An Introduction to General Federalism

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Contents

Introduction

A. Why Global Rule of Law?

I. Background
II. Global governance, for both economic and technological reasons, is inevitable.
III. The impact already being felt
IV. An ominous power vacuum
V. Global Rule of Law would improve standardization in all industries
VI. The current want of political will for undeniably just action
VII. Technological Proliferation and Sophistication
VIII. Court shopping by the elite
IX. A world shrinking at a geometric rate
X. The existing lack of justice
XI. If war is not desirable, anything that mitigates it is a good thing if the cost to do so is not greater
XII. If poverty is not desirable, anything that mitigates it is a good thing if the cost to do so is not greater
XIII. The best approximation of the “Ideal Republic” requires global Rule of Law
XIV. Energy and natural resource consumption cannot be rendered sustainable without a central authority to organize it

B. Why Major New ideas are needed

Introduction
I. The empirical clarity regarding the failure of neo-liberal, western democracy.
II. Epic Fail: the data
III. Why neo-liberal western democracies fail so easily
IV. Neo-liberal western democracy nurtures unpredictable law and equity
V. The triumph of faction
VI. The problem of moral hazards must be solved
VII. The sheer complexity of global governance is overwhelming and radical, whole-cloth new ideas are needed for this reason alone.
VIII. The infeasibility of global elections
IX. Rule of Law in neo-liberal, western democracy is a public myth and a real framework of Rule of Law is needed.
X. The similar gross and total failing of all economic systems tried; and the reasons for this
XI. Global Rule of Law has generally been understood in the past to be unworkable and for good reason
XII. No economic system in existence today provides a viable mechanism for the sustainable consumption of energy and natural resources
XIII. International Banking: the 800 Gorilla in the Living Room
XIV. Is ideology just a deliberate dog and pony show, a “weaponized” method for controlling populations and if so, what does that say about “new ideas”?

C. The Legal Character of General Federalism

Introduction
I. General Federalism is a scheme of governance modelled on the system of Hamilton and Madison.
II. How to move forward in a context of uncertainty
III. Parallels between the Reflexivity Theory of George Soros’ design and the General Federalist approach to uncertainty.
IV. Basic concepts of federalism shared between general and special federalism; subsidiarity, symmetry, judicial review, etc.
V. Merits of a “Binding Triad” and how General Federalism provides similar structure
VI. Why choose federalism as a starting point

D. Casting Economics as an Object of the Social Contract

Introduction
I. All law by which humankind lives, in the nearest approximation to an ideal Republic, must by fully exposed to the workings of justice.
II. Three guiding questions for applying general equity to economics
III. How to operate with natural laws, not against them.
IV. A framework for natural law; why we treat economics as a subset of physics
V. What natural function general federalism targets for applying general equity.
VI. Equity, an operational definition
VII. The assignment of value in society
VIII. Human productivity
IX. The world of pre-economics and specialization of labor
X. Valuable consideration; a derivation of relationships by which all remuneration is rendered just.
XI. The minimalist approach
XII. A summary of Fiducial Economics
XIII. Nothing like this has ever existed or been proposed.
XIV. Laborers
XV. The value of time  
XVI. The role of the House of the Fiduciary  
XVII. Law and Economics two sides of the same coin  
XVIII. Fractional reserve banking obsolete  
XIX. Not the government or any of its agents owns commercial assets  
XX. When numbers are not easy to measure.  
XXI. What is a Public Trust?  
XXII. Contract Law and the Problem of Intellectual Property.  
XXIII. Summary  
XXIV. Prefiguring Zero-Zero banking  

E. A Generalized Form of Strong Federalism  

Introduction  
I. The role of sovereignty  
II. How to use multilateralism and “disaggregated states” intelligently and durably.  
III. The National Codicil to a Social Contract  
IV. How the codicil addresses the objections to Union by sovereign personalities.  
V. Article 7, the most comprehensive set of human rights ever assembled  
VI. Conclusions  

F. Zero-Zero Banking  

Introduction  
I. How banks began  
II. The concept of the deposit  
III. Direct valuable consideration of wealth  
IV. Loans  
V. Why “modern” banking is antiquated.  
VI. The antiquated mechanism  
VII. Government monopoly on currency  
VIII. The advantages of Fractional Reserve Banking  
IX. The problems with Fractional Reserve Banking  
X. More problems  
XI. What legal framework does currency depend upon?  
XII. Circulating currency  
XIII. Measuring wealth  
XIV. Inflation  
XV. Deflation  
XVI. The art and science of print, circulate, observe and repeat
XVII. The unsustainable nature of trading in speculative national wealth
XVIII. How legal backing ensures Rule of Law in matters of currency
XIX. Bad assumptions
XX. Zero-Zero Banking has only very recently become technologically feasible
XXI. One potential drawback
XXII. “Capital Accumulation” and the “Triffin Dilemma” are two sides of the same coin
XXIII. Capital accumulation; is it real?
XXIV. The extent to which one can plan an economy and the extent to which it must be left to natural forces
XXV. An example
XXVI. Building organic economies where there was none; another reason why General Federalism is well adapted to global Rule of Law
XXVII. Final observations

