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Managing Wealth in a Digital World of Change



2013

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Responsibility in Wealth

Introduction

The world is changing. Old industrialized nations are heavily indebted. Vibrant emerging markets are confidently taking new key roles on the world stage. We are seeing the most significant tectonic shifts since the end of the Second World War.

The strict division between the public and the private sphere, one of the great Enlightenment achievements, is becoming blurred. Private assets are being commandeered to help pay off public debts. The wealthy are being pilloried in public. Transparency is the watchword of the age. Globe-spanning digital communications are the tools of a new form of socialism.

Is it still possible in a digital world to manage and grow assets on the basis of privacy and trust while simultaneously satisfying the legitimate claims of the tax authorities? We believe so.

Change always throws up opportunities and risks. Responsibly and prudently “managing wealth in a digital world of change” – this is our recipe for modern, forward-looking wealth management. The ideas and aims that are guiding us are set out in this publication. We hope you find it inspiring.

Kaiser Partner at a Glance

Kaiser Partner is an award-winning, family-owned wealth management group and private bank that combines tradition with a modern, forward-looking business model. Our roots are strong and stretch back to 1931. With a head office in Vaduz, Principality of Liechtenstein, and offices in Zollikon, Switzerland, we bring together a leading trustee firm, a private bank specializing in asset management, an investment advisor registered with the SEC, the US stock market regulator, and a family office for clients looking for holistic services that put their family interests at the forefront.

Our multifaceted expertise lets us provide comprehensive, knowledgeable advice and support to private individuals and families on all issues relating to their wealth. We develop tailor-made strategies and solutions to help clients protect and grow their wealth in a rapidly changing world and to deal with asset protection and succession issues in a way that puts the interests of the family at the center. We are supported in our endeavours by an ever-expanding international network of experts in a wide variety of disciplines.

Our guiding principle – how we see our mission

We help our clients protect, manage and grow their wealth so that ultimately this wealth can deliver the greatest possible benefits – for our clients themselves, for their families and for the communities in which they live and invest.

Our strategy – how we fulfil our mission

Everything on our planet is interlinked, connected with everything else and in constant motion. We try to recognize, foresee and understand changes, and by applying our expertise we aim to use the power of change to grow wealth.

Our approach – how we achieve our objectives

We try to understand the big picture

We are a knowledge-based company and we invest time in understanding not only our clients' worlds, but the world as a whole. We discuss what we have learned and evaluate what it all means. We always make an effort to make our decisions based on the bigger picture.

“We are independent, we try to understand the big picture, and we encourage innovation. We are prepared to take responsibility.”

We put innovation at the centre

As a company we want to and must keep developing – permanently. To manage wealth successfully we need to adapt and realign the tools we use to reflect the march of time and the way circumstances change. We take the long view and remember to heed the old lessons even when situations might require us to take new and as yet uncharted routes.

We take responsibility and expect others to do so too

We know that “responsibility” is crucial and non-negotiable for ourselves and for each individual client relationship. We take responsibility for everything we do. And we expect our clients to act responsibly too. For us responsibility and sustainability are inextricably linked.

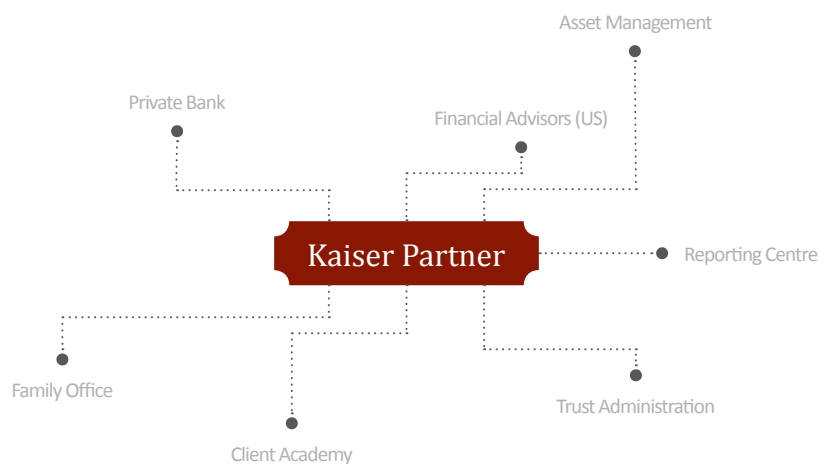
We think and act independently

Our insights and convictions influence our ideas and guide our actions. We act confidently and in good faith, and our approach helps us understand the times we live in and do the right thing.

