

The Risk/Reward Tradeoff of Technology

One of the early concepts in finance is that for an investor to put his money in something of higher risk, he needs to be compensated with a higher expected return. For example, US treasuries are assumed to be roughly risk free (an increasingly farcical phenomenon) and therefore yield only small returns. Investments in Silicon Valley startups are highly risky and as a result the expected value of payoff from an investment in a startup must be enormous.

This relationship strikes me as similar to the relationship we individuals hold with respect to our freedom. While the benefits of technology have made our freedom immensely easier, more pleasurable and more relaxing, these exact same technologies present much greater a risk to our freedom. Cellphones have made staying in contact with family members in other states and countries easier, it has also provided an avenue for an increasingly tyrannical government to snoop on everything we say and do. While self-driving cars present a way to dramatically reduce the number of traffic fatalities, they also provide another avenue for the CIA to do irreparable harm. Credit cards and Apple Pay provide excellent ways to pay for goods and services without using dirty money that is easy to lose but also provides another way for the powers that be to surveil and monitor us and everything we do.

The paradox of technology presenting a more rewarding life but also a life of more risk is a reminder to us all to stay vigilant with regard to those who can wield the power of these tools against us. It is more important now than it ever has been that we remove the state from the mechanisms of control. Should we be successful, the life we all can have will be immensely rewarding.

Cheers to taking all the power of the state away and our increasing prosperity.