G. Addenda

Appendix

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As is the case with all our documents, this document was time stamped with a notary present
Most discussions of General Federalism are a bit technical and hard to follow. I decided to create a video to make the essentials of General Federalism a little more digestible. What follows is the beat sheet I’m using, or the outline for the video I’m planning to create. It is a pretty informative look at General Federalism. It is changing and will be frequently updated as I work this video, so please check back for changes. Please regard this document and the videos as a request for comments and I invite suggestions.

A. Why Global Rule of Law?

1. **Background.** In the world of global governance advocacy and theory there are several different ideas about how this is evolving now and how it should evolve in the future. In explaining General Federalism we at least need to briefly place it in this context to give us some perspective. I’ll start by trying to define the phrase “rule of law”, since it may not be clear what we mean by that. We take the orthodox definition. It is composed of five separate, socially desirable goods, or ends: (1) a government bound by law, (2) equality before the law, (3) law and order, (4) predictable and efficient rulings, and (5) human rights. More generally, and indeed more traditionally, it has been defined simply as supremacy of the regular as opposed to arbitrary power. Another way of saying this is that coercive power is exercised in a predictable pattern.

First, the closest description of General Federalism I’ve heard amongst academic groupies is that it falls in the cosmopolitan, pluralist constitutionalism school. We do not believe that incrementalism (the idea that global governance should emerge slowly as a natural evolution from what is called “administrative law” or multilateralism) is prudent, safe or a service to humanity. In fact, we are very confident that it will be disastrous unless it is “rescued” at some point by genuine Rule of Law. We’ll explain why in what follows. But we also don’t believe we can ratify a global Constitution overnight and solve all the world’s problems. We have concluded that there is a way to unify disparate political entities with an offer they can’t refuse and one that by design operates effectively and efficiently in pluralistic legal environments. And this means that we are ”large-C” advocates, meaning we believe in seemingly two incompatible things at once: as in the case of the “large-C” crowd, we also believe in a formal, legal structure codified by a Constitution but, a Constitution of sufficiently clever construction that it can accommodate pluralistic legal environments effectively and efficiently and still remain the central, sovereign power. And this is why we are excited about General Federalism since no one has ever come close to doing this before. So, since we do advocate Rule of Law (which if it is not codified it is not Rule of Law) it
might be useful to look more closely at the merits of what is, after all, just a piece of paper. But we should first point out that ...

any global governance proposal that does not advance as its platform the ratification of a publicly known constitution for a truly sovereign entity is, by definition, proposing something devoid of Rule of Law.

This leads us to our next point: our contention is and always has been that what is written on paper will last about as long as the heady days of revolution; maybe a couple of years, ten if you’re lucky. After that, all bets are off. The Great American Experiment pretty much ended when John Adams left office. That’s why when you write a Constitution it’s the institutions put in place in that early time frame, their design, mode of function, mechanics for engaging the uncertainty of human affairs (much more on that later), that makes a Constitution work. The vast majority don’t do this. So the empirical data on failing “pieces of paper” is not surprising. In light of their own experience with an unusually static constitution, American legal scholars have naturally focused more upon constitutional adjudication than constitutional drafting. But an understanding of global constitutionalism, and why we might place more value than others on “mere” paper, demands attention not only to the way in which constitutions are interpreted, but also to the manner in which their formal content evolves over time. The “mere” paper objection might better be stated as an objection that formal constitutions are not worth studying because what is on paper does not necessarily translate into practice. Our findings suggest that skepticism about the effectiveness of "parchment barriers" is more than justified. Sometimes, constitutions neither constrain nor even describe the actual operation of the state. But that is all the more reason to study them. Because when you do you are compelled to conclude that either all of them were written by six year old children or they were deliberately meaningless. To recognize that some constitutions are shams merely begs a host of further questions, none of which can be tackled without a systematic understanding of what the world's constitutions actually say. It is one thing to observe that formal or "large-C" constitutions can diverge from actual or "small-c" constitutional practice;" it is another thing to know when and in what ways they diverge. Our better political acumen tells us that most of these constitutions were deliberate shams. The political will power and intent to create the institutions thus codified must be present and it must act quickly. This is another reason why we oppose incrementalism. Historical experience clearly shows that what is written on paper, or agreed to in treaty, is quickly suborned by the lust for power. Thus we make the following projection: if multilateralism wins out and the slow crawl to Rule of
Law proceeds it will either; never make it or be overtaken by tyrannical powers. And the latter may have already matured. In any case, we have over 1000 years to blatant consistency to sleep quite well upon our projection. Thus General Federalists see this as a call for both codified Rule of Law in a written Constitution followed rapidly by the creation of its institutions. Its institutions cannot be created “incrementally”. If constructed as a system tolerant of pluralistic “Codicils” the scheme can work.