The group

Kaiser Partner is a privately owned company. The various entities within the group are controlled by Kaiser Partner Holding Anstalt, based in Vaduz, Liechtenstein, which is itself owned by the Liechtenstein-based Fritz Kaiser Foundation.

Our focus is on providing high-quality, tailor-made wealth management services in a world of change. Our aim in doing this is to serve wealthy private individuals and families as a competent partner for wealth management, protection and growth.



A short overview

- Founded in 1931
- Wealth management group with private bank and trust affiliates
- Investment advisor in Switzerland with SEC registration
- 200 employees from 20 countries, speaking 10 different languages
- Private clients in 20 countries
- Worldwide, multidisciplinary network of experts
- Head office in Liechtenstein
- Offices in Vaduz and Zollikon (Zurich)
- CHF 25 billion of assets under administration

What we do

- Wealth analysis and wealth "health check"
- Advice on wealth planning
- Creating international holding structures
- Establishment and management of trusts, foundations and companies in Liechtenstein and other countries
- Developing and supporting succession solutions
- Family seminars and retreats on wealth issues
- Investment concepts; strategic and tactical asset allocation
- Asset management
- Services for professional financial services providers and institutions
- Investing in charitable and social causes
- Consolidated asset reporting, covering financial assets at different custodian banks and physical assets such as real estate, art and classic cars

The People: Board of Directors, Advisors, Partners, Executive Board



Fritz Kaiser

Executive Chairman Kaiser Partner

(1955) Co-founder of Kaiser Partner, founder of the Private Wealth Council, trustee of the Mentor Foundation and member of the World Economic Forum (WEF). Fritz Kaiser is a champion of sustainable, responsible investment, and one of the Liechtenstein financial centre's most progressive thinkers.



Otmar Hasler

Member of the Board of Directors of Kaiser Partner Holding and its subsidiary companies

(1953) Prime Minister of Liechtenstein from 2001 to 2009. According to specialist magazine "Schweizer Bank", the opening up of Liechtenstein's financial centre happened on his watch, and he himself is the "father of the clean-money strategy".



Philip Marcovici

Member of the Board of Directors of Kaiser Partner Holding and its subsidiary companies

(1956) Close to 30 years with international law firm Baker & McKenzie, and one of the founders of the firm's global wealth management and Asian tax practices. Now retired from legal practice, he continues to be an internationally recognized expert in tax compliance and international tax policy, he advises families, companies and governments, and is a frequent lecturer internationally.



Stephan Ochsner

Member of the Board of Directors of Kaiser Partner subsidiary companies

(1967) Formerly CEO of Liechtenstein's Financial Market Authority. Currently a lawyer and experienced expert in governance, risk and compliance.



Klaus Wellershoff

Consultant Chief Economist, Kaiser Partner

(1964) Previously Chief Economist at UBS for ten years, and Head of UBS's Wealth Management Investment Committee. Professor Wellershoff now heads his own institute for economic and financial market analysis, Wellershoff & Partners, based in Zurich.

Partners and Members of the Executive Board



Ariel Sergio Goekmen

Partner, Head of Kaiser Partner Privatbank



Christoph K ung

Head of Finance



Benno Heer

Partner, Head of HR and Market Office



Werner Meyer

Partner, Director of Trust Services



Benedikt Kaiser

Partner, Head of Family Office and US Clients



Christian Reich

Partner, Head of Operations and Client Office

“Change and increasing complexity
require new approaches to
wealth management.”



Clients and their wealth should be successfully positioned on the right side of global change. As a wealth management group Kaiser Partner wants to help them protect and grow this wealth.

“This is what I stand for as an entrepreneur, and it is what our company stands for,” says Fritz Kaiser in his video message, which you can watch directly on your phone here.

Managing Wealth in a Digital World of Change



By Fritz Kaiser

Whose principles?

