

Political Science of Prosperity

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Chapter 1, The Definition of Good Government

About 2400 years ago Aristotle, in his book *Politics*, defined good government. He told us three things:

- a) He said the proper “business” of government is to grant justice to its citizens.
- b) Next he observed that governments that do not grant justice shall not long stand.
- c) Then he defined justice when he said that it is a specie of equality for equal rights for equal citizens.

No one since has improved on these thoughts, except it has been observed that government creates prosperity for its citizens. Or as someone once said “*it’s about jobs, ... stupid*”.

Government now finds it cannot simply legislate prosperity into existence, it can not print unlimited amounts of money and expect it to have value, because the scarcity or desirability is gone. But government can set the stage for prosperity by giving its citizens justice, equal opportunity, stable money, fair property laws and by keeping its taxes reasonable.

Good governments treat their citizens equally, or
with justice.

Chapter 2 The Definition of Prosperity.

About 594 B.C. Athens Greece was in a terrible plight when they called upon Solon (the law giver) to do something. He invented a constitutional democracy. Demos is the voice of the people. In his new government all those in government were appointed to office by lottery, but they could not hold **that** office after one year of service ever again. As a result there was no chance for an executive (president or governor) to create an administration to make and enforce economic privileges.

As a result opportunities were widely distributed among Athenian citizens, who took those opportunities and exploited them moving Athens from illiteracy to the golden age of Pericles in about 141 years! This was the greatest burst of prosperity the world has ever seen. This was also the dawn of the age of individuals.

Before Solon historians had never recorded the name of anyone not a king or a religious leader.

Today we know dozens of Athenian citizens, by name, for their cultural contributions.

Prosperity is defined as the maximum opportunity extended to the greatest number of citizens. This means no granting of economic privileges.

Chapter 3 The Privilege /Opportunity Equilibrium

There is **privilege/opportunity** equilibrium. Every time a politician grants an economic privilege, it is at the expense of the liberties and economic opportunities of an entire society. This is to say the economic opportunities of **all** of the rest of the citizens are slightly diminished by the creation of that privilege for the special citizens.

Politicians assume they have the right to create (and sell) privileges. Indeed, most think it is their rightful job to do so. But every time they do so they diminish the prosperity of the nation by throwing other citizens out of meaningful job opportunities. This means that the assumed right of politicians to sell privileges (for campaign contributions) diminishes the prosperity of *that* nation.

Every economic privilege granted is at the expense of the prosperity of the rest of the entire society.

America used to be known as the land of opportunity. We are now the land of privileges. We also lead the world in campaign contributions. Our politicians have sold the future of our children. They are destroying the middle class. This is not the way to prosperity.

We cannot permit politicians or courts to grant economic privileges.

Chapter 4. Advanced thinking About Privileges

Rights and Privileges Distinguished

What then are grants of economic privilege? A **right** is equally available to all citizens in a society. A **privilege** is the ability to do special things or to avoid certain responsibilities (such as taxation). Privileges are both created and enforced by politicians in exchange for bribes that are called campaign contributions.

Some Examples of Economic Privileges

- *Copyright
- *Patents and extensions thereof
- *Trademarks
- Corporations
- Limited Liability Partnerships
- Licenses (only if limited to favorites)
- Tariffs
- Monopoly not prosecuted
- Agenda driven legislation, administration, enforcement by court decisions
- Price fixing: “legal,” tolerated by administration
- Price fixing: illegal (simply not prosecuted)
- The entire federal tax code: Nothing but privilege to avoid taxation
 - Tax credits
 - Depreciation
 - Deductions
 - Depletion allowances
 - Tax exemption programs
 - Tax deferral programs
 - Tax cut programs to special factions
 - Dual citizenship (exporting tax revenue to another country)
 - Wealth management; for example: the power of UBS to move money to foreign accounts *to prevent taxation, or to hide it from spouses, creditors and investigators*
- Subsidies
 - Direct cash payments
 - Price supports
 - Grants
 - Low interest loans
 - Loans with interest deferral
 - Loan forgiveness
 - Cost sharing programs
 - Fellowships and stipends
 - TIFS and free building sites for manufacturers
 - Laws that skew the free market in a person’s or entity’s favor (in any

format)

Sale of mineral rights from public lands or Native American lands

Power to control the money supply held in private hands

Power to issue money held in private hands

Power to manipulate stock prices exempt from meaningful prosecution of the law

Any exemption from prosecution for crimes related to campaign contributions

Laws of economic preference (such as mandatory use of ethanol in motor fuels)

*The first three were thought by the Founding Fathers to be beneficial to society.

The Privilege Pyramid

Privileges in any form of society generate huge problems for the government. Once a government assumes the right to grant economic privileges a cycle begins. Privilege begets economic enrichment. The economic enrichment received from the privilege, for the lucky holder, provides funds for more campaign contributions, which lead to more privileges, which lead to more enrichment. The highest bidder for political largess is occasionally a wealthy family. More often it is a corporation; frequently a foreign corporation and the benefits of privilege accrue to those at the apex, forming a virtual aristocracy. Remember the **privilege/opportunity equilibrium**: each privilege created causes a loss of liberty or opportunity to the remaining citizens. How can that be in the general welfare?

The Avalanche Theory of Privilege

Is there any possible compromise or some middle ground, where some privileges might be in the general welfare? Experience suggests that it is not possible to define a middle ground, no halfway point, no line of demarcation between permissible (within the general welfare) privileges and those which are not. It is the nature of grants of privilege to proceed without limit. There is no internal limit, no check, no balance within our government. Nor can such a device of limitation ever be defined or built. Human nature militates against it.

Turn the coin over: where has it ever been shown that grants of privilege are necessary to govern or shape society? Privileges upon privileges will invariably have unintended consequences that are contrary to the original effect of a law. Pundits may call grants of privilege a slippery slope, but they are more than that. Grants of economic privilege have become an unstoppable avalanche.