If we track substantive law found in the average constitution we can observe some interesting trends in constitutionalism. In 1946, the average constitution contained only 19 of the 56 substantive rights in the index given in the Appendix. By 2006, that fraction had increased to 33 out of 56, an increase of more than 70%. This phenomenon of rights creep at the level of domestic constitutional law parallels the striking growth in the volume and scope of international human rights instruments over the same time period, which warrants suspicion that the two developments may be interrelated, if not symbiotic. Yet the average national constitution lasts only nineteen years and has a 38% likelihood of being amended in any given year. Over the last decade of the twentieth century alone, over half of the world’s countries made major amendments to their constitutions; indeed, of this group, 70% adopted entirely new constitutions. This indicates that Constitutional substantive law is tending to converge to a consensus about what constitutes rights, while at the same time there appear to be more and more novel rights being claimed.

In terms of where constitutions over the last 60 years have differed the most, two variables account for 90% of all the difference of every single constitution of the last 60 years. These two variables are:

a. The variance in the comprehensiveness of the Constitution: some are War and Peace and some are a label on a can.
b. The variance in the ideological character of the constitutions varies from A to Z: libertarian to statist.

In addition, over time we’ve seen Constitutions become more ideologically polarized and to converge more, so, in one camp everyone converges closer together and in the other, everyone converges closer together. But the two camps drift farther from each other. First, on the economic front, “democracies” enjoy closer trade relations with one another. On average, a pair of democratic states engages in 15% to 20% more trade with one another than a mixed pair consisting of a democracy and an autocracy, and this pattern is only becoming more pronounced over time. Therefore, within the current debate over the means and methods of global constitutionalization General Federalism is a means by which both comprehensiveness and
ideology are generalized and rendered specific wherever and to whatever degree a given Nation wants it to be. We shall see how this works later.

II. Global governance, for both economic and technological reasons, is inevitable. There are two approaches: the default in play now known variously as Multilateralism and “disaggregated States” (and which won’t work) or transparent, openly ratified global rule of law. Which one do you want? Secrecy and deception are becoming less and less viable as the information age heats up. Transparency is the only long-term, winning option. To be clear, multilateralism and “disaggregated States” are creating a vast power vacuum in the global arena whether we like it or not. That vacuum is exceedingly dangerous and needs to be filled with something worthy of our consent. By now it is no longer a question of whether one agrees with world government existing, it’s a question of what world government you’re going to allow to exist. Amongst those involved in the process it is now common knowledge that a “world government” of “disaggregated States” consisting of unaccountable, unelected and unnamed “agents” exists. And the very nature of this cartel makes it hard to convince the public that such a thing already exists. As Ann-Marie Slaughter put it, these are judges, lawyers, politicians, civil servants, corporate executives, philanthropists, etc. all of whom none of us would know or recognize. The fight today is to substitute a legitimate form of governance for the disaster already put in place.

III. As a result of the aforementioned, domestic policies in nations around the world are already being affected and adjusted by “foreign agents” with a “global agenda”; it’s just that the public doesn’t realize it yet precisely because of the secretive or low-key nature of the act. The irony of the situation couldn’t be more stupendous: those screaming against “world government” are too late and their protestations only make it harder to remedy the present condition. As the saga continues the problem only deepens making the odds of victory longer and longer. This fact needs to be communicated because observing the internet and youtube its clear few if any realize this. It must be communicated that the idea of world government, in and of itself, is not inherently “evil”. It’s how its done, whose involved and what its ultimate content is that matters.

IV. The status quo has a predictable and identifiable character that is filling the power vacuum of Global Rule of Law that nature itself has created. Nature created this because of the inherent globalization of the world due to technological change. We discussed the inevitability of Global Rule of Law and we can identify its footprint rather easily. One of literally dozens of cases in point is the financial crisis in Iceland. Here, the fingerprint of neo-liberal,
western “democracy” called moral hazard created by systems purporting to operate in Rule of Law when they do not. We shall discuss and support this contention in a following section, but the mortgage crisis in the United States was an example of the suborning of Rule of Law. The global effect of this was that many countries, like Iceland, could make considerable capital gains both by investing their own money and borrowing money to invest (called leveraged investing). By not applying the Rule of Law to the U.S. mortgage fiasco (and the same thing was happening in other countries as well) and government officials ignoring the obviously fraudulent financial practices there, the United States government created a moral hazard in Iceland.