The Italian filmmaker Federico Fellini is reported to have said that “morality is whatever degree of respectability happens to be modern”. Whether they actually passed the great director’s lips or not, these are good and wise words. To take the idea a little further, morality these days is a matter of supply and demand, as is respectability. And the demand for respectability is currently very large.

We see politicians, often of the green to deep red persuasion, buying up stolen bank data, and using other aggressive methods against their citizens in order to uncover presumed or actual tax offences. In the name of morality, of course. And fortunately for them the fact that empty state coffers actually tend to be the result of decades of economic mismanagement, often by red and green politicians, fades into the background. But naturally it is only “other people” who are held to be immoral in this game. Astronomic public debt has created a perfectly legitimate reason for wealthy families to diversify their assets – tax-compliantly – beyond national borders, but in the current climate of condemnation, this fact has barely registered in the public consciousness. Despite all this, of course, tax laws are the rules by which families and businesses must be guided, and there is no room to misinterpret the right of countries to enforce their laws. Families must play by the rules of their countries, or settle their tax obligations and exit their countries.

We see members of the International Consortium of Investigative Journalists (ICIJ) processing an anonymously supplied database of 2.5 million documents – 260 gigabytes of data – known as Off-shore Leaks. This, the largest ever leak of information not intended for the public, links private individuals to trusts in offshore financial centres around the world. The general tone in the international media is that the capital movements discovered document a huge flight by wealthy people to tax oases like Panama and the British Virgin Islands. Amidst the general media outrage, little mention is made of the fact that in many cases foundations and trusts are being used tax-compliantly and perfectly legally for succession planning and asset preservation purposes, and the risks to families of public disclosures of their affairs.

We see Cyprus, the over-stretched island state that wants to force wealth owners with more than a hundred thousand euros of assets to pay a compulsory levy of up to 60% to help pay down the country’s debt. This kind of cold-blooded confiscation of private property has not been witnessed in civilized countries since the end of the Second World War. The fact that the European Union (EU) is not only permitting the procedure, but actually making its own

financial support for Cyprus dependent on its implementation reveals a shocking lack of respect for the rule of law. It is not far-fetched to imagine that Operation Cyprus might be used as a test case for a broader strategy of debt redemption in other EU countries. The occasional reference to what is effectively confiscation of assets as a “tax” is also most troubling.

And finally we see the bankers and financial advisors who in recent decades have made obscene profits – not least from business involving untaxed private assets. The disproportionate rewards they have taken for often mediocre services are now justifiably seen by the public as a symptom of pure, unadulterated greed. The practices of many in the wealth management world have rightfully provoked indignation in a world of growing income inequality and financial challenge for governments.

So what is the moral of the story? When wealthy families, entrepreneurs and industrialists are pilloried in public as never before in recent history; when the reputation of previously proud, irreproachable banks has plummeted to the floor; when highly indebted states feel so sorely tempted to seize private property; when the traditional cornerstones of trust suddenly appear to be made of sand, then it is time to return to enduring values and to find new ways of creating wealth and preserving it for the long term. This means, among other things, that people will have to be much more careful in future when selecting a partner they can trust.

The new old banking secrecy

In the “*Neue Zürcher Zeitung*” recently there was an article about the famous president of a Bundesliga football club which made it clear that the Germans love their stars; and they love them most when they fall. It is worth noting that once again this story found its way to the media owing to an “indiscretion”, triggering near-hysteria throughout the country. The rules on voluntary tax declarations should have prevented such a debacle. But again and again confidential and highly personal information about more or less prominent figures is being spread around the whole world in no time at all via the electronic media. Our voyeurism is constantly being fed new morsels. The more private the stories are, the greater the global attention seems to be. In several countries protection of individual privacy is enshrined in the constitution, but unfortunately it is becoming clear that in many places the way things are actually handled is rather different.

And so there are plenty of voices willing to declare confidently that in terms of tax, at least: “Banking secrecy is dead, long live automatic information exchange.”

