

The Coercion of the Digital World, an Austrian Economics Perspective.

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With the technological means of control now at the disposal of the government, it is not certain that such assertion is still possible; at any rate, it may soon become impossible. We are not far from the point where the deliberately organized forces of society may destroy those spontaneous forces which have made advance possible.

— F. A. Hayek, *The Constitution of Liberty* (1960/2011, p. 90)

I. Introduction

The deliberate forces that will destroy the spontaneous forces have arrived, but not in the form Hayek thought it would happen. The digital world is the first information infrastructure that enabled a new form of dispersed knowledge, behavioural data. The usage of this dispersed knowledge to model the infrastructure where information goes leads to the erosion of liberty and the breakage of the spontaneous order. First, I will explain why the natural development of the digital world, under competition, led to this information infrastructure using behavioural data and why competition itself did not stop it. Second, I will explain why it constitutes a loss of liberty. Third, I will explain how the spontaneous order is broken. Fourth, I will explain a bigger threat to our liberty than the one we face today. Fifth, I will explain how I think this threat should be eliminated and then conclude the essay.

II. The Digital World as an Information Infrastructure

The way society shares knowledge has always been changing throughout history, an example is the invention of printing, which changed the way people informed themselves, and now society faces an impressive information infrastructure as the digital world. Many of the problems that arose by the misuse of information have been already regulated by the state, but the new way information is shared, the digital world, creates new problems that are directly connected to the intrinsic characteristics of such infrastructure. Until the invention of the internet no information infrastructure had the same scale, meaning that there was not a possibility to reach almost every person in the world, and until now, no information infrastructure permitted to analyze, in a precise and individual way, each interaction with the information provided. Technology is advancing in a manner that is more accessible to process data that contains traces of each individual preference and behaviour in order to modify the context in which people interact with the information to obtain a certain result. The data being used to model the context is behavioural data, which can be understood through this quote: “Behavioral-based tracking refers to constructing user profiles and uniquely identifying the users through their gestures to perform certain activities. Such gestures are collected via many modalities such as touch, motion, GPS, camera, mouse, search queries, writing pattern, and more.” (Masood et al., 2022, p. 186). Is this a result of the natural evolution of knowledge in society, or a consequence of a deliberate plan from individuals that knew the implications of the infrastructure that was being constructed? The answer to that question does matter because it indicates the possible solution.

The digital world has a natural development through history that tends to the extraction of data in order to modify the context in which people interact. Applying game theory, companies in competition that do not use data are driven out of the market easily, and at the same time, users cannot perceive the possible negative effects that data extraction represents. One may say that knowing that there is competition a company would offer the benefit of not using your data, but because of the natural development of knowledge no one could see the aggregated result of all the companies using private data, and had no problem offering their own private data, therefore no company would choose not to extract data. No one could anticipate the development and implications of the digital world, and how this new way of sharing information would end in a threat to our liberty.

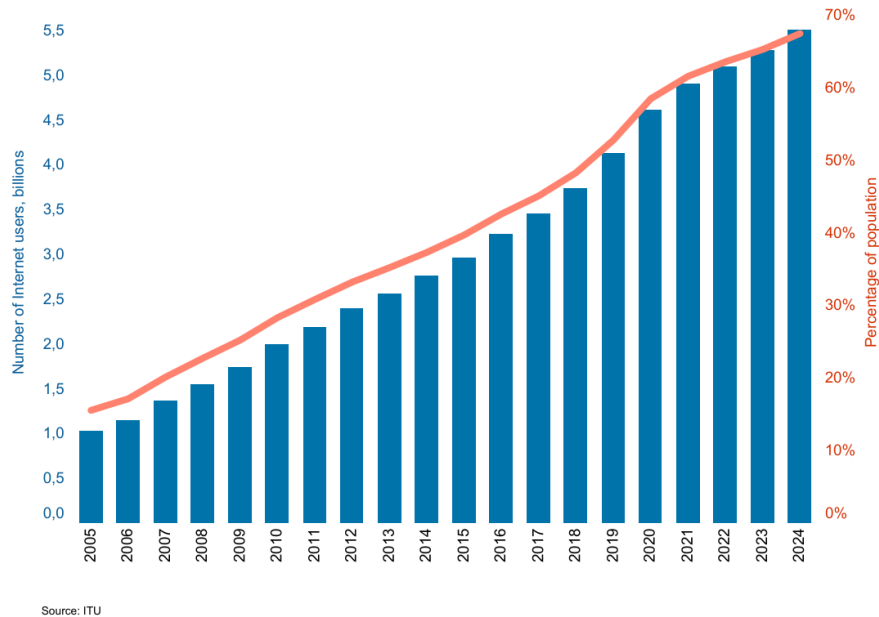
III. Consent, Privacy, and the Conditions of Liberty