Basically, one can suborn Rule of Law by creating moral hazards which insulate the forces of causation from accountability. A moral hazard can be created by any number of means, but in this case it was suborning of Rule of Law itself that caused a moral hazard that begat another suborning of Rule of Law outside the jurisdiction of the United States; that is, internationally.

Thus, it clear that this stands as a very, very good reason for global Rule of Law when moral hazards can be created by an actor or actors in another jurisdiction the consequences of which can bring down an entire nation’s economy. And that is exactly what happened. By taking the bait of a moral hazard, Icelanders invested in these fraudulent schemes and, when it went belly up, as we will explain more fully in what follows, Icelanders were suddenly burdened with an astonishing debt redounding to a sentence of virtual slavery to the international financial system. Only by holding a referendum and kicking out the Icelandic government that did nothing to stop this moral hazard, were they able to regain control and simply refuse to pay these debts. We shall see in what follows that this international projection of moral hazards is not an exception but the rule and it is a fingerprint of the neo-liberal, western “democracy”. The International Monetary Fund and World Bank use predatory tactics to loan money to developing countries and, in a similar way as was done in Iceland, create moral hazards. Moral hazard and irresponsibility are two sides of the same coin. We shall quickly and easily see that failure to implement global Rule of Law is to further, aid and abet moral hazard and is therefore, grossly irresponsible when we consider the scale of the foible. Therefore, the failure to implement genuine global Rule of Law could be regarded by future observers as criminal omission. In other words, we shall show that the necessity of Global Rule of Law is now clear and present.

V. The problems of standards and technology are vastly improved. While it may seem to be a minor point, under a global regulation scheme, consumer and
business services and products would be dramatically better and more
standardized allowing much greater compatibility between products and
services. All cell phones would use the same charger, all cars use the same
charging stations or gas pumps, all household appliances run on the same
power and have the same replacement components, etc. The effect of such
standardization to the general public however, would be more indirect in that
businesses and industries would see significant efficiency gains due to
standardization of expensive technologies resulting in savings passed on to
the consumer.

VI. Lack of political will power to accomplish the most necessary and serious
business; something that is becoming increasingly global and tragic:
a. Suppose it was discovered that a celestial object would impact Earth in
two years and annihilate it. The global political will to cooperate and
evacuate as many human beings as quickly, thoroughly and as justly
as possible would likely never happen without a competent global
authority. In fact, they likely wouldn’t even tell you about it (see
above).

b. Suppose it were possible to feed the entire world’s population with
donations from a handful of billionaires who were more than willing to
do so, but who could not because of jurisdictional and Rule of Law
problems in the affected areas. This happens to occur a lot.

c. Lack of common fiscal policy has resulted in a dramatic loss of
manufacturing jobs in the United States and a dangerous and
unhealthy pattern of reducing the capacity in the United States to
manufacture critical goods.

d. National borders exist as inheritors of an ancient paradigm of resource
competition by force of arms in which cooperation was not always
technologically feasible. Though this is no longer a limitation for
cooperation, and even though the continued presence of these borders
undermines cooperation today, we still maintain these borders
unnecessarily.

e. Lack of common fiscal policy has produced inefficiencies due to
unnecessary factors such as “sovereign” import and export duties and
currency exchange in the global trading network costing billions
annually.

f. While the waste aforementioned is measured in billions the bizarre,
unnecessary and ludicrous redundancy in military hardware globally in
order to establish, support and maintain “sovereignty” and “foreign”
policy wastes trillions of dollars. The impact this would have on the
global economy if these vast resources were used responsibly would be phenomenal. Every single person on the globe lacking adequate housing and food could be provided for with those funds. The current state of affairs is therefore completely unnecessary.

g. Untold numbers of deaths, injuries and cases of emotional trauma due to permanent separation of consanguinity occurs every year for no reason other than the fact that someone drew an abstract line across the ground and called it a national border.

h. The ability to deal with emergencies in public health, such as the spread of AIDS across national borders, has been greatly undermined by lack of a central tracking and remediation authority with the power to simply operate in multiple jurisdictions.

i. Psychopaths and despots are drawn like magnets to nations having the least stable and established governments where they can seize power and abuse and brutalize their populations for decades. As soon as this terror begins the cowards hide behind the right of “sovereignty” and demand that no one intervene. Because of the selfish interest principle, nations will routinely ignore or overlook this in order to serve their own interests. Unfortunately, this practice is rampant across the globe.

j. Criminal enterprises heavily exploit varying laws across the globe and the tendency of nations to block cooperation between jurisdictions for “sovereign” and “nationalistic” reasons is rampant. As a result, investigating and prosecuting criminal behaviour is unnecessarily extremely difficult when perpetrators cross borders. Stranger abduction and human trafficking for sexual exploitation has, for example, benefited from this condition greatly.

k. Global traders in the futures markets exploit the existence of multiple jurisdictions to employ and direct mercenaries and other agents overseas to create disasters, catastrophes and other crimes from other countries where they cannot be prosecuted. Because of the selfish interest principle of sovereign nations, the nations that harbor these criminals do so because their own intelligence services support the action for their own geopolitical reasons. Meanwhile, the traders make fantastic amounts of money because they are able make history before they bet on it.