Tax compliance is the right thing, but does this mean banking secrecy is dead? Hopefully not! Because banking secrecy, as introduced in Switzerland in 1935, is more topical and more necessary than ever. It was not put in place to aid tax evasion or tax fraud but to stop bank employees, on pain of “fines or imprisonment”, from passing banking data to unauthorized third parties. In other words, banking secrecy serves the legitimate protection of bank clients’ privacy. In the digital age of change, this is of fundamental interest to bank customers. Not so they can illegally evade taxes, but so they can take care of their perfectly legal personal financial business discretely. A client recently put it to me like this: “I pay my taxes, conduct my business absolutely correctly and legally, and I have nothing to hide. But I still want to be sure that everything is being handled confidentially and discretely.” A legitimate wish – and particularly in a world where risks include the physical safety of one’s family.

For us at Kaiser Partner, such protection of our customers’ privacy has always been and remains the fulcrum of our activity. And we believe that it is more necessary these days than ever before – to protect taxed, absolutely legal assets from the covetousness of others and from public voyeurism.

The world stage 2012

The world stage was once again packed with drama in 2012. The euro crisis continued to preoccupy politics and business, while the mountain of debt in various EU states and in the USA stoked concern about recession and inflation. The unimaginable total of 73 million unemployed young people around the world is shocking. In Greece and Spain, one young person in two has no work. In Spain, the well educated are leaving their homeland and heading north, while the Spanish king is approaching former colonies in South America for help. That is how bad the crisis is. In the Arab world revolution has Syria in a stranglehold, while in the Middle East the Palestinian-Israeli conflict remains unresolved. In these heavy times a prophecy by the Mayan god Quetzalcoatl that the world would end four days before Christmas 2012 certainly struck a chord.

However, the fact that the blue planet, unimpressed, continues to turn could be seen as a sign from the gods that even in the deepest crisis opportunities abound. Certainly the positive was not too hard to find in the world economy in 2012. Asia continued to produce handsome growth rates. Forecasters tell us that China will for the first time post a higher GDP than the USA, the previous undisputed leader, in 2018. The number of patents accepted in China at the end of 2012 rose by more than a third to 526,412. On this measure, therefore, China has already overtaken the United States of America. The last year has fi-

nally produced good results for wealthy families. Forecasts at the start of 2012 were still gloomy, but the “united debtor nations of Europe” managed to stabilize the euro, while the EU earned a Nobel Prize and investors earned fat profits. And now the European Central Bank has reduced interest rates again, and the stock markets are in party mood. Great though this may all sound, we can be sure that the party will inevitably be followed by the next hangover.

Use the opportunities

Albert Einstein once said: “We don’t have to understand the world, we just need to find our way in it.” We would dare to suggest that this time the great physicist perhaps only got it half right. The real task today is to understand the changes in our complex world, and to align and use the compass correctly. Only if you stand on the right side of these global changes can you protect your wealth and increase it sustainably.

We at Kaiser Partner are committed to this creed. It is at the heart of our promise to clients: namely that we will not only identify the opportunities inherent in every change process, but also make them fruitful for our customers and ourselves. Global economic, political and social changes are always on our radar. Working with independent experts we interpret the opportunities and risks with the aim of making pragmatic use of any potential. We acknowledge new realities, act within the bounds of the relevant laws and make sure that the taxes due to a country are paid. We were among the first movers globally to openly encourage tax compliance among our clients and to work with governments to address their legitimate taxing rights.

Kaiser Partner: dedicated to success

Our group’s history can be traced back to 1931, so we have an 80-year tradition to uphold. For some years now we have positioned ourselves in the vanguard of a modern, sustainable and tax-compliant form of wealth management. We are guided by foresight and prudence and are prepared to take unconventional routes if these serve the long-term interests of our customers and our business. We accept that the world is currently turning very fast and that this is altering the rules on how to preserve existing and create new wealth.

We are more convinced than ever that geographical diversification of wealth is essential, and that tax compliance plays a major role in long-term asset protection. Consequently we have spent the last few years building up the expertise and services we need to implement – with our clients – tax-compliant, cross-border solutions, sustainably

attractive investment strategies and tailor-made family office services involving Switzerland, Liechtenstein and other jurisdictions. We believe that our business locations in Switzerland and the Principality of Liechtenstein represent stable, secure and appealing oases for wealth in the heart of crisis-riven Europe. Banking secrecy must not be used to facilitate tax evasion, but should serve the legitimate protection of privacy as part of a clean-money strategy.

