

## The Politics Industry v. We the People and the Magic Formula

August 18, 2020

In *The Politics Industry: How Political Innovation Can Break Partisan Gridlock and Save Our Democracy*, Katherine Gehl and Michael Porter assert that our strengths are driven by the private sector while our weaknesses generally stem from government policy. (p. 78) Their observation points in an obvious direction – leveraging the dynamism of entrepreneurship in the marketplace. Alas, that is not the focus of their proposition.

Instead, they apply Porter's [Five Forces Framework](#) to what they consider to be the root cause of dysfunction in our *political system*, namely the lack of competition. (p. 2) They encourage revival of our tradition of *political innovation* but lament that standing in the way is the *duopoly* enforced by the Democrat and Republican parties. (p. 4) Lee [Drutman characterizes](#) the problem as a *two-party doom loop*. He says, "To work well, self-governance must be a contest of ideas where competition can drive innovation and change."

In terms of American politics, the Five Forces are:

- 1) Nature of Rivalry – The rivals collude to enhance the attractiveness of the industry and avoid undermining it. (p. 24)

As a measure of the duopoly's success, journalist Bari [Weiss has noted](#) that politics is now a "religious identity" for many Americans. Impelled by righteous fervor, [fighting words](#) fly liberally in do-or-die battles of good and evil. Banned from the cathedral are potential rivals preferring to

abide by more conciliatory rules while contemplating nuances and tolerating, if not celebrating, diversity of viewpoints.

- 2) Power of Buyers – The duopoly favors customers (voters & donors) who advance the duopoly's interests. Primary election voters are more extreme and wield disproportionate power. (p. 24)

Dismally enough, *majority rule – dictating* to minorities – is taken as the ideal but the reality is even worse. Pluralities often prevail in primaries, presenting voters with lesser-of-evil choices in general elections.

- 3) Power of Suppliers – Candidates, campaign staff, data shops, idea suppliers, and lobbyists are captive to the duopoly. (p. 31)

Those daring to step out of line are blacklisted and banished to purgatory, if not given the middle finger salute and condemned to hell. Such is the state of uncivil discourse these days.

- 4) Threat of Substitutes

Uncontemplated is the possibility of a substitute for good, old-fashioned-politics as usual ([#gofpau](#)). The best Gehl and Porter envision is tweaking [majoritarianism](#), changing the cast of characters empowered to impose their will upon others in [win/lose](#) propositions.

- 5) Threat of New Entrants – Industries failing to serve customers are ripe for competition, but attesting to the power of the duopoly, no major party has emerged since 1854. (p. 34)

Tacitly swearing allegiance to the Politics Industry, Gehl and Porter fail to countenance the possibility that politicians and bureaucrats might be *supplanted* by [social](#) and [evasive](#) entrepreneurs willing and able to more effectively meet human needs. Thus, within their limited [frame of reference](#), their proposal is twofold:

- Nonpartisan primary elections, in which votes may be cast for any candidate regardless of party, and
- *Final-Five Voting* in general elections, with the top-five primary vote-getters on the ballot and the winner selected via *Ranked-Choice* voting, aka "[instant run-off](#)". (pp. 121-128)

Those may be worthy and perhaps even practical changes in a deeply flawed, if not morally irredeemable system. At least they are worth a try and they are being applied in some local and State elections. Moreover, although Gehl and Porter miss the broader, more visionary alternative, they do inadvertently provide of glimpse of it in this historical reference:

At the beginning of the twentieth century ... the Progressive movement began as an uncoordinated effort involving hundreds of **community organizations** aimed at addressing state and local issues... we are seeing such **decentralized** efforts emerging

today... A new form of ... engagement ... not through parties or ballot boxes, but by creating a ... **coalition** of concerned **citizens and civil society actors** ... (pp. 108 - 110, emphases added)

Arguing that our political system is the greatest impediment to achieving economic and social progress, Gehl and Porter advise against relying on the same old approaches that have become ingrained as the formerly progressive movement became increasingly regressive. In light of communications and networking capabilities now widely available, that is wise and timely advice – with implications unimaginable to reformers of yesteryear, much less to our [Founding Fathers](#).

Again, leveraging such capabilities through the entrepreneurs and competitive forces is not their focus. Instead, they suggest a new kind of philanthropy aimed at improving the poor performance of government bureaucracy. They call it *political philanthropy*. While improving the performance of public objectives is certainly a worthy cause, politicizing philanthropy seems like exactly the wrong way to go about it. Nevertheless, in their reference to philanthropy, they unintentionally signal a more enlightened solution that they fail to grasp.

Building on the movement for more *corporate civic responsibility*, they aim to achieve better *governmental* outcomes based upon new *standards* and *best practices*. Toward that end, they urge donors to redirect some of their charitable contributions to revitalizing democracy. (p. 176) By such means, they argue business leaders can simultaneously:

- Help fix our broken politics for the good of all citizens,
- Improve the overall business environment, and
- Confront the popular consensus that business-owned special interests are the root cause of our problems. (p. 177)

Yet their constricted [framing](#) of the problem precludes envisioning a more expansive and potentially far more effective reinvigoration of philanthropy. In effect, they present a [false choice](#): either change the dynamics of politics or continue to suffer its dysfunction. Why not consider another, far more innovative alternative? Such a solution would focus not on politics at all but, to the contrary, on the [disintermediation](#) of politics and politicians from as much of life as possible, through *smaller, more decentralized, and less intrusive* government.

Aside from external framing, Gehl and Porter's thesis is also [internally inconsistent](#) – in the sense that the Federal government is *monopolistic* within the confines of our national borders and the [Supremacy Clause](#) of the Constitution. Adorned with lipstick, a pig is still a pig. If competition is the solution, government agencies should be disenfranchised from the exclusive, coercively enforced opportunity to spend our money for us. Other authors – including [Adam Thierer](#), [Ilya Somin](#), [Tom Bell](#) and [Nathan Lewis](#) – have offered insights that might be taken as support for such a contemporary revolution.

With respect to voluntary, nonpartisan/nongovernmental efforts, Gehl and Porter note that charitable contributions in the U.S. totaled \$410 billion in 2017, not counting the time and energy

volunteered to myriad causes. That's more than the GDP of all but [about 30 countries](#). On the other hand, it is a pittance compared to spending dictated by the Politics Industry. Accordingly, with reference to Porter's fourth force, he and Gehl conclude that philanthropy cannot serve as a competitive *substitute* for bureaucracy. (p. 175)

However, removing their blinders and expanding the frame of reference to encompass not merely charitable contributions but also [means-tested Federal spending](#) brings another \$790 billion into play. Including all social welfare spending at the Federal, State, and local levels raises the total to [more than \\$2 trillion](#). Throwing in so-called "tax-expenditures" – which primarily benefit the wealthy and amount to [about \\$1.5 trillion](#) – circumscribes a potential market in excess of \$3.5 trillion.