Generations of Privilege

Consider the impact of generation upon generation of grants of privilege. What are the cumulative effects of these special benefits, and how do they affect both

individuals and their society at large? Children of the privileged are sheltered from the impacts of the real world: being hungry, cold, broke, perhaps homeless, forced to live a hand to mouth existence. They have never faced being alone, on one's own, without resources, for there is usually a safety net of a caring and comparatively well-to-do family.

These children don't have to work in the real world. They don't have to embrace the hardships of finding a job and keeping a job: punching a time-clock, working inconvenient hours, the arbitrary demands of employers, keeping a smile in the face of adversity. They are deprived of the challenge of living strictly on minimum or menial wage, trying to advance in the face of limited opportunity and many competing for the same menial job. They are deprived of the experience of the necessity to save money, to live thriftily and to carefully manage and budget personal assets. As a result many children of privileged parents evolve to be conspicuous consumers, depending on materialism instead of hard work and accomplishment for gratification and satisfaction. They have not developed the notion of deferred gratification. Instead many develop, even cultivate, dependency, disability and a sense of entitlement.

Not surprisingly the privileged have no understanding of gainful employment, profit margins, a time and motion study, the work-a-day world, budgets and the consequences of failure to manage a department within a budget. They show no comprehension of profit and profitability, or the functions of profits. Most have been taught to view profits as an excess or evil generated from a capitalistic system. They are clueless that competition in a free market is the only way to keep profits at a reasonable level and that regulation never can.

These privileged persons are unsophisticated as to economics having been taught we live in a free market economy. The truth is anything but. We live in a regulated market, dominated by administrative regulators and do not realize this, or its implications. So it is that they do not recognize the function of profit to allocate raw materials and human resources (such as time and creativity) in the direction of human desire: those things that people wish to pay a premium for. Not surprisingly the entrepreneurial spirit is never caught or understood.

Perhaps worse yet, successive generations of these privileged feel the necessity to care for others in apparent need. They were never weaned from their parental penumbra of benefits of privilege and seek to grant to the downtrodden some similar benefits. This is done without financial limitations or a thought to the motivational consequence to these hapless souls. Frequently the immediate impact is that the motivation of the downtrodden is impaired or utterly destroyed. Thereafter the motivation is to seek gratuity, rather than seek opportunity to become self sufficient.

As generations pass, aristocracies develop: political, economic and that of the intelligentsia. These budding aristocrats preach and teach that *the free market can be improved* by regulation, and that they, the gifted persons, are better equipped to understand what the public needs and wants than the public itself. These enlightened but inexperienced creatures become intoxicated by their positions and power and the notion that they are actually contributing something of benefit to society. As they become entrenched in the ivory towers of elite institutions, they teach that this new point of view is somehow reality. Worse yet students are not taught to think in a critical manner. They must parrot this nonsense as the truth, or they do not matriculate. All too frequently

elected officials rely on these daft and misdirected aristocrats for inspiration and guidance in policy making and governing.

All privileges diminish national prosperity.

The idea that privileges in any form simply diminish national prosperity makes perfect sense. Every privilege to one or a few diminishes the opportunities to all the rest. The more we have paddling, the further the ship of state will go!

Chapter 5. The Format of Good Government: Where is the power held?

About Power

Power is the capacity to act effectively, or forcefully, without regard to legality or legitimacy. The word **political** has its roots in polis, which is Greek for city. Political has many shades of meaning: from the study of government and its structure, to such meanings as prudent, wise, sage, shrewd, judicial, ingenious, artful, crafty, cunning, devious, unscrupulous. Politicians have been called a majority of scoundrels. The Greek root *pol* has spawned many words from polite, to polished, policy, pollen, (too numerous to count) pollard (trimming top branches on trees or horns on cattle) pollute (contaminate or corrupt) and police.

Legitimacy and Power

Lord Acton, commenting on legitimacy of power, observed power corrupts, absolute power corrupts absolutely. Absolute power held in a single hand is **tyranny** or a **monarchy**. No legitimacy found there. Power in the hands of a few is **oligarchy**. With republican or representative government, the question is always the allegiance or legitimate use of the power entrusted. Power held in the hands of citizens is said to be a **democracy**, often said to be the most legitimate form of government. So it is that power defines governments.

Montesquieu studied the history of political systems and found there to be three departments of government, **legislative, executive and judicial**. He found that they must be separate, and kept separate, or **tyranny** evolves.

The Founding Fathers concluded that, for stable and long lasting government, power to govern should be divided between those three departments, as we have been taught since middle school. For the first time in history the Founding Fathers created a Supreme Court. Its' power was supreme to other courts and to the president. And they invented the concept that with this supreme power comes the duty to keep the three branches of our tripartite government defined, distinct and distant or separate.

The **legislature** has the exclusive power to write laws. Legislators are known and identifiable trustees given this exclusive power by the citizens. The idea that a legislature can delegate, all or in part, this power to presidential regulators (non trustees) is just as balmy as thinking you can have your secretary get a haircut for you. Legislating is a nondelegable duty. Delegating this power also defeats the notion of separation of powers. It sets the stage for tyranny.

The **executive branch** has the power to enforce the laws. And the enforcement of laws should be the same for all citizens. Unfortunately the ultra rich are ultra privileged and become immune from prosecution of the laws to which the rest of us are responsible.

The executive branch and all the czars, administrators and regulators should have no part of writing law or administrative code. Such writing leads only to tyranny. Unfortunately most administrative code is written by lobbyists and their attorneys and is blessed by regulators of the administration and finds its' way into law through this route.

The executive branch should not perform any judicial functions whatsoever: this, too, is the pathway to tyranny. Yet the myriad of administrative courts and administrative

judges are nothing but a progression on this pathway. The Executive does have the power to pardon crimes and commute sentences, but never to adjudicate a case.