Switzerland has a strong currency, low government debt and a reliable political environment. The Principality of Liechtenstein has no government debt, enjoys tailor-made access to Europe, thanks to its membership of the EEA, and benefits from a stress-resistant constitutional hereditary monarchy. The course was set for a sustainable, tax-compliant financial centre with the publication of the Liechtenstein Declaration in 2009. The country has also now signed tax treaties with 27 countries and has created a solution with the UK for legalizing untaxed assets, the Liechtenstein Disclosure Facility, that is held up as a model for others to follow. Philip Marcovici and I received global praise and were awarded recognition for our role in instigating the Liechtenstein Disclosure Facility, and with Otmar Hasler, then the Prime Minister of Liechtenstein, we were closely involved in the development of the Liechtenstein Declaration.

Kaiser Partner is family-owned and employs 200 people who look after clients from 20 different countries, using 10 different languages. In 2012 we invested in and improved our technical systems, expanded our advisory capability and strengthened our core market teams.

We acquired approximately 620 million francs of new assets while shedding around 530 million francs as a result of financial market transformation and changes to the business model. The group's consolidated turnover came in slightly below the prior year's. While the traditional Liechtenstein trustee business shrank within the group as a consequence of our policies, our Liechtenstein private bank increased its net assets by 9% to 1.664 billion francs and its profit by 5% to 2.41 million. With a Tier 1 ratio of 22% our private bank has an exceptionally solid capital base. Our business with US customers with assets in Switzerland also made good progress. Four years ago in Zollikon-Zurich we set up Kaiser Partner Financial Advisors AG, which is registered with the US Securities and Exchange Commission (SEC), especially for American customers. The firm is currently showing very good growth.

As we implement our corporate strategy we are constantly reviewing our portfolio of investments. At the beginning of 2013 we sold our 51% stake in IFM Independent Fund Management AG. While profitable, the company no longer fitted with our long-term strategy.

Since the start of 2013, we as a company have become more and more involved in the digital world. The plain fact is that the Internet is now a permanent part of our lives. We buy, pay, learn, play, chat, message and store things online. And increasingly we are doing all of this through our mobile devices. We have changed the way we communicate and consume, and e-commerce has already brought fundamental change to whole industries. There is no reason to think that the wealth management industry is immune from the trend.

In response we are developing a series of e-initiatives which we will be testing and improving this year with a selected group of clients. Our aim is to continuously develop and improve the client experience at Kaiser Partner. Our group's expertise will be boosted this year by our purchase in April 2013 of Ringier Studios, an award-winning Internet development company. We will be publishing initial details of the benefits this acquisition will bring on our website www.kaiserpartner.com from the middle of the year.

Over the year I once again held numerous very personal and confidential discussions with prominent families. All of them wanted to talk about the future of private wealth and how to deal with such wealth responsibly. It is a subject that lies close to my heart as an entrepreneur. My conversations have led to some valuable insights that will help us understand the way the world is changing and thus keep improving our range of services. And these encounters have, not least, enriched my own life too. I am thankful for that.

I would also like to thank all of Kaiser Partner's customers, business partners, employees and friends for the trust they have placed in us, for we all know that trust is the foundation on which Kaiser Partner must build a successful future.



“Tax compliance is an important aspect of long-term asset protection.”

Finding Privacy in an Endless Sea of Data

It is undoubtedly humanity's greatest innovation: the separation of a person's life into a private sphere on the one hand, and a public on the other. The roots of this distinction go back to the time of Pericles in the fifth century BC, though we only know this because Aristotle wrote about it a hundred years later. Private life, and private ownership, was manifested in the *oikos*, the estates of the property-owning citizens. Meanwhile, public life was played out in the *agora*, the Athens marketplace where freemen were free to talk freely. In terms of the history of ideas, striking a balance between the private and the public provides the basis for all the most important citizens' and human rights, forming the foundation of any reasonable system that allows free people to live together successfully. Private property is the prerequisite of freedom, including the freedom to be philanthropic – the Greek word *philanthrōpía* is composed of *philos* “friend” and *ánthrōpos* “human”.

After the dark centuries of the Middle Ages, 18th century Enlightenment thinkers returned to classical Greek philosophy, and the separation of the private and the public became the bedrock of modern society. According to Immanuel Kant, “enlightenment” is where individuals leave behind their self-caused immaturity, and where the free citizen leaves his privacy to enter the public realm in order to take part in the free and public competition of ideas. The freedom of the individual is only limited when it restricts the freedom of other individuals. This, ultimately, is the Kantian Imperative.