Taking into account [private spending](#) on social welfare boosts the total to a truly massive sum of more than \$5 trillion. That's equivalent to half of the total adjusted gross income (AGI) reported by individual taxpayers in 2016 and [three-and-a-half times as much as they paid in taxes](#).

Nevertheless, Nathaniel Lewis [has argued](#) that, given our level of wealth, we are spending as much as \$5,000 too little per person on social welfare each year. In his estimation, the shortfall is about \$1.6 trillion, which coincidentally approximates the amount of *private sector* spending on social welfare. So, as a society, perhaps we are spending close to exactly as much as Lewis believes we should.

However, much of our public social welfare spending is consumed by administrative overhead, thus the case for dispensing with the bureaucracy and simply doling out a guaranteed income instead. Former presidential candidate Andrew [Yang proposed](#) a Universal Basic Income (UBI) of \$12,000 per year for all U.S. citizens over 18 years of age. Considering the lack of competition in the monopolistic morass of social welfare programs remotely controlled in an ill-coordinated and unaccountable fashion by faceless bureaucrats, perhaps the best argument for a guaranteed income is that it would be more efficient.

Moreover, within the context of the unimaginable sums we are collectively spending, the figures cited by Lewis and Yang do not seem outlandish. On the other hand, taking into account how much assistance is already being provided, there should be no poor people in America in need of still more. Robert S. Pfeiffer [asserts](#) that we are [spending four times as much](#) as [necessary to lift all Americans out of poverty](#).

At 30 percent of GDP, the U.S. ranks [second only to France](#) in total social spending. Since our [per capita GDP](#) is half again (150%) greater, we may actually be spending considerably more than they are. Meanwhile, the French only [work about 80 percent as many hours](#) as we do and Americans are chided for working too much.

The prevailing wisdom seems to be that effort (work) and spending (money) may only be credited to the cause of the well-being of society if it is dictated by politicians, but that is just so very wrong. To the contrary, morally speaking, caring for the welfare of each other is an *apolitical* cause. At

their core, governance, politics, and voting are about imposing our will upon each other – not uplifting the downtrodden. Even in 1861, when the scope of government was far smaller, John Stuart Mill characterized voting as “power over others.” (Somin, p. 5)

By contrast, at its best, assistance is rendered voluntarily, in reasonable measure, with measurable results, and out of the goodness of our hearts – not dictated in practically unlimited quantities by the dueling partisan powers-that-be and outsourced to unaccountable monopolists. In that light, the real question is not whether we should be spending still more collectively but whether we will continue to spend so much so inefficiently, through politically driven bureaucracies.

Michael [Munger asserts](#) technology-enabled reductions in transaction costs will drive the next *economic* revolution. Should we not also strive to reduce the needless, bureaucratically induced costs of social welfare programs as well? For the sake not only of present-day beneficiaries but also future generations, is anything more important than that? Might the pursuit of such efficiencies inspire and power a broad-based revolution against the Politics Industry? After all, it is *productivity* – not philanthropy, much less partisanship – that generates wealth and the potential to systematically alleviate poverty.

As a means toward that end, is it not time to consider an alternative to bureaucracy? Among the possibilities is [Sociocracy](#), also called dynamic governance, the aim of which is to create harmonious social environments and productive organizations. It is distinguished by the engagement of people who know each other and use consent, rather than majority voting, to make decisions. [Holocracy](#) is another variation on that theme, in which authority and decision-making are distributed through self-organizing teams.

Ted [Rau addresses](#) the strengths and weaknesses of the four most common methods of decision making – autocracy, majoritarianism, consensus, and consent. The shortcomings of the first two are obvious and the second two are often mistakenly taken as the same. They too have issues. For example, consent is difficult to obtain at scale unless large groups are divided into layered sets.

Whereas Robin Dunbar established [150 as the upper limit](#) for such groupings, information technology now enables engagement of far larger numbers with sufficient knowledge of each other’s behavior to facilitate commerce on a worldwide scale. For example, [know-your-customer rules](#) have been deemed adequate to enable financial institutions to form suitable relationships with millions of customers.

Nevertheless, with respect to matters of *social* importance, face-to-face contact may remain superior for many purposes and people, especially those in need of personal and family assistance. Indeed, even in the age of Amazon.com, some people may still prefer to patronize local proprietors for *commercial* products and services as well.

Notwithstanding such preferences, presumably some wealthy people would consent in sociocratic fashion to raising their taxes to provide additional social support through remote,

faceless, politically driven bureaucracies. At least they have said as much and Pfeiffer notes that [funding a UBI](#) by taxing the wealthy would require doubling their taxes to a rate of about fifty percent.

Following that train of thought, research shows that we will [punish ourselves](#) if we feel guilty. So it is unsurprising that [we will punish others](#) perceived as doing wrong, even at no gain to ourselves. What is more surprising is that we will [punish ourselves in order to punish others](#) viewed as violating egalitarian norms. What could be simultaneously more selfless yet *selfish* than that, *inflicting harm on both ourselves as well as others simply because we want to*? That's a two-fer – sadism and masochism – rolled into one.

[Populism](#) leverages that human instinct. Almost by definition, politicians and social activist [demagogues](#) excel at it and wealthy people make alluring [scapegoats](#). Ipso facto, they have violated egalitarian norms, simply by virtue of having become wealthy. Japan is not the only place where human nature calls for the [nail that sticks up to be hammered down](#). Moreover, [negativism seems to be the key to success](#) in political campaigns and that is no mystery. As Molly [Crockett has observed](#):

... social emotions like anger, envy, and spite are very powerful motives. They often outweigh economic self-interest and they tap into the brain's reward centres – the same brain areas that play a role in addiction. These emotions can fuel a behavior called 'costly punishment': where people take on a personal cost to punish another person for being unfair.

Costly punishment has been assumed to be linked to altruism, i.e., striving to guard against harm to others. However, in research results, it has been [associated with anger](#) instead and that is certainly consistent with what seems to be occurring in the realm of politics.