The **Supreme Court and its lesser courts** have the power to strike any written law, but no power to write or rewrite any law. Theoretically the courts should have no power to pass judgment on policy. They have the power and the duty to keep the branches of government separate. The failure to clearly demarcate the boundaries between the departments is one of the courts great failures. Their greatest failure is their inability to recognize the illegality of economic privileges and the consequential failure to strike these laws in their many forms.

The Powers of the Citizen

We are rarely taught or reminded that the source of legitimate power rests with citizens.

Much is made of the power to **elect** many public officials: our power to vote. In addition to the power to elect public officials, in some cases citizens have the power to **recall** public officials, again by vote. Some states allow citizens a power of **referendum**, or introduction of legislation.

We are rarely reminded of our **right to revolution**. But the Declaration of Independence tells us “whenever government becomes destructive to these Ends (our unalienable rights) ... it is their Right, it is their Duty...to alter or abolish it. Citizens also have the right to participate in juries and utilize the power of **jury nullification**, as seen in the next chapter.

Failure of our Educators and the Press

Our press, media, and educators fail us in that they do not emphasize that citizens have the power of the right to jury trials. Power in the hands of the people made this a great nation, just like the Athenians. But our educators do not teach what this power the founding fathers gave to jurors is. Educators do not teach us how the strong jury power should be. They do not teach us how jury power should be used. Hence we do not realize how the power of juries has been curtailed. Instead the media and the educators teach us to fear juries. What is the nature of the power of a jury?

Chapter 6 Right to a Jury Trial

Our loss of the right to a jury trial in administrative proceedings is a truly amazing thing. Our federal constitution recognizes the right to a jury trial for citizens with civil issues valued over \$20 dollars, ... ”

“In Suits at common law, where the value in controversy exceeds \$20 dollars, the right to a jury trial will be preserved”. Bill of Rights Article VII.

And in Criminal cases (over 6 months in jail) our Constitution recognizes the right to jury trial I in two places:

The trial of all crimes, except impeachment, shall be by jury trial, such trial held in the state where the crime shall have been committed... Constitution Article III Section 1.

and again in the Bill of Rights:

In all criminal prosecutions the accused shall enjoy the right to a speedy public trial by a jury of the State and district where the crime shall have been committed... Bill of Rights Amendment V.

There is also the right to a *grand jury*: persons cannot be charged in federal courts for a capital crime or, in the alternative, an infamous crime unless a grand jury finds there is probable cause that they committed such a crime (Amendment V.)

The Power of Juries

Our Constitution provides that a jury alone* has the power to decide such **issues of fact** as: *guilt or innocence, negligence* (was there a failure to use reasonable care for the circumstances presented) *causation* (did the negligence cause an injury) *damages* (what is the injury worth). And such determinations are rather beyond appellate review, for the Constitution provides that:

No fact tried by a jury shall otherwise be re-examined in any Court of the United States, otherwise than by common law. Bill of Rights Article VII.

Nor shall any person be subject for the same offense put twice in check quote jeopardy of life or limb... Bill of Rights Article V.

This gives a jury the immense power of what is now called **jury nullification**. The jury can, in a sense, decide whether the law is justly applied to the facts that are proven in court. This is to say someone might technically be guilty, but in the interest of justice a jury can find a person innocent. Or a jury might find a culpable defendant is not

liable for damages which, in the eyes of the jury, are not “just”, under the circumstances presented in court. This gives the jury the power of “nullifying” what the jury finds to be an unjust law, or unfair application of the law.

It is clear that the Founding Fathers intended the right to a jury trial to cover civil and criminal cases; or all the types of cases they could imagine. The Fathers simply could not foresee an executive (president or governor) who would create administrative laws and administrative courts that would deny citizens the right to jury trials.

Then consider that every state constitution provides for some level of a right to a jury trial, though under varying circumstances: we can demand the right to a jury trial in most states for even a traffic ticket.

Loss of Right to Jury Trial

The Supreme Court has reasoned, in a rather mush minded and hardly compelling way, that there is no right to a jury trial in cases based on laws written since the Constitution. To their minds, this means there is no right to a jury trial in administrative law proceedings. What is the federal Supreme Court thinking when it holds we have no right to a jury trial in administrative law proceedings? As administrative dictates collide with the right to a jury trial, how is society affected?

The privilege of immunity from jury scrutiny gives truly stupendous power to those who buy privileges. An example is the action of Obama’s pay czar, Kenneth Feinberg. He was to monitor the excessive compensation that bankers paid themselves when the banks were bailed out. On July 24, 2010, he announced that he would make no effort to recoup the 1.6 billion dollars those executives in the 17 banks had recently paid to themselves. Because “*shaming these banks was enough*” he reasoned that “*a fight with those banks would simply expose them to lawsuits from shareholders trying to recapture executive’s money*”, and he didn’t think that would be fair. Do you think that a jury would feel keeping such money was fair? Is this not also a stark admission of regulatory failure?

If this issue is placed before juries, do you think they would let them get away with such plunder?

Aristotle reasoned citizenship depends not upon wealth or education or physical attributes, but belongs to anyone who “*enjoys the participation in deliberative or judicial office*”. Is this deliberation not exactly what juries do? What better way is there to get more citizen involvement in this huge republic than service in juries?

Who gives juries a “black eye”? That is the job of the media: to convince us juries are dangerous or not to be trusted. What, or who is behind this? It is the power brokers of this country. Simply ask yourself who fears juries? Only the privileged and those who grant and administer the privileges.

We need more jury review of most administrative activities. Who better knows the general welfare than a jury? Regulators prove time and time again they don’t get it. They are merely puppets acting as judges for privilege selling presidents and governors.

Wake up Americans. Your right to a jury trial is our forgotten tool of government.

Chapter 7. Legislation

Did you ever awaken and say, gosh, our problem in America is that we don't have enough laws? Or perhaps lawyers?