And thus a new social formation emerged in the 18th and early 19th century, creating new and important positions in trade and industry. Merchants, manufacturers and bankers, entrepreneurs and shipowners helped to form a new social class, the bourgeoisie – property-holding consumer-citizens, well-off, socially influential early wealth-owners. For them being “bourgeois” implied a symbiosis of property ownership and education. The new bourgeoisie were united by their critical distance from the world of the nobility, their appreciation of hard work and education, and their rejection of divine right and absolutism. They cultivated an urbane lifestyle and this milieu gave rise to the idea of a new Enlightenment-inspired society, culture and politics: a true blueprint for a society of citizens. This centred on the development of a modern, secularized society with free, mature citizens regulating their affairs rationally, independently and together – individuality paired with a sense of community. From here it was a short step to the development of the institutions of modern statehood, the national market, the critical public, the rule of law that helps protect privacy and whose public manifestation came in the form of parliamentarianism.

Talking with Socrates

The borders between the private and the public sphere have been blurred in the computer age. “Informatization”, a term first coined in 1979, has today come to mean the fundamental transformation, driven by computers and the Internet, to an information and knowledge society. Information hurtles all over the world in split seconds, and the bits and bytes make no distinction between the public and the private. In the depths of the Internet, alongside scientific discoveries that advance the cause of man and that were made possible thanks to freedom of research, you can find the most private and intimate details about individuals. Nobody knows where this monstrous proliferation will end.

But for all the uncertainty, one thing is clear. Faced with the Internet's boundless sea of data, we need a new privacy, a new individuality with regard to the availability of personal data. The fact that even Steve Jobs, the high priest of the personal computer, would rather have spent time talking to Socrates (if only he could have done), shows that unease has affected even the greatest pioneers of the computer age. Of course Socrates was the founder of a philosophy of autonomous ethics.

» By René Lüchinger



Freedom

“The secret of happiness is freedom, the secret of freedom is courage.”

Perikles (around 500-429 BC), Athenian politician and general



Digital native

“Child aged two said ‘Google’ for the first time today.”

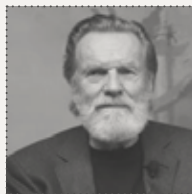
Tweet from Wortwart, May 21, 2012



Self-knowledge

“I would trade all of my technology for an afternoon with Socrates.”

Steve Jobs (1955-2011), Apple founder



Transparency

“If you can’t use a computer, you will be like a chance visitor in the new information society.”

John Naisbitt (*1929), American futurologist



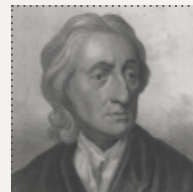


Philanthropy

“If there is no ownership, there is no joy in giving; no one can have the pleasure of helping friends, wayfarers or the needy in their plight.”

Aristotle (384-322), Greek philosopher, father of Western philosophy

“Unease has affected even the greatest pioneers of the computer age.”



Self-determination

“Enlightenment is man’s leaving his self-caused immaturity. Enlightenment is the maxim of always thinking for yourself.

Immaturity is the incapacity to use one’s intelligence without the guidance of another.”

Immanuel Kant (1724-1804), German philosopher of the Enlightenment, co-founder of modern philosophy



Public sphere

“The public sphere is best described as a network for communicating information and points of view, i.e. opinions; the streams of communication are in the process filtered and synthesized in such a way that they coalesce into bundles of topically specified public opinions.”

Jürgen Habermas (*1929), German philosopher and sociologist, who took critical theory forward on a new footing



Individuality

“An emancipated society, on the other hand, would not be a unitary state, but the realization of universality in the reconciliation of differences. Politics that are still seriously concerned with such a society ought not, therefore, propound the abstract equality of men even as an idea.”

Theodor W. Adorno (1903-1969), German philosopher and sociologist, co-founder of the Frankfurt School of Critical Theory

“If you can find opportunity where others see only a threat, and beyond money make ideas and effort the greatest things you invest...”



... then you can preserve your independence and succeed in your efforts to protect wealth in a world of change. This is the message of the animated film, “If...”, that you can see directly on your phone here.