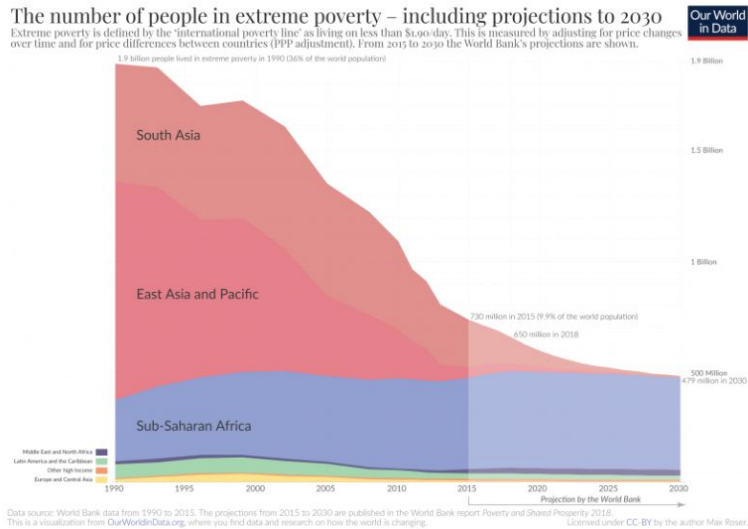
Anger serves the cause of the Political Industry quite well because [emotion impedes our ability to reason](#), making us more susceptible to propaganda. Given the proclivity to punish ourselves in order to punish perceived wrongdoers, there is no apparent reason to think we may not *unwittingly punish innocent bystanders* as well. That's what we may be doing by insisting upon politically motivated actions intended to benefit favored groups in the short run at unforeseen and unintended cost in the long run – in some instances to the favored groups themselves.

If raising taxes reduces economic growth, impoverished people almost certainly will bear the brunt of the loss over time. After all, the wealthy have demonstrated the capability to evade the egalitarian norms that would enmesh everyone equally in a natural state of impoverishment.

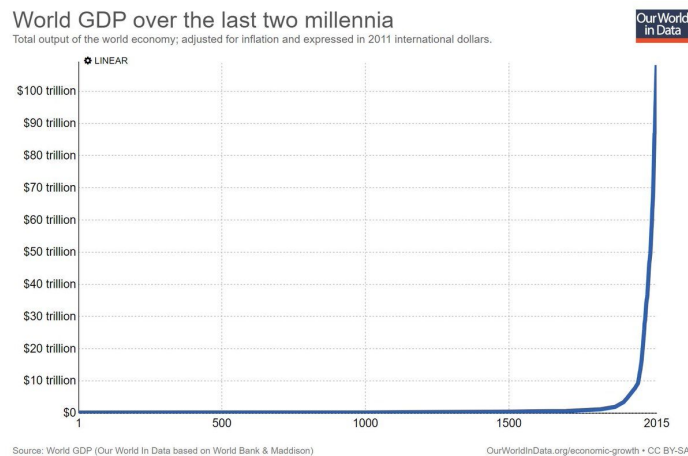
The [Industrial Revolution](#) enabled the accumulation of assets and, with it, inequality as an inevitable outcome. Although the pace of progress is accelerating in the cyberspace, the benefits of innovation cannot be immediately shared with everyone on earth. Indeed, as repeatedly

demonstrated across history and geopolitical boundaries, attempting to command the sharing of wealth stymies the very increases in productivity upon which progress depends.

In 1935 Sir Daniel [Hall discussed](#) the acceleration of progress based upon science despite the tendency of government to retard it. Notwithstanding such politically motivated pressures to protect the incumbent powers-that-be, progress in recent decades has been astounding, as shown in the following chart. Reflecting on that fortuitous result, Max Roser and Esteban Ortiz-Ospina were [prompted to ask](#), “Is the world on track to end extreme poverty by 2030?”

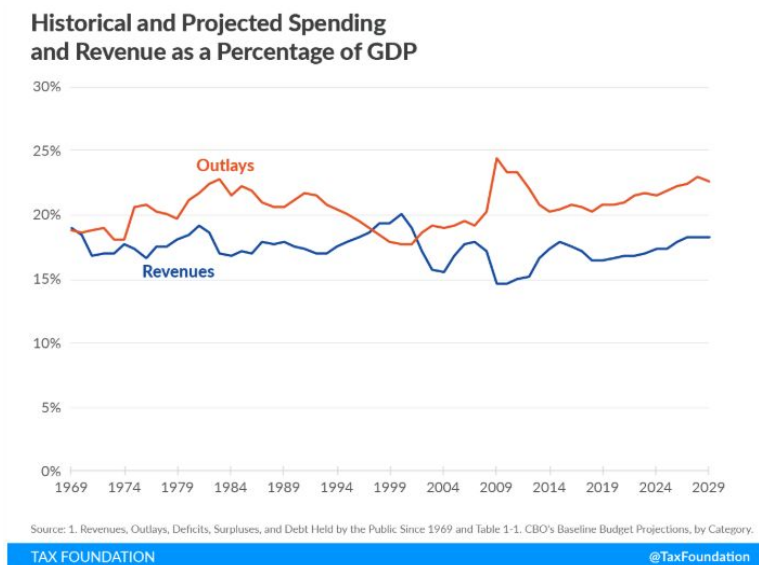


Unfortunately, the pace of [progress seems to have slowed](#) in recent years but we should be mindful, as dramatically depicted in the following graphic, throughout the past two millennia prior to the Industrial Revolution – which enabled [capitalism](#) – everyone was poor. Some of those most concerned about the ecological impacts of human activity seem to prefer a return to that “natural” state of human affairs, if only they could muster the power to impose their will upon the masses.



In *The Magic Formula: The Timeless Secret to Economic Health and Prosperity*, Nathan Lewis observes, “Big-government socialists want high taxes as a matter of principle, even if they don’t produce much revenue, and actually create the problems that government spending programs attempt to solve.” (p. 44) To the contrary, he asserts that high-growth economies tend to impose tax burdens of less than 20 percent of GDP. (p. 22) Moreover, among the alternatives, taxes on consumption are generally the least detrimental to economic growth. (p. 43)

While Federal taxation has been below the 20 percent threshold, the following [graph from the Tax Foundation](#), depicting the gap between expenditures versus revenue, shows that spending has commonly exceeded it. Additionally, taking into account all levels – Federal, State, and local – total U.S. government spending is “[guesstimated](#)” to be [36.6 percent GDP](#) this year, nearly double the magic formulation.



With respect to the accumulation of assets (i.e., capitalism) in modern (“unnatural”) times, the [Tax Foundation reports](#):

... a tax increase of 1 percent of GDP lowers real GDP by about 3 percent after about two years... there are not a lot of dissenting opinions coming from peer-reviewed academic journals. More and more, the consensus among experts is that taxes on corporate and personal income are particularly harmful to economic growth, with consumption and property taxes less so. This is because economic growth ultimately comes from production, innovation, and risk-taking.

