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REA PUBLIC CHOICE VIEW ON THE EVOLUTION OF CYBERSPACE

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Belgrade, 2024

Book Series SQUARE

Edited by:
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Title:
Rea Public Choice View on the Evolution of Cyberspace

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Publishers:
Institute for Philosophy and Social Theory,University of Belgrade
Center for Advanced Studies Southeast Europe, University of Rijeka

Proofreader:
Edward Djordjevic

Cover design:
Nikola Stevanović

Typesetting:
Sonja Nikolić, Tijana Baltić

Place and year of publication:
Belgrade, 2024

ISBN:
978-86-82324-57-7

Printed by:
Donat Graf, Beograd

Print run:
100

INSTITUT
ZA FILOZOFIJU
I DRUŠTVENU
TEORIJU

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This text is the result of a joint fellowship program at the Institute for Philosophy and Social Theory of the University of Belgrade, and the Center for Advances Studies Southeast Europe of the University of Rijeka. Views expressed in the text are the author's own.

Rea Public Choice View on The Evolution of Cyberspace

In 1962, two great economists, James Buchanan and Gordon Tullock, published a book entitled *The Calculus of Consent: Logical Foundations of Constitutional Democracy*. This book initiated a new line in economic science, later known as Public Choice Theory or simply Public Choice. The key intention was to apply economic reasoning to the analysis of political processes. Not only economic actors try to maximize their personal wellbeing. The same is true for those who define social and economic policies and distribute public resources. This trivial fact was noticeably overlooked by the mainstream economic and political science professions, and the public choice scholars attempted to fill this gap. In the 1960s and '70s, public choice supporters formed a movement that had a potential for a full-fledged scientific revolution. However, even though some of the prominent members of this endeavor,

such as James Buchanan and George Stigler, received Nobel prizes for their contributions to economics, the mainstream economic doctrine has managed to survive and successfully defeated attacks on its core dogmas.

The key element of the public choice approach is the total rejection of such assumption as public interest, which is sometimes portrayed as national, social, or state interest. This is not to say that states or nations do not have any interests; probably they do. The problem is that these interests cannot be scientifically defined in a meaningful way. What constitutes this interest? Who can decide what is in the interest of a society and what is not? Is it, for example, the public interest that justifies wars or coerces people to participate in medical experiments? Is it the public interest that requires state run propaganda, censorship and governmental disinformation campaigns even if they aimed to achieve "social justice," "national security," "climate crisis" or "public health" objectives? Is it in the interest of society to channel taxes to make the economy "greener" instead of helping pensioners and the disadvantaged? There are no scientific ways to answer these questions, at least until the term public interest has a clear definition. However, even when someone introduces their definition of public interest, it is obvious that not everyone agrees with the proposed approach.

Such reasoning led the public choice scholars to the understanding that only individuals have interests. These personal interests determine the behavior of individuals and their choices in economic, social, and political spheres. Individuals constantly try to influence the state mechanisms to advance their wishes and increase their personal wellbeing. They may cooperate in these efforts with other individuals, and this cooperation itself may take very different forms. Sometimes, these forms are directand explicit, such as political parties or trade unions.

Sometimes, they are hidden from the public eye. The general public does not know what is really going on behind the scenes of the World Economic Forum or in the cabinets in the Kremlin, Washington or Brussels. Sometimes, these forms do not exceed the borders of legal frameworks, but sometimes they belong to what is defined by law as corruption. Regardless of these forms and their legal classification, the main public choice thesis stands firm – the public interest is a meaningless concept, while the state is the resource that is used by those who have enough bargaining power to influence it for their own benefits.

A logical conclusion from this position is that the role of the state in the economy should be minimized. The growth of the state apparatus and the expansion of the sphere of state presence signify the proliferation of private activities aimed at personal enrichment. These activities harm the well-being of other members of society, impede economic development, and undermine the principles of justice and meritocracy.

Unlike public choice, the mainstream part of modern economics prefers to ignore these manifesting problems in its public policy recommendations. On the one hand, mainstream economists usually confess that it is wrong to consider the state benevolent maximizer of social welfare. On the other hand, this consideration enables to secure research grants and build successful careers in contemporary universities, supported by an army of rent-seekers. As a result, they traditionally construct their models on the public interest idea and avoid noticing that they are detached from reality and fail to take into account the genuine human nature.

These two opposite visions – public interest and public choice – lead to very different conclusions when public policies are analyzed. While certain arguments in favor of

the public interest approach could be found in liberal democracies, it is entirely unreasonable to apply the mainstream vision to studying authoritarian regimes. Countries such as Russia, Venezuela or North Korea serve as clear examples where the ruling elite employs the full power of the state machinery to enrich itself and protect its positions. The analysis of their economic sphere can be properly understood only through the public choice perspective. The important benefit of this method is that it enables us to see in these cases a mirror that reflects Western situations. If the policies are the same or very similar, then what are the reasons to believe in different motivations behind them?