Why do we have so many laws? Now that we begin to understand privileges and human nature we begin to realize we have so many laws simply because politicians make tons of money selling economic privileges.

The sale is politely called a campaign contribution. The only problem is that campaign contributions do not reflect the **general weal**. The principle of the privilege pyramid suggests the benefits go only to the wealthy. And indeed this is consistent with the general beliefs of most citizens.

As politicians sell privileges, each privilege leads to diminished opportunities to the society at large and leads directly to the decline in our national prosperity. Our politicians are selling our children's futures and continue to destroy our middle class. This is not the pathway to national prosperity.

By selling privileges the legislature makes an impossible job for the courts. How can courts grant justice (equality) when citizens come to court demanding their rights and corporations demand that their expensive privileges be honored?

Handing off legislative functions to administrative code writers, which too often prove to be lobbyists and their attorneys, has proven to be no solution.

We must admit that the right to sell economic privileges is not a power granted by our Constitution. Indeed Article 1 Section 5 tells us "*all spending*" shall be for the "*general welfare*". A cash subsidy can never meet this test. Recognizing that grants of economic favor or privileges are not the pathway to prosperity is the key to proper legislative action.

Let us resolve to keep rule making strictly in the hands of elected legislators we know and can identify, then prohibit them from passing any laws of economic favor or privilege.

Chapter 8 How do Politicos Create and Administer Privileges?

Presidents and governors have a problem selling privileges if they cannot be enforced. The job of the courts is to grant justice (equality). But equality diminishes the value of the privileges executives wish to sell. Judges and justices have taken oaths to grant citizens justice, and have shown a disturbing tendency to do so, which undercuts the value of privileges. Hence judges and justices simply cannot be trusted to enforce privileges. What to do?

For Franklin D. Roosevelt the solution was simple and obvious: Simply create a second set of courts, with second set of “judges”, and create a second set of laws that do not go through Congress, but are rather written by lobbyists. The “judges” are called **administrative law judges**. They are really executive puppets, for they have no fixed term of office; they serve only so long as they please the president or, in the case of states, the governor. Usually these “judges” do not publish and disseminate their decisions, so they are at liberty to rule one way on one day, and the opposite way the next day

In **administrative law courts** the first thing that is apparent is that there is no jury box, hence no jury. This means nobody can keep track of what the administrative law “puppet” says or does. The puppet is free to run the show as he/she wishes. There is minimal explanation given for the decision of an administrative law judge. It often has little relation to the evidence presented.

Compared to a *court of law* the record in these *administrative proceedings* is invariably an evidentiary shambles; everything is admitted into the record, “for whatever it is worth”. This sloppy and uncritical approach allows tons of irrelevant evidence into the record. Because of this practice there is always a scintilla of evidence, relevant or not, to support the ALJ’s decisions. Decisions are rarely recorded and less frequently published, hence rarely indexed. So it is that the loss of due process is swept under the carpet. And the ALJ is at liberty to do whatever they wish.

As it is not possible to appeal an administrative law court decision to a real court of law, your “appeal” is only to an internal body within the agency. So it is that in most cases there is simply no meaningful review of administrative law proceedings. Your only recourse is to bribe the governor or president.

Administrative law or code is quite different from what our Founding Fathers imagined. There is no House of Representatives, there is no Senatorial review. There are no known and identified persons drafting the proposed laws. Power brokers and lobbyists create millions of words that become administrative code. How do they do what they do, even while we are watching them? They create and enforce privileges behind closed doors. That’s how.

Case Study: How have administrative laws and proceedings impacted the

investment world? Financiers, speculators, market manipulators are insulated from jury scrutiny. In this world it is all mandatory binding arbitration when you have a dispute with your broker. To invest in the market you must be represented by a FINRA member broker. Before any broker will represent you, they demand you sign a contract where you give up your right to a jury trial and the right to depose them. Your case must be decided before an arbitrator, of their choosing. There is no right to meaningful appeal, and hence no need for arbitrators to explain their decisions. How convenient is that? Where is the justice to be found here?? In the investment world there is no justice for those who invest in securities.

All this is blessed by the Securities and Exchange Commission, a creation of our presidents.

Chapter 9 . The Econopolitic

The **econopolitic** of a society is an overview of the integration of economics and politics and law, and gives an interesting and insightful perspective on our political problems, because the politician can no longer avoid addressing a problem by saying “that is an economic problem, not a political problem. It is simply beyond my control.”

The Econopolitic is made up of four parts:

Citizens: the reason government exists. The effort of citizens is also the source of all things of worth.

The **Marketplace:** democracy in its most fundamental form, where votes are dollars and the polls never close.

Business enterprise in its myriad of forms: the of pursuit of profits which are the only source of government revenue which does not consume capital. Taxation beyond this “surplus” is simply consuming the seed corn of tomorrow. Without profits, what can government confiscate?

Government: a creation of citizens for the benefit of citizens, which is within their power to alter.

Politicians love to pretend they are not in charge of inflation in our economy. They would have us believe it is created by some mysterious market force, hence beyond their control. In fact, politicians control the issue of money; so in the final analysis, they are the source of all inflation.

Politicians define property. They define what it is and what characteristics it will have. They decide how property it is to be taxed, whose business might be subsidized, whose property will increase in value, and whose property will be destroyed. They have the power to condemn real property and decide what amount of money they will offer as compensation. Many feel this is too much power to be held in the hands of politicians who routinely sell political favors and privileges to the highest bidder. But not the majority of our Supreme Court.

Politicians define the privilege of corporate existence and, by subsidies and other laws of favor, decide which businesses will prosper, which will decline. Do not for one minute believe ours is a free market.

A free market is one free from political contrivances: subsidies and laws of economic bias or favor. Theoretically the free market is the most democratic institution of all. The ballots are dollars. The polls (markets) are always open.