Such losses compound over time, and as the Organisation for Economic Co-operation and Development ([OECD reports](#)), *economic growth is the key to helping the poor*. Sadly, *many people may simply not care* – because, driven by emotion, they are more concerned about the *appearance* of fairness than the actual well-being of others. David [Henderson notes](#) that even a



self-righteous do-gooder organization like [Oxfam](#) is thusly motivated with respect to disparities in wealth:

There are two ways to close the gap. The first is to concentrate on making the poor better off. Mostly that has happened, thanks to liberalized international trade and reduced costs for shipping goods... The second ... is to make the rich worse off. Any guess which method Oxfam's report emphasizes? "Governments should use regulation and taxation to radically reduce levels of extreme wealth," the authors conclude.

Striking a more enlightened tone, Jeffrey [Dorfman suggests](#) we should "... think about ways to help those in poverty rather than trying to punish those who are succeeding. The country would be much better off if we raised low incomes than if we lower high incomes. Penalizing success is an inferior, and likely unsuccessful, policy. We can and should be better than that."

Does anyone believe politicians and bureaucrats can do a better job of spending, say, the [Gates Foundation's](#) money than Bill and Melinda Gates? Warren Buffet has [asserted that he should be paying more taxes](#) but [to whom did he promise to turn over half his wealth](#) through the [Giving Pledge](#)? Not to the Politics Industry but to the Gates Foundation. However, to his credit, Buffet has suggested expansion of the Earned Income Tax Credit (EITC). Doing so through employers seems preferable to simply handing out cash willy-nilly directly from the Treasury – to the glorification of the Politics Industry – regardless of personal effort, much less productivity, meaning, or satisfaction.

Empowering taxpayers with credits for contributions to *community-based* comprehensive social service/employment agencies would serve multiple purposes, in a highly productive fashion. Such organizations would compete on the basis of superior service to those in need. At the same time, the needy would be incentivized to apply their personal [comparative advantages](#) to the benefit of society. They would also begin to build life skills and gain satisfaction at becoming active, engaged, productive, and valued members of society. Meanwhile, donors would gain both personal satisfaction from helping others as well as confidence that their money is being well spent.

Additionally, in light of communications and networking technologies, [communities](#) are no longer limited by physical proximity. They may be formed around objectives unrelated to geography, such as common interests, skills, practices, and professions. The [forgivable COVID-19 emergency loans](#) have established a precedent for routing income transfer payments through employers, albeit in an ad hoc and rather unfair and haphazard way. While the economy cannot sustain such crisis-driven subsidies on a long-term basis, transforming the means by which ongoing assistance is routinely delivered would surely be beneficial.

Meanwhile, mandatory minimum wage requirements imposed upon small businesses already struggling to survive risk the destruction of jobs for those who need them most. Even prior to the pandemic, the success rate of small business start-ups was bleak. [Fundera reports](#) that as

many as 20 percent fail in their first year, 30 percent in their second year, 50 percent after five years, and 70 percent in ten years.

As further evidence of the problem, measured by startups, [entrepreneurship has been declining](#) in the U.S. By what masochistic, self-flagellation logic might we justify punishing entrepreneurs even more by making it still harder for them to employ people? Simply to discourage them from trying? To discourage the poor from seeking jobs and beginning to build careers and financial independence? To further entrench the Politic Industry as the *savior* of us all?

That appears to be the way we're headed but reforming the EITC as a direct income supplement paid through employers seems like a much better, more practical, less *messianic* alternative. Funding such transfer payments via a consumption tax would simultaneously:

- Discourage excessive consumption;
- Encourage sustainable development;
- Eliminate artificial, politically driven disincentives to work, earn, save, invest, innovate, produce, and engage in mutually beneficial exchanges of value;
- Facilitate the dynamic and creative discovery of the future of work through community-based, market-driven solutions;
- Accommodate the need for personalized social services, regardless of how much money may be transferred across geopolitical boundaries; and
- Foster the creation of unlimited *public goods* through the realization of personal values and meaning in life.

[Public goods](#) are non-excludable and non-rivalrous, meaning that no one can be excluded from benefiting from them and they do not compete. One does not crowd out another. In that sense, shared personal values are public goods. If meaning in life is not defined by realization of personal values, what is it? Whatever the Politics Industry/Religion deigns for us? Rather than relying on politics, why not leverage [social capital](#) to realize public goods, through markets for good?

Incidentally, a consumption tax would also have the benefit of eliminating the incentive for low-income and poor people to vote to increase taxes on others, since they too would pay. On the other hand, to assuage the conscience of wealthy people who feel guilty about their success, why not enable them to pay more taxes? However, they are already authorized to make [donations to the Federal government](#) and [contributions to State and local governments](#) are generally tax deductible. So those claiming to want to pay more taxes are not really saying they want to contribute more. Rather, they'd like to force others to do so and that is the specialty of the Politics Industry.

In the case of Mr. Buffett, he cannot be merely addressing people like himself. That would be a [very small club](#), namely, three: him, Jeff Bezos, and Bill Gates. They could socially distance in a

fairly small room. So what he is really suggesting is that people who make less than him should be forced to pay more, but that is not to suggest there is no merit to his argument.

For example, since the wealthy have benefited from the accumulation of public debt, it might be highly appropriate for them to turn over most, if not all of their assets to the government to help pay off a small portion of that debt upon their death. They are explicitly [authorized by law](#) to do so but [such contributions](#) amount to less than a rounding error compared to the scale of the debt.

To the degree wealthy people support higher taxes, why would they not voluntarily turn over their assets to politicians and bureaucrats? Of course, that's a rhetorical question because the answer is obvious: They believe there are better uses of their money ... and that speaks loudly to the merit of the expenditures that led to such unimaginable levels of public debt. The rich did not achieve that status by being foolish. While they may not be inclined to fall for the fallacy of [honoring sunk costs](#) nor are they necessarily immune to it – particularly if the good money to be thrown after bad is someone else's.

Short of confiscating assets upon death of their owners, it would be logical to enable not only rich people but those at all levels of income to determine, through their tax returns, how their voluntary contributions can most effectively support the realization of public objectives. If wealthy people love our country and feel gratitude for the success our economy has enabled them to achieve, why would they not want to help others succeed as well?

No doubt, most, if not all of them do, and for many of them the scope of their compassion is unconstrained by geopolitical boundaries. Instead, their commitment is to humanity and that is highly appropriate in a global community rapidly shrinking due to innovations in communication and transportation technologies. Even if it chose to do so, the Politics Industry simply cannot keep up with the pace of change. In any event, why would an industry embrace innovation that threatens the very basis on which its power depends?

