

## Network States as a Technocratic Shell Game: The Myth of Sovereign Choice and Algorithmic Neutrality

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### Abstract

Network states present themselves as decentralized governance models, yet they function as technocratic façades, perpetuating algorithmic exclusion and privatized sovereignty. This paper interrogates the myth of technological neutrality, demonstrating how cryptographic governance mirrors corporate technocracy, embedding financial gatekeeping and pre-engineered participation conditions within smart contracts. By distinguishing digital sovereignty from epistemic sovereignty, the analysis reveals how network states manipulate legitimacy through controlled narratives rather than structural decentralization. Ultimately, this work challenges the assumption that blockchain governance eliminates bias, arguing that network states reinforce systemic hierarchies under the illusion of decentralized autonomy.

**Keywords:** Technocratic sovereignty, algorithmic bias, cryptographic governance, network states, decentralization illusion

### 1. Introduction

Network states, as defined by Balaji Srinivasan [1], Sterlin Lujan [2], and Timothy May [3], claim to decentralize sovereignty through blockchain governance. However, they function as technocratic façades, where the illusion of choice hides elite-controlled infrastructures. Citizenship, framed as voluntary opt-in, is constrained by algorithmic gatekeeping and cryptoeconomic barriers, commodifying sovereignty rather than preserving its relational nature [4].

Rather than dismantling traditional governance, network states repackage sovereignty into startup logic, making citizenship a purchasable asset instead of a public right [5]. Their governance, driven by smart contracts, reinforces bureaucratic automation, profit-driven optimization, and libertarian individualism over collective determination [6]. This perpetuates the myth of technological neutrality, where rule-based governance entrenches ideological hierarchies within algorithmic systems [7]. Cybernetic governance research reveals how algorithmic sovereignty masks systemic exclusion through hierarchical control [8]. Comparisons with digital oversight in teletherapy regulation further show how cryptographic institutions shape participation without meaningful accountability [9]. Figure 1 depicts the logical progress of the ensuant argument.

<sup>1</sup> Cybernetic control systems describe automated feedback loops in digital environments that regulate and direct behaviors or processes, often relying on algorithmic decision-making to maintain control.

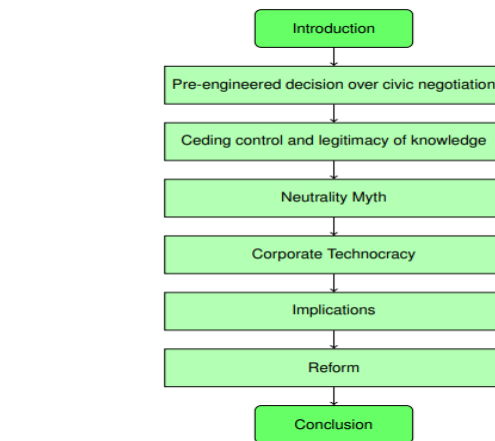


Figure 1. Logic map of argument

### 2. The Illusion of Consensus in Algorithmic Nationhood

Network states frame smart contracts as neutral governance tools, claiming they eliminate bias through predetermined rule sets [1]. Yet, this assumption rests on the fallacy of algorithmic consensus, where structural inputs dictate governance outcomes rather than emergent collective will [8]. Srinivasan argues that network states favor algorithmic optimization over participatory disruption, reinforcing a closed-feedback model prioritizing stability over adaptability [1][8].

Unlike deliberative democracy, which develops through civic negotiation, network states pre-engineer decision pathways, ensuring governance conforms to bureaucratic efficiency rather than organic discourse [6]. Dispute resolution remains rigid and deterministic, suppressing dissent and adaptability [4]. By reducing citizenship to contractual compliance, governance is reframed as a consumable service rather than a relational process [5]. This mirrors cybernetic control systems<sup>1</sup>, where hierarchical enforcement is disguised as neutral optimization, further embedding elite-controlled infrastructures [8].