VII. Technological Proliferation and Sophistication

a. Technological progression has vastly outstripped our sophistication in the social contract and governments cannot keep up. General
Federalists call this technological deregulation. If this isn't addressed soon all equity in law, and justice itself, will be impossible to issue. And only a global scheme can fully address this, something we'll take up momentarily.

b. Related to the aforementioned is the presence of weapons of mass destruction whose number and type is bound to increase as technology progresses, creating a hazardous global situation where no central authority is in control.

c. Technological deregulation is a deep rabbit hole. For at some point in the depths of this hole we begin to see an ominous pattern develop: corporate interests gain greater and greater influence over Rule of Law; that is, government. This is, by definition, a Fascist tendency. We believe the current, status quo approach to global government is being driven in this manner. In the status quo approach of multilateralism, wittingly or not, the actors are simply applying and serving the engine of capitalism without any regard for whether this kind of economic system would work well in a global setting. The annual sales volume of General Motors alone—around $65 billion in 1982—was greater than the gross national product of 130 developing states. In terms of the 100 world’s largest economic units of 1980, GM rates 23rd. Thirty-nine of the hundred were multinational corporations!

d. Operating in many countries with diverse currencies, and subject to floating exchange rates, multinational corporate management can and does manipulate resources, accounting, revenue and even government—as the recent ITT-Chilean episode revealed—and for one purpose alone: to maximize short-term profit.

e. In its present primitive state of development, the corporate "state" represents the most deadly and widespread exploitive tool ever devised, not only to protect the wealth of the few but to circumvent government control which has proven too narrow a base for modern technology (read technological deregulation). National legislators, such as U.S. Senator Gary Hart (D. Colo.) have asked the obvious questions: has concentrated economic power now extended its reach so far that no government can control it? And more to the point, does the scale of world trade necessitate giant conglomerates which their home government cannot afford to defy? The late Emmanuel Celler, U.S. congressional representative, in consideration of ITT’s "extraordinary jumble" of companies, questioned "whether the good Lord has given anybody the prowess and the expertise, the ingenuity,
to be able to control all these operations. . ." And Senator Estes Kefauver, as far back as the forties, in introducing the Celler-Kefauver Act to strengthen a controversial section of the Clayton Act, stated bluntly, "The people are losing the power to direct their own economic welfare."

f. In his introduction to "America, Inc." by Morton Mintz Ralph Nader wrote of the "sovereignty of the consumer" as the ultimate countervailing force to concentration of corporate power. "Irresponsibility toward public interest becomes institutionalized whenever the making of decisions is so estranged from any accountability for their discernible consequences. . . The modern corporation is the engine of the world's largest production machine. If it is to be more than a mindless, parochial juggernaut, the hands of diverse values and trusteeships for future generations must be exerted on the steering wheel. There should no longer be victims without representation. In any just legal system a victim would have the right to decide with others the behavior of the perpetrator and his recompense." Nader claims that the "corporate involvement pervades every interstice of our society. Companies are deep in the dossier-credit, city, building, drug, medical, computer intelligence, military and education, health and military-theater contracting. . . and with these engagements come the parochial value system and insulation of the corporate structure." A United Nations report of August 12, 1973, stated that "The question at issue is whether a set of institutions and devices can be worked out which will guide the multinational corporations' exercise of power and introduce some form of accountability to the international community into their activities." The report, while acknowledging that MNC's "are depicted in some quarters as key instruments for maximizing world welfare. .." yet are seen in other quarters "as dangerous agents of imperialism." inadvertently admits the UN's own impotence as a global authority able to control the MNC's by concluding that "...Unlike national companies, they were not subject to control and regulation by a single authority which can aim at ensnaring a maximum degree of harmony between their operations and the public interest." We may conclude with Anthony Sampson that "...The sovereignty of the multinational corporation has emerged. . .in its independence of government, in its self-contained organization and trade, in its private diplomacy and communications, in its avoidance of taxes, and in the security of the
company record." And economic equity is exactly what General Federalism brings into the picture.

VIII. Court shopping by the elite
a. While not common knowledge, those with the money and influence typically hop jurisdictions around the world to obtain favourable Court and governmental rulings and subsequently, in many cases, evade justice in other jurisdictions. The victim is left without lawful remedy.

