

Preface

This book is largely theoretical in nature, broadly falling into the field of political economy. The aim is to provide a theoretical analysis of two hitherto underappreciated principles of political organisation: *unbundling* the functions of government and devolving responsibilities to *non-territorial* jurisdictions. The motivation is the inherent limitations of bundled, territorially monopolistic governance. Political economists are well aware of how majoritarian democratic decision-making necessitates various conflicts and compromises. Territorial decentralisation also bears efficiency limitations because its sorting mechanism requires that citizens sacrifice economic and social preferences to satisfy political preferences. And political bundling generates trade-offs and impedes preference satisfaction if the bundles offered by governments or rival political parties do not conform to citizen preferences over the full suite of policy areas.

Accordingly, this book explores the theory of unbundled and non-territorial governance as means to overcome these problems. Economic theory from several schools of thought (new institutional, public choice, and Austrian economics) is used to argue that greater efficiency and citizen welfare follows from non-territorial unbundling, and to also clarify the conditions under which these new jurisdictional forms might or might not eventuate. To set the scene, related ideas in political-economic thought are traced through history, and past and contemporary cases of non-territorial unbundling are uncovered. While the ‘pure’ version of the theory has yet to fully arise in practice, emerging examples of cryptographically enforced ‘virtual states’ come close to realising the non-territorial unbundled form of political organisation.

A ‘political-jurisdictional Coase theorem’ (PJCT) is then proposed in order to describe how political systems and jurisdictions change. This model suggests that it is the relative imposition of transaction cost over different modes of jurisdictional change as well as wealth effects that enable or prevent non-territorial unbundling. The model operates through two mechanisms: a ‘political-jurisdictional possibilities frontier’ (PJPF) that describes the space of *possible* allocations of property rights and political authority, given the prevalence of market, political and jurisdictional transaction costs; and a ‘political-jurisdictional transformation frontier’

(PJTF) that shows the compact trajectory of *actual* allocations that obtain, given the prevalence of ideas, interests and wealth effects. Together these furnish a fuller description of the political-jurisdictional Coase theorem and illustrate its insight as to the conditions of possible emergence or implementation of non-territorial unbundling.

A model of partial internal exit demonstrating the competitive dynamic between incumbent and potential governments in a non-territorial unbundled system is then outlined. This model particularly applies to the case of 'cryptosecession' that appears the most likely avenue for non-territorial unbundling to ever eventuate. It demonstrates how fiscal exploitation is reduced and eventually eliminated as the capability of citizens to move to non-territorial and unbundled jurisdictions increases. When interpreted as a model of cryptosecession, it shows how the balance of citizen opacity and government legibility determines the balance of fiscal exploitation versus equivalence.

Finally, an Austro-evolutionary perspective on the theory of non-territorial unbundling is presented. 'The knowledge problem of the nation-state' is defined as the task of designing a political-jurisdictional order given that the requisite knowledge is distributed among individuals in a polity. Attempts at redrawing borders or executing population transfers have proven appalling failures in rational constructivist planning. In opposition to this, spontaneously ordered political jurisdictions are identified as a general solution to the knowledge problem of the nation-state, and characterised as a constitutional catallaxy or 'constellaxy'. The pure theory of non-territorial unbundling resembles a constellaxy and, moreover, in the absence of a constitutional mechanism, a solution to the knowledge problem can be found in technologies of cryptosecession. While this conclusion is necessarily speculative in nature, such discussions are of value if we are to advance the quality of governance and meet with the challenges of an increasingly complex future.