### 3. Digital Sovereignty vs. Epistemic Sovereignty<sup>2</sup>

Network states claim digital sovereignty by positioning cryptographic governance as an alternative to traditional state control. However, the key distinction is between control over infrastructure and control over the production and validation of knowledge within governance [7][10]. Rather than functioning as political entities, network states shape narratives of self-determination, reframing exclusion as empowerment [11][12]. Cybernetics research shows that control over knowledge influences structural legitimacy, revealing how network states create perceptions of empowerment without enabling true autonomy [8]. Despite decentralization claims, these states are still driven by

<sup>2</sup> Epistemic sovereignty refers to control over the creation, dissemination, and legitimization of knowledge within a government, which can affect the ways in which truth and legitimacy are constructed in society.

technocratic elites, with algorithmic systems maintaining unchallenged governing assumptions [3]. While digital sovereignty provides infrastructure control, it is the governance narratives, shaped by epistemic authority, that define real power [13][14].

#### 4. Technological Neutrality as an Ideological Façade

Network states promote blockchain governance as bias-free, but algorithmic ethics research reveals embedded power asymmetries, not genuine decentralization [6]. The belief that rule-based systems eliminate bias overlooks the pre-scripted nature of cryptographic governance, reinforcing structural continuity instead of adaptive evolution [7]. Cybernetics research shows that smart contracts impose rigid participation conditions, making governance procedurally fixed rather than discretion-based [8]. Blockchain financial services reproduce banking inequalities, masking barriers to entry under the guise of decentralization [11]. Algorithmic policing systems further exacerbate racial and economic disparities, undermining claims of neutrality [8][9].

#### 5. Privatized Governance: Network States and Corporate Technocracy

Network states position themselves as alternatives to nation-states but act as corporate technocracies, commodifying governance and tying participation to financial leverage instead of democratic inclusion [4][5]. Their self-regulating smart contracts reinforce hierarchies, automating compliance and limiting adaptive oversight [6][7]. Cryptographic sovereignty embeds bias, conditioning decisions on economic accessibility rather than democratic legitimacy [9]. Automated arbitration prioritizes efficiency over accountability, eliminating negotiation [11]. Network states maintain the illusion of technological neutrality, optimizing governance for elite control, not collective empowerment [13]. In the end, network states function as subscription-based sovereignty models, where autonomy is determined by financial eligibility rather than collective will [8].

#### 6. Address to Stakeholders

We must resist the shift toward venture-capital-driven governance models that undermine democracy. Sovereignty must remain a collective right, not a financial asset for the wealthy. Network states, claiming decentralization, often deepen inequalities by tying participation to financial leverage. Governance should not become a private service driven by corporate interests—public accountability must take precedence. Stakeholders, including policymakers, technologists, businesses, academia, civil society, and citizens, must reject governance models that turn public goods into commodities. We must demand systems that ensure democratic engagement, where participation is not limited by financial means, and advocate for policies that promote inclusivity and fairness. Here are pathways for reform:

- **Public Education.** Educate citizens on the risks of algorithmic governance and privatized sovereignty.
- **Transparency.** Demand transparency in blockchain systems and algorithmic governance,

with clear disclosures about decision-making algorithms.

- **Inclusive Participation.** Ensure decentralized governance models do not impose financial barriers, and participation is based on civic rights.
- **Citizen Engagement.** Promote active citizen involvement in governance, turning citizens from passive consumers to active agents in policy shaping.
- **Governance Regulation.** Require regulations to make blockchain systems inclusive, equitable, and free from discrimination.
- **Policy Action.** Implement policies that ensure blockchain systems are accessible to all and prevent corporate dominance.

#### 7. Conclusions

Network states, marketed as solutions, often reinforce the hierarchies they claim to dismantle by embedding financial barriers. Despite promises of decentralization, these models risk replicating existing power structures. True digital sovereignty requires prioritizing democratic values over financial interests, ensuring blockchain systems are inclusive, transparent, and accountable. Without these reforms, digital governance will serve only the few.

#### Conflict of Interest Statement

The author declares no known conflict of interest.

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