The Supreme Court acknowledges we have a right to free markets:

Likewise every consumer can look to free market competition from every producing area of the Nation to protect him from exploitation by any. This was the vision of our Founders; such has been the

doctrine of this court, which has given it reality... Hood & Sons v
Du Mond 336 U.S. 525

But the reality is that we do not have a free market in the United States. We have too many privileges: monopolies, subsidies, laws of economic preference (mandatory ethanol in motor fuels) and the like. When a politico talks about a free market, you know he or she is balmy. Our market is the most rigged and contrived market in the world. It is all based upon privileges bought by campaign contributions in which we lead the world.

The free market is the only pathway leading to our return to national prosperity. It was the American way. Let us dump all politicians who grant economic privileges, which lead directly to the destruction of our middle class.

Chapter 10 The True State of the Nation

The true state of our Nation, speeches of our politicians notwithstanding, is as follows:

Money

Our dollars no longer are a store of value. On 8-4-11, some 30 day T-Bills on the secondary market actually had a negative interest rate of .003% per year. This means an investor had to pay \$1,000, 250 to buy a \$1,000,000 T-Bill which would mature in 30 days.

With the advent of fiat (printed) money, the money supply of a country is always, directly or indirectly in the control of the government. Government usually blames its citizens for inflation, inferring they are not working hard enough. The fact is government is printing money at such a rate it is no longer scarce: which means it cannot hold its worth. It has ceased to be a store of value. As the value of the dollar plummets, we must wonder is hyperinflation just around the corner? How can this state of affairs ever lead to national prosperity?

The Investment World

Politicos have allowed the investment world to contrive a marketplace where only those who do the trading of securities make any money once inflation is taken into account. Investment bankers with computer trading programs and speculative shorting the market cause fluctuations that terrify our nation and the entire world.

Financiers are allowed to manipulate the stock markets, taking profits on the way up and on the way down, by means of a short sale. In our world selling something that you do not own is a criminal act. In the investment world it is called either a short sale, or if it is not covered by an option, a naked short. By flooding the market with options that far exceed in number the shares of stock that exist, investors are spooked to sell shares at far below their value.

Financiers manipulate the stock markets, taking profits on the way up and on the way down. They siphon off billions of dollars while contributing no goods or services.

To cover their tracks, the financial world has created paperless stock ownership and electronic and secure (hence secretive) bookkeeping systems. Investment bankers and wealth managers at UBS have created their own stock exchange in New York that is twice the size of the New York Stock Exchange, in which to play these games. By the use of these devices the market price of a stock can be manipulated at the speculators whim. They hide behind corporate veils, immune from personal liability, and allowed to commit frauds in every way they can imagine.

Our politicians encourage this in several ways: first they allow leverage of up to 30 to 1 margin requirements. Next they do no meaningful or timely investigation of stock markets or stock rating agencies and when they do act they engage in selective prosecution of financial (white collar) crimes, do not fit the punishment to the economic scope of the crime, and, on occasion, when the bribes (campaign contributions) are right even bail out these crooks with cash bailouts.

Disturbing is the notion that private equity firms now call themselves “banks” to sneak, after the fact, under the umbrella of the FDIC to get insurance coverage for their financial transgressions. This causes the FDIC premiums of older, traditional small banks to skyrocket, in effect subsidizing the malfeasances of the equity firms.

Laws

Instead of jus legislation, the laws of our nation are for the most part laws of economic privileges, which have transformed us from the land of opportunity to the land of privileges. For compelling proof, we need look no further than our federal income tax code, the biggest rats nest of privileges in the world. For proof of selective enforcement of the laws of our nation, look only to the failure to enforce these rules in the world of finance.

Courts

Our courts are in complete disarray. We have allowed our government to create two sets of courts, with two sets of procedures and two sets of laws: one for the privileged and one for the ordinary citizens. The Executive mandates selective enforcement of the laws where the influential are systematically undercharged for crimes and punishments become a virtual subsidy for illegal activity, and there is little courts of law can do about it.

Politicians

Politicians, keen on selling privileges, are clueless to define or create prosperity. By granting economic privileges they are heading in the wrong direction. They seem to have the knack for debasing our currency, debauching our morality and destroying our work ethic. Is it not time to tidy up government and our economy before we get in real trouble?

The Free Market

We have no free market. Who can deny that the free market described in Hood does not exist except in the mind of politicians who are giving speeches, and mush minded media mavens? Our marketplace is encumbered by tens of thousands of pages of federal regulations, and thousands of pages of state regulations. Virtually all these words are grants of economic privileges. The only free market that exists is that market where politicians sell their souls.

Foreign affairs

Foreign affairs has become simply wasting valuable tax dollars creating and supporting friendly dictators, tyrants and police states who in turn create economic

privileges for corporate business interests. And then to occasionally declare and fight expensive wars against these dictators.

Foreign Aid

We lend money to foreign powers, some of which is used to buy our military equipment which these tyrants use to keep order within their country. Some of these funds find their way into private offshore accounts. The populace is liable to pay these loans back, even though they get little benefit from them. Why do you suppose Swiss bankers always dance a jig whenever these dictators are deposed or executed?

Conclusion

It seems that we must rely upon our courts to right the ship of state. Politicos show no willingness to act in the general weal. The majority of our population seems disinclined to get on with the hard work of creating prosperity. Perhaps, with a redistribution of opportunity we can return to the America that led the world.

Chapter 11. The Supreme Court

Pity the Supreme Court. The laws of our legislature, mostly laws of economic favor and privilege make granting justice (equality) impossible. And this impossible job is made even more difficult by politics. The allegiances to disparate and irreconcilable views imposed by outdated political dogma are so emotionally ingrained in the minds of our justices that it is impossible for them to see and understand the **privilege/opportunity equilibrium**, and to see that grants of privilege destroy the national prosperity.