IX. The world is shrinking rapidly, too fast for current modes of ideological thinking
a. Related to VII, this means that relationships between individuals globally are intensifying socially, legally and economically and a system of justice to resolve disputes is needed. Otherwise, justice is absent.

b. Specific Ideologies are quickly becoming overwhelmed by the sharing of culture, views, opinions and other ideologies precisely because ideology is by definition a *special* case of propositional governance (General Federalism is the first system of logic surrounding the social contract we know of that is truly general and not hobbled by this limitation). Ideological belief systems lack the generality sufficient to be applicable to *all* societies. But because it comes with strong opinion, much like nationalism it tends to remain staid, blocking any ability to see “through the lens” of other ideological belief patterns. The United States, with its Roman Empire complex, is especially adversely affected by this. Most Americans exhibit a marked tendency, especially evident when placed in an international perspective, to only comprehend local ideological belief patterns and seem to lack any conscious awareness that other systems even exist, much less the reasons for or reasoning behind their form and design. And all ideologies tend to nurture this state of mind which is a conspicuously provincial one. General Federalism, and the system it propounds as a solution, can help enlighten and break this pattern.

X. Sovereign regimes tend to compete with each other for a share of finite pies of resources. This leads to inefficiency but, more importantly, to any hope of establishing a concept of economic equity (not to be confused with “equality”) in which parties involved in commerce may resolve disputes. This concept is called General Equity in General Federalism. But perhaps of greater applicability is the realization that in many cases the lack of general equity means that millions may have good cause for dispute but do not even realize it. General equity tends to uncover and expose these causes.
XI. If war is not desirable, anything that mitigates it is a good thing if the cost to do so is not greater
   a. While war is probably inevitable, any system that tends to prevent it and bring conflict into a Court setting will likely be an improvement.
   b. The vast majority of conflicts result in a much larger death toll for civilians than military personnel. Any degree to which Rule of Law can draw people off the battle field would be an exponential improvement.
   c. Having a condition in which the world is governed by nearly two hundred separate, fully sovereign regimes is insane and is the very essence of international anarchy. This condition, viewed at the level of interstate relations, is by definition anarchy. This cannot be good for humanity. Two hundred years ago anarchy at this level didn’t matter since the technological infrastructure was too limited for the problems of anarchy in this arena to be realized. This is no longer the case and constant struggles between nations over the selfish pursuit of resources will only get more intense.
   d. The various forms of genocide and ethnic cleansing would be far less likely, arguably impossible, under global Rule of Law.

XII. If poverty is not desirable, anything that mitigates it is a good thing if the cost to do so is not greater.
   a. This is related to the economics topic, but basically, a system of justice in economics is needed. Poverty is also inevitable, but anything that mitigates it by instituting principles of justice in economics is worth the effort.

XIII. Last but not least, the initial reason why General Federalism itself became linked to global Rule of Law by definition is peculiar. When the original founder first began this exercise back in the early eighties the goal was to try to solve the more basic question of the ideal Republic, something sought after for hundreds of years. The founder was doing this because the founder wanted to be sure the ideas were placed on a solid footing. The earliest conclusion reached was that the social sciences involve indeterminancy; that is, the social sciences deal with uncertainty. Unlike physics, in which the founder was an expert, one couldn’t derive certain, definitive laws in the social sciences in the same way one can in physics, even if we assume that the certainty of physical laws isn’t, epistemologically speaking, strictly certain. The point is that, relative to physics, the social sciences at least were less certain that physics. Therefore, in an attempt to at least frame the conversation, the founder wanted to at least identify those things that the
founder could be certain of, if possible. What was found was that any ideal Republic would require that no external sovereign powers which still have the capacity for contact with the presumptive ideal Republic could co-exist with it. This is because the application of justice would require reacting to events external to the ideal Republic for which the ideal Republic would have no control and that, under such circumstances, an ideal Republic all of whose acts are just cannot guarantee a just response in all such cases of external contact. Causality alone dictates that an external cause that we assume as a precondition and which can have a causal effect within the ideal Republic could thence render the ideal Republic something less than ideal. This derives of a thought experiment in which one places the ideal Republic in a black box and runs scenarios. While an interesting artefact, it is a reason for global governance intrinsic to the ideas of General Federalism and not necessarily a universal argument for why global Rule of Law might be needed. But for completeness we’ve noted it here.

XIV. No matter how well one society organizes and manages its own consumption of energy and natural resources, if the same cannot be done in all jurisdictions then that society’s sustainability is undermined. Energy and natural resource consumption are increasing beyond our technological capacity to expand exploitation at exponential rates and this problem is likely terminal.