Examination of the evolution of cyberspace and governmental efforts to shape its pace and directions represents an interesting example to apply the public choice lens. Some authoritarian regimes have enthusiastically embraced the digital transformation and found ways to introduce advanced technological solutions in various spheres, showing even better figures of digitalization than many Western democracies. The surveys of the UN on e-Government development demonstrate that some post-Soviet countries, such as Russia, Belarus and Kazakhstan, have outperformed many EU countries in this area for years. In the 2018 report, these CIS countries were placed in the category of 'very high' of the e-Government Development Index (EGDI), while some EU member states were in the lower category. There could be a reasonable question about the underlying causes of this phenomenon. It might be argued that authoritarian rulers are tempted to leverage technological advancements to protect their reign by increasing control over the population. However, this view overlooks the role of market forces that encourage such technological solutions within the existing institutional settings.

The Russian segment of the internet, in the 2000s, was almost as free as was the online environment in the EU countries. Today, this freedom has been severely limited, and the state has strengthened its presence in all spheres of citizens' lives. However, even these changes raise several questions about the inconsistencies of the implemented policies. If the modern Russian internet regulation aims to limit access to information that is inconvenient for the regime, then why is this information freely accessible in the country? Telegram has accommodated a great number of dissenting TG channels. YouTube has become a major platform for the Russian opposition, and it continues to work in Russia without any noticeable hindrances and barriers. Facebook, despite its formal ban in the country, remains accessible through various proliferating VPN services.

In order to find answers to questions like the one above, it would be useful to look at the business interests that stand behind these activities and their connection to the powerful state actors. The recent ban by the administration of Telegram of several opposition channels in the Bashkortostan region in January 2024, when thousands of people took to the streets, forming the largest demonstration in Russia since February 2022, strongly suggests that this service is not truly independent from the country's rulers. Even the failed attempt to block Telegram on Russian territory in 2018 seems very suspicious: it is not clear whether it was a real attack on the service or a covert campaign to promote it, especially when considering that, at the same moment, a group of Russian oligarchs with close connections to the Kremlin invested in Durov's blockchain project.

It seems that the strengthening of the regime in cyberspace can be better explained by profit-driven behavior of many actors – even amid non-democratic

institutions – than through solely political reasons. The Russian authoritarian regime is rather a commercial enterprise with many private beneficiaries, and this is the point that often eludes analysis. Russia is seen as a source of rent not only by the direct "owners" of the territory but also by the countless bureaucrats and entrepreneurs who have learned how to participate in the ongoing game of "rent extraction." From this point of view, the ideological motivations in the entire process are just a cover and a pretense that provide justifications for the legal plunder and redistribution of the wealth generated chiefly by the country's natural resources.

The attempts of the Russian government to participate in the digital domain present numerous examples of incorporation of private interests in state cyber initiatives and legal statutes. There are entrepreneurs who have been siphoning public funds through their involvement in the development of e-government services. There are those who have acquired government support to design competing solutions for leading international digital services. The numerous requirements for data localization and compliance with mass surveillance specifications, along with the concept of "sovereign internet," have directed billions into the pockets of entrepreneurs with close ties to the government.

Authoritarianism in Russia is not only about control of the political sphere but also of economic life, and here again, the state widely implements various digital technological means. For example, the regulations that were adopted over the last several years include automatic real-time monitoring of commercial transactions by the tax authorities and mandatory product tagging and tracking systems. The latter have already extended their sphere from alcohol and tobacco markets to textile, shoes, tires,

milk and other industries. It is easy to assume that the main motivation of such initiatives is not direct strengthening of the political regime and even not a possible increase in collected taxes, but protection of the established status quo of the market sphere and provision of opportunities for additional profits for the owners of such systems. From this point of view the nature of requirements to install a surveillance system in telecommunications networks and underlying reasons for having product tagging and tracking systems are not so different. In the former case, the objects of surveillance are individuals, while in the latter – the economic goods; and both of these groups are just commodities for the predatory state, which could be tracked and controlled for the benefits of a few.

A public choice view on the Russian road to the "digital Gulag" clearly suggests that this path is paved by rent-seeking behavior of numerous political and economic actors. Technological entrepreneurship plays a notable role in these processes, introducing technological solutions that either do not generate value for society in general or bring value at a very high cost. However, the most unpleasant aspect of this phenomenon is that the Russian digital experience is not significantly different from what can be identified in Western countries. The Covid-19 story vividly demonstrated how Western governments are eager to deploy censorship and control over their population, showcasing their readiness to leverage advanced technological solutions of the digital world. If the true nature of the Russian government becomes increasingly clear to those who attempt to explain any governmental actions through the public interest doctrine, then perhaps it is time to scrutinize Western public policies more thoroughly in the light of public choice theory.

CIP - Каталогизација у публикацији
Народна библиотека Србије, Београд

330.1:316.728
004.738.5:316.4
316.77:159.9

DMITRYÎ, Trubnikov, 1978-
Rea Public Choice View on the Evolution of Cyberspace / Dmitrii Trubnikov. - Belgrade : Institute for Philosophy and Social Theory, University ; Rijeka : Center for Advanced Studies Southeast Europe, University, 2024 (Beograd : Donat Graf). - 11 стр. ; 18 cm. - (Book Series Square / [Institute for Philosophy and Social Theory, University of Belgrade])

Tiraž 100.

ISBN 978-86-82324-57-7

а) Политичка економија -- Свакодневни живот б) Интернет -- Социјални аспект

COBISS.SR-ID 141184777