Why does the extraction and modeling of the context in which people interact with information represent a loss of liberty in the Austrian perspective? This question matters because if it is not a threat to our liberty there is no reason to analyze it as a negative side of the digital world. The short definition of liberty from the Austrian perspective is the absence of coercion, in this sense the digital world does not coerce and therefore there is not an erosion of liberty. But Hayek explores more the conditions and benefits from true liberty. One might argue that because we choose to enter into the digital world and we accept the extraction of information, or that we can use VPN¹ or other technical ways to assure privacy, the extraction of information is a choice that we make and therefore there is no loss of liberty. This claim is mistaken because consent does not immediately mean freedom. Hayek makes this distinction clear when he argues that it would be “absurd” to consider young people free merely because they have consented to the social order into which they were born (Hayek, 1960/2011, p. 62). But do we give consent because we truly want, or because we do not have any other real option? Anyone who wants to keep themselves informed, connected with other people, anyone who wants to participate in contemporary society has to enter the digital world, and accept, as a condition, giving their personal information. The relevant question is not whether we give consent or not, but under what conditions we give it. It is also important to recognize the extent to which the digital world now mediates our daily lives. The Internet is not just an infrastructure we enter occasionally, but is the infrastructure through which we interact with each other, working, communicating, learning. A great part of our life is mediated through the digital world. Nowadays we see a tendency of a higher involvement in the digital world, according to the ITU², as we see in figure 1, in the year 2005 only 16% of the population had access to the internet, in 2024 68% of the population is a user of the internet (ITU, 2024). And it is not only that more people use it, according to DataReportal, adult internet users spend an average of 6 hours and 38 minutes online each day (DataReportal, 2025). The digital world has blended with our private sphere, our daily lives, and here we can also apply the broader definition of the conditions for liberty from Hayek. “Whether he is free or not does not depend on the range of choice but on whether he can expect to shape his course of action in accordance with his present intentions, or whether somebody else has power so to manipulate the conditions as to make him act according to that person’s will rather than his own” (Hayek, 1960/2011, p. 61). So in the present day, the digital infrastructure gives other actors the power to shape the conditions under which people act, and the greater problem is that the private life is not exempt from this possibility, and Hayek also warns us from this. “Freedom thus presupposes that the individual has some assured private sphere, that there is some set of circumstances in his environment with which others cannot interfere” (Hayek, 1960/2011, p. 61). Analyzing these two ideas from Hayek with our current problem we can say: Our liberty can be threatened because our private sphere has merged with an infrastructure that can be manipulated and shaped in order to set conditions to make people act according to other people’s will, and if we choose not to use this infrastructure we are leaving great part of contemporary life.

¹ VPN stands for "Virtual Private Network," a technology that creates a secure, encrypted connection over the Internet to protect your data and privacy.

² ITU is the United Nations specialized agency for digital technologies.

Figure 1
Individuals Using the Internet Worldwide, 2005–2024



Note. Figure adapted from the International Telecommunication Union (ITU). The bars show the number of internet users in billions, and the line shows the percentage of the world population using the internet.

IV. A Second Form of Dispersed Knowledge

An erosion of liberty in the digital world is a greater danger than we may think at first. The reason is not that it merely transmits information, but that it collects, aggregates and models a second form of dispersed knowledge, the dispersed knowledge about individual behaviour, consumption, preferences, attention, one Hayek could not think of because of the technological limits of his time. The dangers that come with the centralization of this new form of dispersed knowledge, the knowledge about individual behaviour, are indirectly connected to those that arise from the intention of centralizing the original dispersed knowledge: the destruction of the desirable spontaneous order. The spontaneous order, which Hayek calls in *Law Legislation and Liberty* “cosmos” (Hayek, 1973–1979/2014, p. 80), is an order that emerges without the deliberation of any single individual, but from the decisions of many of them, and it also appears in the *Constitution of Liberty*: “The successful combination of knowledge and aptitude is not selected by common deliberation, by people seeking a solution to their problems through a joint effort” (Hayek, 1960/2011, p. 79-80). The spontaneous order is desirable because it permits the coordination of many individuals using their dispersed knowledge without any central actor knowing the final result. The difference that arises now is that a great part of our life is going through a deliberated infrastructure with a purpose (taxis), the digital world. Until the creation of the internet, all human life went through an infrastructure that is a combination of both cosmos and taxis. But the new way of communication, of information goes all through a purposely designed infrastructure with algorithms that define what someone sees. One may argue that previously a magazine editor also deliberated what someone reads, and it did not break the spontaneous order. The difference here is not that a filter, as the algorithm or the editor, exists, the difference lies in the type and characteristics of the filter, the usage of private individual data and on an individual scale. A human editor applies a uniform known criterion (a reader can anticipate it and choose another publisher) an algorithm decides over the individual behaviour knowledge, information even one does