B. Why Major New ideas are needed

I. Unambiguous, empirical data shows that everything tried has failed. “Democracy” doesn’t work at the national level, much less at the global level. To be clear, neo-liberal western democracies always fail and history has proven this. This does not mean, however, that representative government is a failed option. It is the particular neo-liberal construction that is the problem and we will explain that shortly.

II. Past performance is the best indicator of future performance. When it comes to durability, the west’s much lauded neo-liberal, western “democracy” is an abject failure. If we were to track all “democracies” that appeared on the global scene since 1960 we’d find the following characteristics:

a. Of about 120 attempts at democratization half failed by 2010. This constitutes a 50% failure rate per 50 year duration. Given this half-life, essentially all would fail within 300 years. This is a disastrous durability figure that will not suffice for global governance. Keep in mind that the probability of any one democracy making it to the maximum duration of 300 years is exceedingly small. Based on these figures, ceteris paribus, it
is more likely than not that a world government formulated as a democracy would fail within 50 years. There are two major problems with this. First, it is obviously too short a duration. Second, a global government cannot fail, for to do so would truly be disastrous, to an extent not equaled at a national level. A successful global government would have to be considerably more sophisticated in this regard.

b. Those that fail tend to experience rapid economic growth up to their devolution and overall economic hardship does not appear to be a factor. Normally in a free market economy rapid advances in wealth lead to rapid increases in the accretion of power, not just in government, but in society generally. And if that economic advance is too fast, the accretion is exaggerated because the natural process of wealth disaggregating slightly after such an advance does not have time to act. In other words, the ratio of the aggregation of economic power to the disaggregation of economic power, call it $\epsilon$, increases abruptly.

c. Having said that, income inequality is correlated with the probability of State failure. This would be expected for high values of $\epsilon$.

d. Accretion of economic power along ethnic lines is correlated with a higher probability of State failure. This also makes sense since ethnic tension would only exacerbate the power accretion.

e. Economic reforms (trade liberalization and privatization) within the jurisdiction are negatively correlated with the probability of State failure. This follows naturally from the above, since reforms serve to suppress $\epsilon$.

f. There does not appear to be a correlation between the strength of a State’s Executive authority and the probability of State failure. As far as my own research is concerned, this is the only structural artifact for which data exists. Unfortunately, without complementary structural data we can’t infer much from this.

g. And finally, what is perhaps the most damning finding for “democracy” is the fact that the degree to which a government is dysfunctional and unable to effectively provide its services is correlated with the probability of State failure. In other words, “democracy” simply collapses in on itself. Whether by corruption, inefficiency, fraud or whatever else, democracies are prone to fail to fulfill their raison d’etre.

h. The economic realities of $\epsilon$ and the correlations above suggest that surges in the accretion of power lead to State failure in “democracies”. But this is exactly what any detractor of “democracy” would expect: the greatest weakness of democracy, according to detractors through history, has been its vulnerability to sudden increases in power accretion within a society.
Stare Decesis, this belies a foundational weakness of “democracies” wherein they are especially vulnerable to usurpation, not solely from within the government, but from outside. That is, “democracy” is an abject failure because in its more common form at least, it is a breeding ground of the popular faction Madison and Hamilton warned us about. This isn’t rocket science.

i. Having said that, the purist could argue that General Federalism does in fact admit of representation in the exercise of legal and economic power because of the ease with which the constituency can revoke those powers, by force if necessary: those that exercise power are influenced (or threatened) by the constituency through the attribute of deterministic annulment.

j. In summary, it is clear that neo-liberal western “democracy” is not an option for durable, just global governance. But perhaps more worrisome for the call to global governance is how to disabuse westerners of this public myth about “democracy” and “rule of law” that they virtually worship like a god ... who doesn’t exist. Westerners possess neither democracy nor Rule of Law precisely because it doesn’t work under the institutions they’ve created and this is a very good reason for radically new ideas. A good way to start this conversation might be to ask, “which do you value most, the ability to directly participate in governance or that the government that governs is, in your opinion and experience, just?” and “do you prefer to participate in your wife’s life or death surgery or would you rather let a qualified doctor do that instead?” As you can see, the answer should be obvious. The public mythos of direct participation in the execution of governing needs to be debunked publicly.