Why not give not only the wealthy but anyone able to acquire assets the chance to bequeath their good fortune to others ways that are efficient and highly effective, through community-based organizations? Instead of taking mortality as an opportunity to punish heirs, how about reframing the issue of "[death taxes](#)" in terms of *celebrations of lives productively lived*? That is already common practice in the nonprofit community. Why not officially and publicly acknowledge it as such? Who better to come up with plans for doing so than the benefactors and heirs themselves?

One reason that might be cited by self-righteous socialists is that such recognition is undeserved ... that people with "extra" assets should be scorned, not lauded ... but the real reason not to do so would be to leave the Politics Industry in control.

As an ancillary benefit, authorizing tax credits for such contributions would also give lower-income taxpayers the same benefit – on a dollar-for-dollar basis – as wealthy people.

Shouldn't everyone be encouraged to [leave future generations something other than debt](#)? In terms of Federal estate taxes, only [a tenth of one percent \(.1%\) of dead Americans do](#). Why should only wealthy people be expected to pay it forward? By what logic is everyone else left off the hook? Shouldn't everyone be expected to do the best they can? Are we not all in this world together?

Why should credits only be applied to purposes explicitly favored by the tax code? What makes them worthy of such politically motivated favoritism? Just because the Politics Industry says so? Is it appropriate for politicians to pick winners and losers? Aren't markets better suited to that purpose?

While the rise in ["mandatory" spending](#) threatens [Congressional "discretion"](#) in determining how to spend our money, why should 535 people be empowered to do that anyway? If public spending is not "required" by some objective means of analysis, why should politicians or bureaucrats be involved at all? If spending is *discretionary*, should it not be left to us to decide? Shouldn't *all public objectives* be entitled to due consideration? Why should the Politics Industry be permitted to limit our choices?

At the Federal level, public objectives are documented in the performance plans of the agencies. When they begin to comply with [section 10](#) of the GPRA Modernization Act (GPRAMA), it will become possible to link the objectives of State and local agencies as well as tax-favored organizations to Federal objectives. Doing so should be a requirement to justify the losses of revenue due to deductions, credits, and exemptions. Lewis notes that so-called "tax expenditures" amounted to about \$1.5 trillion in 2018 or more than two-thirds (68%) of the total collected from individual and corporate taxes (\$2.2 trillion). (p. 36) Since tax-expenditures are already an implicit part of the budgeting process, why not incorporate them explicitly?

Although low-income taxpayers benefited from [increases the standard deduction](#) authorized in the Taxpayer First Act of 2019, they were also disenfranchised from benefiting financially by contributing to worthy causes, as if only the rich are entitled to such recognition. Worse still, the effective tax rates imposed upon the working poor are a national disgrace. In "normal" times, they may be as high as 100 percent in terms of loss of benefits. In the special case of the COVID-19 subsidies, the effective tax rate exceeds 100 percent for those being paid more not to work than they formerly earned. Such are the ["good works"](#) foisted upon society by the Politics Industry, making it financially infeasible for the poor to work.

What do you think? Can we not do better than that? Might it be fair to empower all adult Americans with tax credits for contributions to organizations competing to maximize the efficiency and effectiveness of an open market for good? If the Politics Industry is unwilling to countenance such a cornucopia of goodness, might We the People, enabled by entrepreneurs, be capable of upending the monopolistic bureaucracy and dethroning the political duopoly? Might the Libertarian party be up to the challenge of leadership in that regard? Is it necessary for any formally recognized party to do so?

“Without a sea change,” Gehl and Porter warn, “our political system will continue to do more harm ...” (p. 171) On a more optimistic note, they quote Thomas Paine (*Common Sense*, 1776): “We have it in our power to begin the world over again.” (p. 165) And in that spirit, they proclaim that we are now called upon to remake American democracy.

With that thought in mind, they bemoan that responses to problems are commonly scattered and impulsive rather than unified under a targeted strategy. (p. 167) On the other hand, with a tacit tip of their hat to [social entrepreneurship](#) and competitive forces, they observe the “nascent political innovation industry is remarkably fluid, with new organizations and new campaigns popping up all the time.” (p. 174) They urge us to join the growing coalition in support of [corporate civic responsibility](#), toward the adoption of new standards and best practices. (p. 177)

With respect to best practices, one of the hallmarks of innovation is that standardization should not be imposed prematurely from above, before the competitive, market-based process plays out. In the case of the social welfare bureaucracy, the challenge is how to:

- Humanely and [creatively destroy](#) programs that are demonstrably inefficient and ineffective, while
- Simultaneously replacing them with better alternatives, and
- Eventually standardizing around best practices supported not by politically polarized, top-down mandates but by actual performance data and widely distributed, market- and community-based decision making.

In the case of the U.S. federal government, some of the necessary policy direction is already in place. GPRAMA requires agencies to [measure and analyze the effectiveness of their programs](#) and publish their [performance reports in machine-readable format](#), like the Strategy Markup Language (StratML) standard ([ISO 17469-1](#)).

Meanwhile, Candid/GuideStar is enabling their [Platinum-rated charities](#) to report performance indicators and [Charity Navigator](#) is exploring means of incorporating impact measures into its ratings as well. Both are partnering with [ImpactMatters](#), which is applying [counterfactuals](#) to benchmark and compare the performance of nonprofit organizations. The next step is to enable charities to link their performance indicators to public objectives, thereby providing the evidence necessary to support a robust, competitive, and highly efficient market for good. Candid’s 2030 vision includes [an objective](#) to develop the necessary standards to facilitate the sharing of such data.

Lending further support to such a revolution, the Foundations for Evidence-Based Policymaking Act ([FEBPA](#)) directs Federal agencies to compile systematic plans for identifying and addressing policy questions, based upon data and analysis. Consequently, with reference to the necessary revolution, key questions include:

- How long it will take agencies to comply with the law;
- How well they will do so;

- Whether the Politics Industry will allow such evidence to be effectively applied, to the detriment of the bureaucratic monopoly of its left wing; and
- Whether such guidance can be extended to embrace nongovernmental, non-bureaucratic, community-based organizations competing to deliver public services.

In that respect, it is noteworthy that common wisdom formerly held that government should only perform functions that are [inherently governmental](#) in nature. Prior to its more “liberal” interpretation, the Constitution envisioned a limited role for the Federal government. Lewis asserts the current multiplicity of economic regulations requires a highly creative reading of the [Commerce Clause](#) that amounts to “outright mendacity”. (p. 218) Combined with ever-increasing centralization of power, how could such duplicity fail to generate not only polarization but also fear and mistrust? What might the whims of a mob-driven Politics Industry inflict upon us next?