not know, and generates an individual response for each user. And another difference arises when looking closer, a traditional mediator, an editor for instance, selects between already existing preferences, or intentions. The algorithm does not only select existing preferences, shapes and creates new ones. This connects with the continuation of the last phrase that explains the conditions for the spontaneous order to prevail “What is essential to the functioning of the process is that each individual be able to act on his particular knowledge” (Hayek, 1960/2011, p. 80). The digital world does not break the spontaneous order only because it is a deliberated structure but because the digital world is central to human life; the mechanism of collecting and modeling behaviour is present in most of the infrastructure; the modeling is personalized to each individual person, with private information users do not even know; and it is capable not only of choosing between existing preferences but also of modeling new preferences.

V. A Greater Threat

Before explaining the solution I want to make a short paragraph about the problem that would arise if this tool were left in the hands of a centralized authority. The authority controlling that tool not only would gladly choose to use it to solve all of the problems that society has (by modeling preferences so that they are easier to solve), but, because of the nature of the infrastructure of the digital world, society would think that their preferences that are being satisfied are not commanded by a centralized authority, but in fact they are. Everyone would accept the situation without knowing they have lost all of their liberty, because the last thing that the human loses before losing all freedom is their own preferences.

VI. The Solution

To solve this threat to our liberty there are two possible targets: algorithms or data. Considering we want to prohibit only those algorithms that represent a real threat, this solution comes with the problem of selecting which algorithm is a threat and can create distortions in the free market by giving advantages to some actors. If we prohibit all of them, we are assuming that no algorithm is actually useful, which is not true. So if we want to create a solution that leaves no arbitrary discretion, we need to focus on data privacy. The problem is not the existence of algorithms but the collection of the second dispersed knowledge, behavioural data. The solution has to be applicable to all cases, not a particular intervention, and directed strictly to behavioural data, not the algorithms themselves. This way the solution is compatible with the *rule of law*. Therefore, we have two possible solutions: (1) to restore genuine consent, or (2) to prohibit the extraction or transfer of this type of data. Restoring genuine consent would mean giving an easy and true possibility of not giving data and still having access to the same services as if we were giving data (unless that service needs the use of behavioural data). But this solution is not the most adequate. Even though many authors in the libertarian tradition argue that giving consent through contract to alienate one's own will is valid, because the contract is sacred, I position myself on the other side. The effect of transferring voluntarily one's own behavioural data is an erosion of liberty and that is certainly not acceptable. Therefore the only solution that I am left with is the second one, the prohibition of extracting or giving this type of data. This rule is applicable to all cases and is not a particular intervention, therefore no one needs to decide in each case what is the effect of the rule, eliminating the arbitrary decision. This solution is not perfect. Such prohibition would need a precise legal definition of behavioural data. And other difficulties may arise like the correct use of behavioural data for cybersecurity or fraud detection. So we accept that we need to look for other ways of cybersecurity and fraud detection. Or we have to accept some authority to distinguish the distinct uses of behavioural data. But these problems do not

refute the principle. They need to be analyzed when creating the rule, but it does not mean that the rule should not exist. The important distinction is that behavioural data should not be extracted, aggregated or transferred with the purpose of modeling the context to induce a specific outcome. To come up with the full solution I would need a separate analysis.

VII. Conclusion

Taken all the analysis together, the digital world is a deliberate infrastructure (taxi) of transmission of information that enables the possibility of gathering a second form of dispersed knowledge, behavioural knowledge of the interaction with information. This new form of dispersed knowledge allows the modeling and fabrication of preferences or ideas. This infrastructure then is a threat to our liberty and to the spontaneous order. The prohibition of the transmission or gathering of behavioural data is the only solution left because it is the only one compatible with the *rule of law* and that guarantees the elimination of the threat to our liberty. I think the solution is going to change the way we use the digital world, and new threats to our liberty may arise that need to be analyzed. Our world keeps moving, creating and destroying threats to the possibility of each human to follow their own desires, but to maintain liberty we have to be able to watch it from the outside and, with no intention to benefit a particular group, guarantee liberty. The technological means of control now exist, and even though they are not in the hands of the government (they should never be), they still can be deliberately used to destroy the spontaneous order. A lot of effort should be put into restoring the means that made our advance possible.

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