The primary job of the Supreme Court is to create justice, which we now recognize is *a specie of equality*. The second job of the Supreme Court is to keep departments separate and operating within the powers given each branch by the Constitution. But these jobs are made impossible because of the legislature, constantly granting laws of economic privilege.

Right to a Free Market

The Supreme Court acknowledges that citizens have a right to free markets. Once again from Hood, talking about the commerce clause the court said it was:

... "designed in part to prevent trade barriers that had undermined the efforts of the fledgling states to form a cohesive whole following their victory in the Revolution".

"Our system, fostered by the Commerce Clause, is that every farmer and every craftsman shall be encouraged to produce by the certainty that he will have free access to every market in the Nation, that no home embargoes will withhold his exports, and no foreign state will by customs duties or regulations exclude them. Likewise, every consumer may look to the free competition from every producing area in the Nation to protect him from exploitation by any. Such was the vision of the Founders; such has been the doctrine of this Court which has given it reality..." H.P. Hood & Sons v Du Mond,

Yet our federal courts will not face the issue of the legality of subsidies: Notice the following wording of the U.S. Court of Appeals in *Cuno v. Daimler Chrysler Inc*, (386 F3d 738). The court said that *"we have never squarely considered the constitutionality of subsidies."*

The Supreme Court has neither the brains nor balls to outlaw subsidies or other grants of economic favor or privilege

We will never have the prosperity of our ancestors without the free market: one free from government grants of economic privileges.

Corporate Citizenship

Regarding **corporate citizenship**, in the case of *Bank of the United States v Deveaux*, 5 Cranch 61 p86 (1807) our Supreme Court held that there can be no such thing. Justice Marshall wrote for the Supreme Court, which decided unanimously that corporations were not citizens. The court found the obvious: corporations were “*invisible, intangible, artificial beings*” that “*exist only in the contemplation of the law*”. It was found they have “*no organ except the corporate seal*” and “*cannot be outlawed*”. They were “*certainly not citizens*”.

However, more recently, the justices held in the case of *Citizens United* that corporations are citizens, and not only that, they are citizens with unlimited power to spend money on political campaigns.

Money Equals Speech

Now that corporations are citizens, they need to speak to politicians to protect their rights and privileges. Because they are mute, the freedom to speak test is outdated. The new test becomes the freedom of expression. Since freedom to speak (now expression) cannot be limited in any way (*Citizens United*) corporations are now at liberty to spend whatever amount they wish to bribe politicians.

Apparently the Supreme Court justices cannot distinguish between money (tangible) and speech (intangible). The simple solution to most of the courts problems is to ban the sale of economic privileges.

Supreme Court Justices as Rational Beings

The general notion is that courts are cerebral and have a working knowledge of our rich legal heritage, especially the common law. Unfortunately many appointees and elected justices have proven to be deficient in the knowledge and practice of the law and have become little more than political pawns of anyone seeking economic privilege.

In Wisconsin, where justices are elected, a huge influx of political funds has caused a shameful mess. It has destroyed the rational consideration of policy and law. Justice David Prosser is being investigated for allegedly entering the office of Justice Ann Walsh Bradley and assisting her deliberation with his hands around her neck. Supreme Courts have regressed in Wisconsin to using to the age old method of trial by combat. All of this is motivated by privilege seeking. Universally, justices fail to recognize and accept our new principles of political science:

- A) They fail to understand the privilege/opportunity equilibrium.
- B) They fail to conclude every grant of economic privilege diminishes the prosperity of our nation.
- C) They fail to recognize the objective /subjective divide: that while objective standards (those scientifically verifiable) are proper subjects for regulation , the subjective standards become mere political footballs, and are devices for granting and enforcing economic privileges in the guise of due process.

There is no room for politics in the Supreme Courts of our land.

Our justices have yet to realize that striking of laws of economic privilege or favor will solve most of the problems they face. Legislators will have nothing to sell. Lobbyists will have nothing to buy. The court will be freed of the obligations to honor privileges in the name of justice. Unfortunately the justices can not even recognize a law of economic privilege when they see one.

Chapter 12 Taxation

The greatest bunch of economic privileges the world has ever seen is the US tax code. Under the guise of encouraging businesses to hire and thus create prosperity, it has gotten to the point that anyone wanting badly enough to have their own tax law can simply buy it. It may be granted for political control: as pleasing the farm block with mandated ethanol in motor fuel. It can be industry specific: as tax credits for the act of blending the ethanol in motor fuel. Individuals can buy tax breaks and can do so without leaving a record through a **private letter ruling**.

The key to tax reform is simple: Ban all laws of economic privileges. Nothing else will work.

A fair tax plan would enroll all residents and citizens and cover every dollar from the first to the last. Everyone should be in the system. All income should be covered. This will address the psychological threshold or barrier of the underground economy. All should have a stake in government spending.

There should be graduated rates. The wealthy can afford a greater percentage of income contribution for a system that gives them more income, wealth and a government that spends more to protect their larger estates. Because a “tax cut” simply goes to benefit those with larger incomes, we must realize the term “tax cuts” is really legalized **tax evasion**. We must realize tax cuts go only to the wealthy.

Because greed of the biggest “earners” seems to have no limitation, willful tax evaders should face loss of citizenship and jail time. Crime and punishment should be determined by jury trial. Revealing the Presidential failure to meaningfully prosecute tax evasion is a valid and vital function of the internet and the press. Unfortunately they universally let us down.

Net Pay Packets

What our media does not recognize, or is reluctant to tell us, is that frequently pay packets for executives in the largest corporations are **net pay**: or net of income taxation. That is to say the reported compensation of many corporate executives is free of income taxation: the corporation is left to pay the taxes, or avoid it by other means. This means a corporate pay packet of 50 million dollars is the equivalent of 80 million dollars of income. The taxes paid by the corporation are often handled by tax credits.