Politicians may be excused for shading the truth in order to get elected. That’s simply how the Politics Industry works and voters routinely discount it. It explains why Congress as a whole is held in such low regard while incumbent MCs are routinely reelected. However, politicization of the *judiciary* is another among many reasons why government institutions have fallen into disrepute.

Why would anyone trust an institution that twists the plain meaning of words simply to assuage the emotions of the mob and increase the scope and power of the Politics Industry? So much for the platitude of being governed by the [rule of law](#). As [Drutman decries](#), “the broken political marketplace is now breaking the fundamental foundations of modern liberal democracy: the rule of law and adherence to constitutional norms.”

And that is to be expected, because as John Emerich Edward [Dalberg-Acton warned](#), power corrupts and absolute power corrupts absolutely. Can we muster the means to reverse the trend and redistribute power and responsibility back to ourselves? How many of us might like to do that? After all, one person's sense of corruption is another's view of progress ... particularly if they think their side now has the upper hand and is on course to “win”.

Now that the logic of the Constitution has been upended by the increasingly partisan judicial branch of the Politics Industry, it may be unrealistic to expect politicians and politically motivated evangelists to overcome the self-serving impulse to impose their wisdom upon us, regardless of evidence of its effectiveness. In politics [perception is reality](#). Conflicting evidence is automatically ignored.

Bryan [Caplan has pointed out](#) that politics literally runs on [social desirability bias](#), i.e., what *looks* good to peers rather than what actually works. As Drutman notes, winning “becomes everything, and winning means dehumanizing the other side for short- term gain ...” In [post-truth politics](#), what matters is not evidence but, rather, loyalty to one’s [tribe](#) ... in order to defeat the other ([outgroup](#)).

For example, government employee unions are a key part of the political duopoly and highly influential in the Democrat party plurality. They could not reasonably be expected to agree to relinquish their exclusive powers and expose their protected positions to the rigors of competition. Monopolies are disinclined to abandon their favored positions.

Beyond that segment of the duopoly, avowed socialists are gaining increasing influence in its left wing. They consider [free-market competition to be inherently unfair](#). Using money as a medium to keep score of productivity and measure value exchanged is deemed to be unnatural, if not downright inhumane. Among socialists the vision seems to entail a return to a literal form of tribalism that prevailed “naturally” for thousands of years prior to the Industrial Revolution.

If Nathan Lewis’ “[magic formula](#)” – low taxes and stable money – is anywhere close to accurate, that issue is highly relevant ... at least if economic health and prosperity are desired. He asserts that countries applying that formula get whatever else they need whereas natural advantages don’t count for much in countries failing to adhere to the formula. (p. 3) Why would anyone trust a government that consciously and perhaps surreptitiously manipulates the value of the medium of exchange? How could the leaders of such countries possibly expect such machinations to have a positive impact on economic growth in the long run? Do they care? Or, as Drutman argues, are near-term perceptions now all that matter to the Politics Industry?

As socialists and others denigrate the utilitarian value of money, it is ironic that world leaders focusing on international relief efforts are [encouraging greater use of cash](#) for humanitarian purposes. The reason is clear and compelling – to give responders [flexibility](#) to deal most efficiently and effectively with crisis conditions, unconstrained by the whims and dictates of those lacking knowledge of [localized needs](#) and opportunities. Again, to some political activists, it seems the actual welfare of others is not so important as their own self-righteous view of fairness and self-centric sense of control.

With reference to socialism, Lewis notes that taxes were considered a hallmark of slavery in ancient Greek and Roman times. (p. 118) Entire societies were based on plunder, including the Viking marauders, Greeks of Homer, and Mongol hordes. For them, wealth, glory and status were achieved by stealing resources from others. Sadly, that still seems to be the path to glorification not only for gangsters but for political heroes as well. Attesting to the popularity of such means among those motivated by self-righteous notions of fairness, the legend of [Robin Hood](#) is one of the best known tales in English folklore.

Despite being a form of [corruption of democracy](#), perhaps the surest way for politicians to achieve immortality by [having their names inscribed](#) on public works is to become superior practitioners of [pork-barrel politics](#). Such is the nature of “winning” in partisan populism.

By contrast, to achieve popular success via free-market capitalism, one must provide goods and services for which others willingly pay. Production becomes the organizing principle, rather than plunder. (p. 104)

On both the left and right sides of the duopoly, the question is how much the Politics Industry should be allowed to tip the playing field for plunder in favor of tribes unwilling or unable to compete on the basis of value freely exchanged. Common sense suggests such coercive power should be exercised as little as humanly possible.

In terms of nationalized force, on the right, GOP side of the political spectrum, the [military/industrial complex](#) continues to exert great influence, notwithstanding President [Eisenhower's admonition](#). Compared to social welfare, which can be objectively evaluated, how does one measure and assess how much defense is enough, i.e., the [marginal utility](#) of each increment of spending on weaponry? Might the [crowd be wiser](#) than the Politics Industry in making such calculations? Perhaps not but at least the motivations and biases would be different than those feared by Eisenhower.

Fiscal conservatives may also be deluding themselves to think the march toward the “public option” – not only for health care but other purposes as well – can be stopped. Senator [Romney infamously implied](#) that we may be nearing a tipping point at which the majority of voters pay no Federal income tax and have no qualms about imposing higher rates upon others. Consequently, as Margaret [Thatcher cautioned](#), we may be at risk of running out of OPM (other people's money).

During the past century, the [share of GDP spent by all levels of government](#) in the United States has risen dramatically, from 2.19 percent in 1910 to 42.46 percent in 2010. Short of bankrupting the country, what might cause the curve to flatten or recede? At what point does the curve define a nation that is no longer the “land of the free”? So-called modern-day “progressives” seem unwilling to contemplate *any effective limit* on the share of the GDP to be commanded by politics. Nor does it seem likely that voters will insist upon any unless they perceive that their own pocketbooks are being picked.



[Source](#): World Economic Outlook Databook, International Monetary Fund



Meanwhile, like Gehl and Porter, conservatives may be blind to the prospect of [turning the tables](#) and reframing the debate by insisting upon the “*private option*” – not merely for education but for all community and social welfare purposes, including health care. Perhaps even for homeland security and national defense. At least for functions that are clearly *not* inherently governmental in nature, if not for the dictates of the Politics Industry.

If competition is the key organizing principle, is there any option other than “de-funding” the bureaucratic monopoly and creatively replacing it with equally well-funded and far more manageable community-based organizations? While caution is warranted, particularly as far as human health and safety are concerned, the vision should be clear and measured steps in the right direction should be taken.