Digital Existence

How is the digital world changing our lives and minds? A cultural philosopher's view.

"The Atlantic", an American monthly magazine, recently published a cover story headlined "The Touch-Screen Generation". Young children, even toddlers, we read, are spending more and more time in the company of digital devices. Unlike older media such as the television, tablet computers are interactive, and there is still great uncertainty about how they may be shaping the social and cognitive lives of the next generation. More than a decade earlier, in 2001, American author Marc Prensky coined the term "digital natives" to describe the first generation to grow up surrounded by digital opportunities. When Apple's iPad became the first tablet computer on the market in April 2010, the breadth covered by the phrase "digital natives" and its significance for social evolution and the future of our society experienced another quantum leap. In fact the tablet has become the true symbol of our age. Even a toddler knows how to use a touch screen.

"True irony has a meaning. History is created by ideas and experience, sometimes by conflict and war, but never by zeros and ones."

But these new devices are only one aspect of what we could call "digital living", by which I mean the dominance of electronic information exchange in the everyday life of the individual. Futurologists would no doubt call the progressive digitalization of all areas of life a "megatrend" – a widespread, long-term and largely irreversible transformation process that will shape the century ahead. What does this mean in concrete terms? How and to what extent is this digital living inspiring a new sense of self in the individual, and how much is it changing the nature of our relations with the world?

1. The new sense of self

The digital biography has become a new paradigm for living. Witness, for example, the "Quantified Self" movement, or "self-tracking" – the continuous recording of as much data as possible relating to the individual's own body, using mobile, often nano-devices. The late-modern person can accoutre him- or herself with all manner of digital accessories to record waking and sleep rhythms, pulse rate, number of steps taken, calories burned, etc. In the USA, Quantified Self has already become a social movement, similar to Weight Watchers. Groups (real or virtual) regularly meet to exchange data and results. Self-tracking involves a mixture – obviously an attractive one for a lot of people – of nanotechnology, medical advances, social networks, affinity marketing and the good old Protestant tradition of self-optimization. Because ultimately that's the aim: personal improvement, even if this is apparently to be achieved through purely quantitative means. Rather than being about virtue or morals (unless physical fitness counts as a virtue), it is about things like optimized biorhythms. Greater transparency about personal biomechanics and biochemistry is expected to deliver vitality and peace of mind. Many would see an inherent contradiction here between ends and means, and indeed critics have noted that the great harvest of data could ultimately just as easily lead to alienation from oneself and the world: self-trackers risk retreating into their own quantitative feedback loops, excluding emotions, poetry, absurdity and luck from the equation of life, reducing everything to pulse rates and metabolic efficiency, turning human existence into a mere flowchart.

This attitude reflects a phenomenon of cultural morphology that I like to call "digital corporeality": the assumption that the quantifiable and quantified self is actually the true self, and that empirical figures, about which there can be seemingly no ambiguity, contain more truth than anything we might think, feel or say. At the same

time, the post-industrial subject increasingly sees his or her own body as an object controlled by the ego – something that can be trained, lifted, shaped and otherwise modified. This increases the distance between ego and body, changing the way the ego relates to the body – and perforce the way it relates to others.

2. A new way of seeing others

A study at the Humboldt University in Berlin recently showed that one in three Facebook users is left in a worse mood after visiting the social network. The main reasons for this are envy and a lack of appreciation. It is an outcome that accords with social comparison theory, which tells us that people arrive at their sense of self by comparing themselves to others. The digital world renders the person not per se more satisfied. Susan Greenfield, a neuroscientist at Oxford University, puts forward the theory that “Facebook thinking” changes the structure of the brain. “Facebook Home”, the new user interface that ensures, via a smartphone, that Facebook has an almost constant real-time presence in the user’s life, gives Greenfield particular cause for concern, and on two counts: firstly because it promotes a fixation on the present, and secondly a fixation on the community. “Fixation on the community” means that the subject, instead of following individualized values, only experiences any kind of validation of his or her acts and words through the approval of a more or less abstract Internet community. Attitudes and ideas also become dependent on the “crowd”: I like what the others “like”. At the same time thought is infantilized, in that the world is divided into bipolar categories – fitting the kind of good/evil, black/white paradigm familiar from online world domination games.