Our media also fails to recognize the evil of **tax credits**. They have tremendous appeal to businesses and politicians alike: they are invisible. They are off the books. For example, big oil generates 60 cents of tax credit for each gallon of ethanol blended in to motor fuel. With a 10% blend that is six cents of credit for every gallon of gasoline. Every time anyone in the USA buys 20 gallons of gasoline, one dollar and twenty cents goes into these credits that are the means corporations use to pay the income taxes for their executives. This is merely one example, there are over 60 types of tax credits in the US tax code.

Case study: Fund managers that specialize in long term capital gains take their compensation as a percentage of the gain earned for investors. Since the funds are long term capital gains, the fund managers have bought a special privilege that their earned income is taxed at capital gains rates. For the rest of us it would be taxed at earned income rates, which peak at 38%. Hidden benefits include the idea that there are no social security or medicare taxes paid. Most wage earners pay 10.4% on the first \$106,800 they earn. (Maximum amount \$11,107.)

There is no upper wage boundary on payment of medicare taxes. Though that taxation is only about 3%, since these fund manager's annual compensation can go into the hundreds of millions of dollars per year, they escape from just under \$30,000 per million dollars of tax. This tax avoidance loophole is huge. It is more money with which to bribe our politicians.

The hand-to-mouth crowd simply has little to tax; the rich get every break they can imagine. Taxes fall on the middle class, which is being destroyed by such taxation *and* inflation *and* lack of meaningful job opportunity caused by the sales of economic opportunities. Is this the pathway to national prosperity?

Chapter 13 Limitations to government activities

The effective range of activities of government is generally limited to the following:

Legislation: creation of laws defining property, citizen rights and procedures

Enforcement of laws in a just or equal manner

Adjudication of laws; cases and punishment: administer just laws; such is the basis for legitimacy of any government

Money: The creation and maintenance of a stable currency is the circulatory system of prosperity and is essential for life, liberty and accrual of estate.

Taxation: raising revenue

Spending money prudently

Protection of citizens, within its boundaries and on an international basis

Limits to Governmental Effectiveness

Eventually a prudent government realizes it is beyond its powers to:

Dictate the value its currency shall have, or

Improve upon a free market by regulation, or

Legislate prosperity, or

Create prosperity by redistribution of either income or wealth

Legislate morality

Dictate religion or nationalism

Consequences of Misrule

The inherent nature of government activity is that all government is a consumer, indeed a voracious consumer of wealth, yet it produces no goods and few services, and none at competitive prices. This is because government is always a monopoly: hence immune from all competitive forces that create efficiencies and the best “product”. Because every governmental act is so extravagant, government activities should be limited to the essentials: those not supplied by the private sector.

Consequences of misrule of any government include:

Inflation: The natural tendency of government is to inflate its currency to fund its programs. Inflation destroys the scarcity or value of money. This leads to the destruction of the values that inspire national confidence. As well it destroys such aspirations as the

American dream of owning one's home. It undermines the willingness of citizens to invest and build vital prosperity. It undermines the circulatory system of its marketplace. This is not the pathway to prosperity, but a sign of decline of that nation.

Disruption of the democratic marketplace and undermining every decision made by citizens in the marketplace as a result of granting economic privileges which destroy citizens' ability to calculate real value in any transaction. This is the next sign of decline of a nation.

Overspending by governments quickly strangles economic growth and property values, causing excessive taxation. Overspending causes inflation or devaluation of the dollar (see previous page).

Redistribution of wealth, though it may sound appealing, has grievous affects on the motivation of all citizens. It destroys the motivation of the recipient, causing a dependency which can go on for generations. It is equally corrosive to the enthusiasm of the worker-taxpayers.

A government may strive for equality of opportunity, but not equality of income or wealth .

Taxation that creates an unfair allocation of the tax burden is nothing but the loss of legitimacy of a government. This is usually the last sign of an economy about to collapse.

The Definition of Bad Government

We are now in a position to define bad government and need look no further than grants of economic privileges. If widespread economic opportunity which leads to prosperity is the definition of good government, then grants and sales of economic favors and privileges are the very definition of bad government.

The decline of most governments in history is based upon exemptions from taxation for the few, and the burgeoning expense of maintaining a huge privilege pyramid crushing those who remain as taxpayers.

The key to sound government is prosperity and the basis of this is to distribute opportunities, not wealth. The foundation to prosperity is the ban of economic privileges. They are two sides to the same coin.

Chapter 14 Why Governments (Nations) Decline

We now see that the “business” of government has become creating and selling economic privileges of every shade and color imaginable. We have learned that each privilege created diminishes the liberties and opportunities of all of the remaining citizens in that society, and hence diminishes the prosperity of that society as a whole. Thus it is subsequent generations have fewer chances for making a decent living. In America our next generation will not have the standard of living we had.

Granting of economic privilege has the most grievous impact in the area of taxation. These are the important dynamics;

- The hand to mouth crowd simply have little income or accrued wealth to contribute, (confiscate) except perhaps their lives in warfare.
- The upper class has bought every privilege they can imagine, including the most nominal taxations and exemptions from prosecution for breaking the laws others must follow. Hence little contributions to the expense of maintaining a society come from this sector.
- All the expense of governance then falls upon the middle class. And the privileges we have begun to recognize and understand that are granted to a chosen few slowly destroy the opportunities of the middle class to flourish. The final straws are the government policy of inflation which accelerates the expense of running government and taxations levied against the middle class, causing them to lose their homes and estates. The middle class is decimated and so, too, the entire nation declines from world prominence.

With our new understanding of the privilege opportunity equilibrium and its effect on national prosperity the mystery of the decline of nations is now clearly understood.