In light of the COVID-19 crisis, would it not be better to figure out how to operate as effectively as possible under the new constraints rather than focusing on how to disburse more “free” money via the Politics Industry? Which course is more likely to lead to a positive outcome in the long run? Who is better qualified to optimize the results over time – political and bureaucratic operatives enjoying government-mandated monopolies or entrepreneurs competing to create value in the marketplace?

Given the natural unwillingness of the duopoly to accede, do We the People have the will, wit, and wisdom to freely choose a better alternative of our own accord? In the cyber-enabled home of the brave, might we [just do it](#) ourselves? If you believe there may be a chance to spark such a revolution, check out the vision and consider joining the quest to [establish Truly Connected communities](#).

If not, as a fall-back, at least let’s run with Gehl and Porter’s solution and aim to marginally reduce the damage inflicted by politics. While we’re at it we might also give serious consideration to UBI as another means of disintermediating politicians and bureaucrats from everyday life. We could also consider Steven [Moore’s big idea](#), to replace income taxes with a national sales tax, which has consumption taxation in common with Yang’s UBI proposal.

As meritorious as it might be, Moore’s proposal would leave the Politics Industry in command of much of our money but that weakness could be overcome by applying a quasi-[refundable tax credit](#).

Chuck Collins and Helen Flannery of the Institute for Policy Studies [have suggested](#) that extending a universal tax credit to non-itemizers could bring in up to \$36.9 billion in charitable giving in 2021 and add an additional 10.6 million U.S. households to charitable giving rolls. But why aim so low? Why not strive to engage *all adult Americans* not only in productive employment but also charitable causes, in a market for good comprising as much as \$5 *trillion* in value? If such a market were considered a country, it would be the [third or fourth largest in the world](#), behind only the U.S., China, and Japan.

The personal/household tax-credits could be applied through donations to community-based employment and service organizations. Ideally, such organizations would relieve small businesses of obligations unrelated to the particular business itself. That would enable entrepreneurs to “[stick to their knitting](#),” leveraging their own comparative advantages, thereby maximizing not only their prospects for success but also the market-driven welfare of society.

Each taxpayer would be empowered to determine which organizations are most worthy of their contributions. For those owing income tax, the credit could be used to direct their payments to qualified organizations as they see fit. Those requiring assistance could use their credit to “purchase” what they need (e.g., employment) from eligible suppliers competing to provide the best service at the lowest cost. Since some of us are harder to employ than others, such differences might be accommodated through [capitation](#), benchmarking, and best practices.

As a condition for eligibility to serve as a conduit for such transfer payments, each organization should be required not only to:

- Explicitly link their performance indicators to public objectives but also
- Engage in [open-book management](#), by [publishing their records](#) on the Web in open, standardized, machine-readable formats.

StratML Part 2 (formerly ANSI/AIIM 22:2017) is such a standard for performance plans and reports. Organizations unwilling to apply such open data standards to facilitate coordination and collaboration would not be qualified to participate in providing subsidized services.

Entrepreneurs preferring not to be held accountable for helping to reduce administrative overhead costs would remain free to ply their trades in proprietary market-based exchanges without public assistance, including any advantages provided by the tax code.

The dynamic would be to discourage both subsidization of commercial activities as well as overreach of the bureaucracy into activities that are not truly “inherently governmental” in nature. Not only would taxpayers be disinclined to fund such activities through their tax credits but businesses would also object to competition from publicly funded rivals.

For those eligible and choosing to benefit from public assistance, watchdog organizations could leverage standardized performance data to ingest, audit, analyze, and report results to policymakers, taxpayers, and other stakeholders. Doing so would turbocharge the learning curve and enable a continuous performance improvement cycle operating virtually at the speed of thought. Technologies like [blockchain](#) and [artificial intelligence](#) could be applied to minimize waste, fraud, and abuse far more effectively than allowed by opaque bureaucracies and unfathomable rules and procedures promulgated under the self-serving dictates of the Politics Industry.

Aside from disintermediating the Politics Industry and enhancing the efficiency and effectiveness of public expenditures, doing so would alleviate the problem of inequality of resources for public services by:

1. Making everyone a “taxpayer,” at least for the purpose of exercising their right to engage in [participatory budgeting](#) of social welfare spending; and
2. Allocating available funding for each category of spending equally across all localities on a national scale, based upon capitation.

Brent C. James, MD, and Gregory P. Poulsen [have addressed that concept](#) with respect to health care costs:

To rein in health care costs in the United States, we should look to the ideas of W. Edwards Deming, the legendary management guru who showed companies how to cut waste from work processes and lower operating costs by improving quality. Recent studies using Deming’s approach reveal that inadequate, unnecessary, uncoordinated, and inefficient care and suboptimal business processes eat up at least 35%—and maybe over 50%—of the more than \$3 trillion that the country spends annually on health care. That suggests more than \$1 trillion is being squandered.

The solution ... is to change the way businesses, government, and other purchasers pay for health care to population-based payment. Under this approach, providers receive a fixed per person (or “capitated”) payment that covers all health care services over a defined time period, adjusted for each patient’s expected needs, and are also held accountable for high-quality outcomes.

Unlike political elections, in which the value of each vote is infinitesimal, substantial value could be “self-governed” by each person in a participatory budgeting process driven by universal tax credits – perhaps as much as \$20,000 per year. (\$5 trillion divided by [253,786,092 Americans over 18 years of age](#) = \$19,701) Somin asserts that voters generally vote “sociotropically,” focusing on the state of the economy as a whole rather than their own self-interest. (p. 68) It would be interesting to see if that were to hold true in the event that their decisions had real value. Might it be worth a try?

With respect to the range of spending authorized in each category, the inability of Congress to pass a budget on a timely basis could be overcome by basing it on the returns filed by each Member of Congress individually, by the April 15 deadline. Each MC would allocate his or her own tax obligations among the agencies, organizations, and categorical programs, and their returns would be published on the Web for perusal by their constituents as well as their colleagues.

The process could be made dynamic by requiring the MCs to file their returns online and giving them the opportunity to amend them up until the deadline, as they see the collective results of the allocations made by each other. By such means, the process of negotiation and

compromise could be modernized, streamlined, and democratized – in the sense of more equally distributing power among the representatives of We the People.

Unless Congress passes and the President signs legislation setting other allocations, the aggregated results of the individual MCs' returns would determine the respective shares of available revenue allocated to each category of social welfare spending. In turn, those allocations would determine the shares of the creditable contributions that other taxpayers could claim for the next year.