“Fixation on the present” meanwhile means that in “Facebook thinking”, the present is shrunk down to a tiny point that is constantly updated by the latest posting. Individuals no longer take the time to consider how they stand in relation to a phenomenon, but reactively lean towards the opinion of the Facebook crowd. At the same time, however, the Facebook community serves very well to confirm one’s own self-image: digital communication is fundamentally unsuited to dialogue in this respect. It is a narcissistic tool for self-affirmation that makes the rest of the world, if it impinges at all, disappear. At the same time, privacy is abandoned in the interests of constant social comparison – and in the interests of rapid response: because immediate attention is vital in the world of celebrity. Facebook is home to millions of little celebrities, always living in the now, rarely in the here.

3. A new understanding of the world

In his latest book “To Save Everything, Click Here” technology critic Evgeny Morozov diagnoses a new problem-solving paradigm, a dominant mode of thought for the digital world that Morozov calls “technological solutionism”. He defines it as follows: “Recasting all complex social situations either as neat problems with definite, computable solutions or as transparent and self-evident processes that can be easily optimized – if only the right algorithms are in place.”

I believe that what Morozov describes as Silicon Valley’s “imperialist streak of quantification” actually hides a genuine paradigm shift as defined by the philosopher of science Thomas Kuhn: a shift in people’s philosophical self-perception, in the values, rules and methods they use to define their existence in the world. “Predictive policing” provides just one example of how a quantitative mind-set, as seen in the self-tracking trend described above, can also be fundamentally problematic on the social level. Predictive policing is a crime prevention tool that uses highly complex algorithms and special software to combine an evaluation of crime statistics with topographical analysis of where and how often reported crime occurs. As a result, a police force can predict where and when criminal acts are likely to occur, and allocate resources to ensure these areas are policed more heavily at the appropriate times.

And immediately we see the limits of the digital society’s quantitative paradigm, which “Time” magazine criticized in a discussion of Morozov’s book as “digital perfectionism”: results-oriented digital solutions to social problems (such as crime) all too often completely ignore the more complex causes of these problems (such as poverty or lack of education). And then there are all the issues surrounding data protection and basic rights. For example, do the algorithms used for predictive policing include any discriminatory distortions, and if so, which? This touches on the basic principles of any country built on the rule of law: police action needs legitimacy. Can a piece of software, a digital sequence ultimately based on probabilities, really provide this?

4. Conclusion: the freedom to try and err

Anyone attempting to evaluate the ambivalent advances of the digital world, as I have done to an extent in this very short overview, needs to make sure they don't succumb to the late modern neurosis about technological achievements: the compulsion to assign technology categorically to one of two poles – good or bad. Demonizing the digital is not a solution. There is no doubt that it can often open up wonderful possibilities. In my view the solution actually lies in adjusting our perspective in two crucial ways. Firstly: we should not undervalue or give up hard-won freedoms. Particularly the freedom to try and err. The freedom to make mistakes. We don't always have to know everything. We don't always have to store and save everything. Forgetting things, ignoring things, setting priorities for very personal reasons even when the facts seem to point in the other direction – surely the ability to do all of this is vital to the grandeur of human existence! It lies at the heart of so many of our spiritual and intellectual advances! What creative potential there is in imperfection, ambiguity, sin and mystery!

Secondly: we need to go back to giving things time. Stretch time out again. The shrinkage of the present, as discussed above, is related to a mentality recently analyzed in a much-discussed article in the "New York Times" entitled "How To Live Without Irony". This referred not to the subversive, creative irony of talent, but to the hollow, anxious distancing of constant quotation, the materialistic pseudo-irony of urbane mid-twentysomethings and thirtysome-

things, which has perhaps become the dominant attitude of the digital age in the Western world. An attitude that is insecure, risk-averse and hemmed in by cultural taboos. One that seeks defensively to frame life as an endless series of sarcastic jokes and pop references, and that prefers to express itself digitally, i.e. on social networks. This is infantile and unproductive. We should instead learn to take things seriously again. True irony takes life seriously – otherwise it would not be able to triumph over its imperfections. True irony has a meaning. History is created by ideas and experience, sometimes by conflict and war, but never by zeros and ones. Thankfully.

» By Philipp Tingler

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