever known.

The large tech companies (Google, Amazon, Facebook, Apple, collectively known as GAFAM) ended creating global monopolies. Even though they are business organisations, from a political point of view, they could be considered as virtual states, absolute monarchies with millions of users as subjects. Management writes the law (terms and conditions), controls the administration of justice (dispute resolution system), appoints judges (moderators) and enforces sanctions (suspension and expulsion of users).

Is it really very different from the power that Louis XIV had in 17th century France? He also wrote the law, appointed the judges and enforced sanctions.

Just as the revolutions of the 18th century resulted in a decentralisation of power in nation states, the blockchain revolution is a decentralisation of power on the internet. Platforms similar to the big Internet companies are beginning to emerge, only decentralised and controlled by users: Steemit (Reddit, decentralised), Arcade City (Uber, decentralised), Origin Protocol (eBay, decentralised), etc.

These organisations are like the new republics of the internet age. With no owner/monarch to make unilateral decisions (software updates, pricing policy, revenue distribution), users have to make decisions together. They go from being subjects to citizens.

In order for these organisations to thrive, they need new governance tools for decision making. As the [Federalists](#) in the 18th, we need to start thinking about the government of our new democratic online organisations.

One alternative is [liquid democracy](#), a combination of direct democracy and representative democracy. In representative democracy, citizens delegate their voting power to a representative, who assumes the responsibility to vote for them on all issues. In case he's not happy, the citizen can only change the representative in the next election. In liquid democracy, citizens can delegate their voting power to representatives on specific issues. For example, delegate decisions about software updates to a user, and decisions about revenue distribution to another. If we are not satisfied with the representative, we can immediately revoke our delegation of the vote, without waiting for the next election.

Another idea is [futarchy](#), a form of government first suggested by economist Robert Hanson. In this case, users do not vote representatives or policies. They vote for a metric that defines how well the political community is working. Then, with a technology known as prediction markets, incentives are generated to implement policies that optimise the metric chosen by citizens. Prediction market projects such as Augur and Gnosis are already being developed, and improve the availability of information for decision making.

A third form of government proposed for decentralised organisations is demarchy, which means "chance" in Greek. It is based on the old Athenian principle of the random selection of representatives, combined with collective intelligence concepts of the internet age. When drafting the Constitution, the Founding Fathers of the United States discussed the use of draws for the election of representatives. Like classical thinkers, they saw it as a method of preventing factions. Kleros is a project doing this type of research.

In short, in an era of rise of decentralised organisations, blockchain governance is becoming a topic of increasing relevance.

If the great political philosophers of the era of national states were alive today, like Hobbes, Locke, Rousseau, Montesquieu, Hamilton and Madison, they would undoubtedly write about cryptoeconomics. This discipline, a combination of cryptography, network engineering and game theory, seeks to structure the governance mechanisms for decentralised autonomous organisations. The science for creating sustainable and prosperous peer-to-peer communities.



#### Notes:

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