Chapter 15 Political Parties: Republican, Democratic, Tea

Historically, in America, there were two major political parties, conservative and liberal. The conservatives had old money, the liberals were advocates for those with less to none. The conservatives held the paper: promissory notes, bills, bonds, mortgages and the like. They demanded to be paid in full. Ever aware of governments' tendencies to inflate currency, and the effect this would have on the value of their long term "paper", they were against any paper money which was not strictly redeemable by specie: gold or silver. The effect that this had in the cause of World War II is eloquently traced in Lords of Finance: The Bankers Who Broke The World, by Liaquat Ahamed. The liberals were aware of the highly restrictive impact on the economy a conservative monetary policy had and wanted looser or moderately inflated money. These parties became known as the **Republican** (conservative) and **Democratic** (liberal) parties.

These labels have largely lost their meaning, for each party will say or do anything to achieve office. When campaigning, intricate and perpetual polling tells each candidate what to say, but all realize these are simply lies, and once in power these politicians respond only to campaign contributions that come in year round.

So it is important to realize that these two political parties are contrivances of modern political power brokers. They are not created by citizens. They do not speak for citizens. The candidates for office are from a highly limited pool, selected and cultivated by the power brokers. As a result we usually get no meaningful choice: we often choose the candidate that repels us the least.

Traditionally United States politics have been dominated by the two political parties - the Republicans and the Democrats. There now arises a phenomenon called the Tea Party, which has not matured into a formal political party, but has shown surprising and unprecedented political clout.

When one looks closely at the tea party, it is clearly not a single party, but a myriad of localized groups, each quite harmonious to each, but collectively rather diverse. There is an extreme element whose members espouse that there should be no federal income taxation and virtually no governance. But the representative or average "tea partier" is quite different. Generally they tend to be sensible, highly motivated, idealistic, strong minded, hard working, law abiding citizens of above average income. They are practical, common sense folks who are especially responsible: they pick up the debris and trash after their political rallies. They pay their taxes (social dues) on time. They are free thinking souls who are not likely to be led by the nose, branded and pressed into any political party with an agenda dictated by politicians.

From these characteristics arises their inordinate political power. For most citizens are irrevocably emotionally tied to either the Democratic party or the Republican party. Because of the strong emotional attachment, rational arguments to them have little persuasive effect: they are irrationally committed, seemingly for life, to "red" or "blue". Because their numbers are approximately the same, and because they are irrationally bound to one party or the other, in a sense they have become politically inert. Not so with the "tea partiers". This small, independent, free thinking group of citizens has inordinate and unprecedented political power as their votes can determine the balance of power in any election.

While politicians talk only about tax cuts, the Tea Partiers demand spending cuts.

That whole concept is beyond the comprehension of politicians. Compensation for government employees continues to rise, pay in the private sector for those able to find jobs is cut to the bone. The President promises to spend more money on government “programs” than our annual gross domestic product, just to stay in office.

The tea baggers suggest no taxes be paid until the governments live within budget and stop printing money. The “partiers” demand politicians answer questions about government spending. Questions like where will the money for these programs come from? The politicians have no answers except tax cuts which flow mostly to the rich.

The political clout of the tea party terrifies political power brokers and the two established political parties, who unite to use the press and media to ridicule “tea baggers”. When ridicule does not work, the political establishment responds with tar and feathers, but no talk about living within its means. All this is to little avail. The tea partiers are disruptive and seem unstoppable.

The tea party power has yet to be organized. They have no platform or agenda. Perhaps they are democratic to such an extreme that this will never happen. Perhaps the thoughts of this book will contribute to the platform of a national tea party. Perhaps it will be the foundation for the next republic to replace the present one which seems about to disintegrate. Time will tell.

Chapter 16. Conclusion: How to Cure the Problem

To solve any problem the procedure is the same. First we must define it. Second we must agree we have accurately defined it. Third we must define the best solution. Fourth we must agree that this is the best possible solution. Finally we must take appropriate action.

We can do this. We are Americans. Our heritage is that of solving problems. Winston Churchill once said words to the effect that you can count on Americans doing the right thing, but not until exhausting every other possible alternative.

Since we are dealing with a great number of persons with a wide range of experiences, educations, prejudices and personal interests, we must define the problem with accuracy and clarity, lest we not get the necessary consensus.

Our understanding of the new science of politics shows us that a simple redistribution of wealth is not the pathway to success. This may seem appealing, but in a few brief years the same pattern of wealth will reappear. Only with a redistribution of opportunity will there be any possible lasting effect.

The key to the cure is to understand the privilege/opportunity equilibrium. The only way to re-distribute economic opportunity is to dismantle existing laws of economic favor and privilege, and stop creating and enforcing them in the future.

Dismantling laws of economic privilege will solve most of our problems. It will cleanse politics: For if we cease selling and enforcing economic privileges politicians will have nothing to sell and lobbyists will have nothing to buy. This should take the fun out of politics. We should be able to attract worthy candidates and keep them free from corruption, and be able to pursue the **general welfare**.

Think of the effect on our economy. If we cease selling and enforcing economic privileges, government and its spending will shrink by at least half. We will not need most of the administrators and their bureaucrats (all those involved in subjective regulation and enforcement). It takes much less effort and expense to enforce just laws, than to press upon the public bad laws.

Many of the problems of the Supreme Court, indeed of all courts, will instantly be solved. No longer will they have to pretend corporations are citizens. No longer will they have to try to equate money with speech in the election arena. Greater equality between citizens should reduce crime and defuse the powder keg of social instability on which we all sit.

No longer will citizens have face the horrendous inequities of our internal revenue tax code. The risk of all citizens being turned out of their homes for failure to pay high taxes to fund political promises that can never be kept will be substantially reduced.

Widespread distribution of opportunities caused by being rid of privileges will also have the desired effect of involving more citizens in the productivity we need to advance in terms of national prosperity. It will also lead to a profound increase in liberties to our citizens.

Best of all our markets will become the freest and most efficient in the world. Our efforts can turn to producing what citizens want, not what the privileged wish to sell us. Herein lays the key to prosperity.

No other way will work. This is the only pathway out of the woods. Does anyone have a better idea?