The range of allowable credits that each taxpayer could “spend” in each category could be determined by the normalized curves around the Congressionally budgeted averages. Within those ranges, each taxpayer would be free to allocate their allowable credits as they see fit, with the caveat that organizations receiving more than their capitated shares would be “taxed” to equalize such allocations across geopolitical boundaries. If any taxpayer chooses not to claim any portion of their credit and direct it to organizations of their choice, his or her share would remain with the bureaucracy.

Ideally, each MC would also be automatically assigned a personal loan for their prorated share of any funding shortfall in the budget or they could choose to pay it off in advance, e.g., through payroll deductions. For example, this year the shortfall has been anticipated to approach [\\$4 trillion](#) (and growing due to COVID-19 stimulus funding).

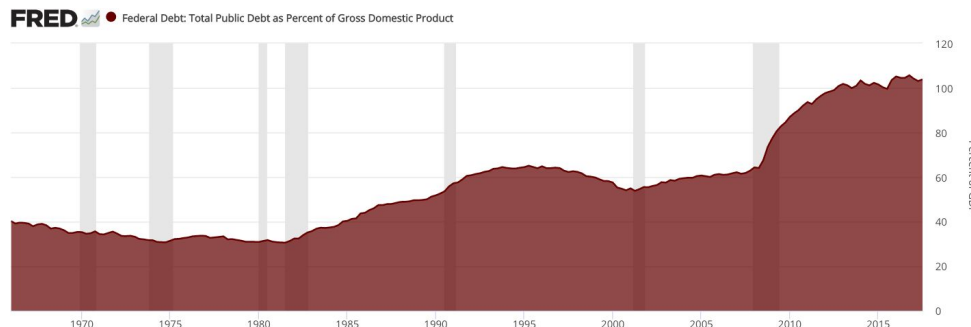
Dividing the shortfall equally among all adults would equate to a personal loan of about \$16,000 to each of us (\$4 trillion / 254 million). Since MCs earn ([\\$174,000](#)) considerably more (5.6 times) than the average American ([\\$31,000](#)), their prorated share might be on the order of \$89,000 each (\$16,000 X 5.6). That's about 61 percent of their annual salary, and that would be on top of the amount required to cover the “funded” portion of the budget. Such confiscatory rates would educate MCs about what it is like to be among the working poor, to whom such rates routinely apply.

It is doubtful the Politics Industry would stand for such a usurious rate of taxation on its most glorified elite to cover the current-year increase, much less the total accumulated debt. Instead, the burden is blithely thrust upon those who have no voice, much less any political power, most particularly those as yet unborn who may be foolish enough to accumulate wealth ripe for the taking.

Depending upon how many or few might be so irrational, the burden they may be called upon to shoulder may be more than six times as large ([\\$27 trillion](#)) as the debt accumulated this year and growing at a rapid rate. That's equivalent to about a quarter of the [total wealth](#) of U.S. households and nonprofit organizations. Under the reign of the Politics Industry, what are our chances of avoiding digging the fiscal hole even deeper, until everyone is sucked into it? Does anyone care about such corruption of the economic prospects for the hapless human beings of

the future? Are we on an irreversible track to make Bruce Cannon Gibney's [sociopathic cohort](#) multi-generational?

[According to Kimberly Amadeo](#) another \$8.7 trillion will be added to the deficit this year. [She says](#) creditors generally don't worry until debt exceeds 77 percent of GDP, but in the second quarter of 2020, the U.S. debt-to-GDP ratio stood at 136 percent – nearly double the amount deemed worrisome. The following chart shows the growth of the Federal debt as a share of GDP, prior to the flood of COVID-19 spending.



Picking up Gehl and Porter's emphasis on the importance of competition, Lewis concludes: "... without the cleansing and renewing effect of private market competition ... any government or government-linked institution ... tends toward decay and corruption ..." (p. 208) To minimize the trend, he suggests, "Whole swathes of Federal-level responsibilities should be devolved down to the States, where they were originally intended." He asserts such transfer of authority could include all social and welfare programs established since the beginning of the [Great Depression](#). (p. 219)

But why stop there? Why not divest financial control of those programs to We the People ourselves, through *community-based* organizations? Simply because the Politics Industry cannot countenance such a revolution?

If the broader Politics Industry is unwilling to yield, might Congress be enticed to support a grand compromise comprised of these facets:

1. Marginally higher taxes (preferably consumption taxes) amounting to, say, 20 percent of GDP, to reduce the spending gap;
2. Credits for charitable contributions sufficient to offset the increase in tax revenue plus the remaining spending gap (deficit); and
3. Public/private choice for all public services.

Might such a proposition turn Internal Revenue Service (IRS) into the most productive and trusted, if not beloved government agency? If that proves to be a bridge too far, might it be possible at least to pilot some variation on this theme at the State or local levels? For example,

Stockton, California, has been pioneering UBI, and in light of the COVID-19 crisis, philanthropist Carol [Tolan has funded it](#) for another six months.

Might a few billionaires be willing to take up the cause? Mark Zuckerberg, Elon Musk, and several others have [expressed support](#) for UBI. More broadly speaking, in 2017 Zuckerberg updated Facebook's mission statement:

To give people the power to build community and bring the world closer together.

The vision of the StratML standard is:

A worldwide web of intentions, stakeholders, and results.

When might the tech titans put their money where their mouths are, by helping to build the necessary infrastructure to support [Truly Connected communities](#), based upon open data standards enabling interoperability on a worldwide scale? Must we wait for them to do so?

Already Steve Ballmer, for example, has spent a few million of his billions to put up a [performance reporting portal](#) for Uncle Sam. Part of the reason it cost him so much is that Federal agencies have not yet complied with [section 10](#) of GPRAMA and no one has held them accountable. That's prima facie evidence of the lack of accountability of the bureaucratic monopoly, i.e., failure to implement a law designed to account for what taxpayers are getting for their money. What could be more ironically self-evident than that?

Meanwhile, [artificially ignoring](#) that home-grown failure in the hallowed halls of government, Senator Elizabeth [Warren has argued](#) Amazon, Google, and Facebook should be broken up to release the power of competition in the private sector. Is what is good for the goose not also good for the gander? Might the tech titans be capable of turning the tables?

Or are the Politics Industry and its attendant bureaucratic monopoly somehow sacrosanct, to be held harmless for the harm they do to society, including massive debt and opportunity costs, if not also a strangled goose no longer capable of laying golden eggs? In support of [neotribalism](#), [hypocrisy now seems to be a key facet of politics](#) but must we stand by and put up with it?

Or might We the People, enabled by social entrepreneurs, rise up together to overthrow the Politics Industry and establish a thriving market for good? Might you be such an entrepreneur willing and able to prosecute the case and lead the revolutionary charge?