III. At this point our discussion begs the question, “why then, do these democracies fail so easily”? If you’ve ever watched a movie where a guy is sitting in a remote log cabin in the middle of the night by a candlelight and reading a horror story to some college girls – never realizing until its too late that the horror story he is reading is in fact about them; then you will very much appreciate how living in an age dominated by a particular belief paradigm can blind you to the obvious. We live in the mythical age of the Western neo-liberal democracy, so prepare to open your mind. Consider the following thought experiment: imagine you live in a country in which the government is designed so that all the Citizens can participate in government. This means that this government is the epitome of a democratic design for it provides that the Citizens can have a direct hand in either influencing or authoring public policy. The United States might be considered a fair
approximation of this model, for here anyone is free to participate in the process of policy-making by influencing their Congress persons and President through letter writing, public protest, media outlets and special interests ... if they can afford the latter. But that is really the point, right? Is it not a little obvious that any government that has such a broadly open door policy to public influence will almost certainly be influenced by a minority who drown-out everyone else? For who is to truly get the undivided attention of the President? You? Sure, in some small way you can make your opinion felt, but the effect of your individual effort will pale in comparison to that of the privileged few who can sit on a couch with the President in the Oval Office. There are some 300 million people in the United States. Obviously, it is impossible for there to be any equity in participation in public policy decisions. The point here is that it should be blatantly obvious that the degrees of influence throughout the Citizen population are dramatically, even precipitously out of proportion. And that in turn means that the very act of “opening its doors” to public influence in the creation of public policy does nothing but empower a tiny minority of elites within the Citizen population; the oligarchy. This is so obvious it is painful to hear someone try to prevaricate their way out of this rabbit hole. Western, neo-liberal Democracy is a scam authored by an oligarchy and foisted on a public lusting to hear someone proclaim their individual, vast import and impact on the course of history. But if we take a step back and try to engage this question more objectively we see that the problem isn’t with representative government in and of itself. The problem is with how we define and understand “democracy”. In other words, simply opening the door to the “public” in the day-to-day business of government is like demanding that you be allowed to instruct and direct the surgeon performing surgery on your wife; it might make you feel important if someone tells you that you can do that, but the reality is that to do so is specious and to allow every Citizen of the country to do it is bat-shit insane. So, carrying that analogy, what has happened in the western, neo-liberal democracy scam is that you are told you can participate in the surgery and the doctor will nod his head and seem quite cooperative. But it is the oligarch standing behind you that he is actually listening to and from whom he takes his instruction. There is a much better way to construct a representative government that abides the ideals of democracy but avoids the fraud of the neo-liberal flavor. We will examine that shortly but simply note here that in a genuine, legitimate representative society the public delegates and revokes political power but they do not exercise it. Just like we do with our doctor. Though some may object that the “influence” a Citizen
has on the actual creation of public policy is quite limited, that argument only serves to bolster the contention that the limited impact is the direct result of the massive impact disproportionately given to the faction of oligarchy. What is important to establish here is that in the Western, neo-liberal tradition of democracy the opportunity for anyone to influence public policy directly is present. You can certainly believe that the lobbyists for General Motors, for example, reach rather deeply in the weeds on exactly what provision ends up in what Bill and exactly how it is worded. So, the key takeaway from this is to understand that what concerns us as General Federalists is not the fact that every single person can’t participate equally but that, rather, when a government is set up as it is here in the United States it rather forcefully empowers and accelerates the interest of the oligarchy by handing them a direct connection to the highest levels of political power; regardless of the negative impact that has on those who do not have as strong a voice and the negative consequences it can and always does have for the nation as a whole. The only thing such an “open door policy” does is to act as a gigantic magnet that draws the most unscrupulous, corrupt, selfish, fascist personalities through it. If you can connect the dots you will see once we discuss the evisceration of Rule of Law in the United States that the former is causing the latter. Despite the overwhelming data, apologists for neo-liberal democracy continue to make old, invalid arguments to support the durability and representative quality of their system. One of many common arguments has been the so-called “Miracle of Aggregation” which states that the law of averages will solve one of the key objections to democracy. That objection, voiced all too well by Winston Churchill when he said, “the best argument against democracy is a five minute conversation with the average voter”, is that despite the average voter’s lack of specialization and expertise in the subject matter of governance, is not an issue in neo-liberal democracies because of the law of averages. It basically states that, assuming a given population has a majority of constituents who are ill-informed or otherwise unqualified to make decisions about public policy, half of them will come up with the right answers and the other half will not. Therefore, the law of averages suggests that all their votes will cancel each other. The remaining votes from informed and competent voters will then decide the election. But the assumptions of this theory are invalid. It assumes that the number of people arriving at the wrong answer will be equal to the number of persons arriving at the correct answer. Even though the empirical data makes explicitly demonstrating this to be a fallacy makes it unnecessary to engage this conversation, academics have in fact rigorously studied this question. And
they’ve all found that it is, as the empirical data already discussed would suggest, that it is indeed fallacious and that both hypothetical halves of uninformed constituency will not be proportionate. One researcher, an economist, Bryan Caplan, Ph.D., wrote a book on the overall fallacy of democracy and has studied this matter empirically. He found that indeed the halves in this hypothetical will never be proportionate. Another built-in fallacy in this defense is the assumption, related to Caplan’s conclusion, that voters in a society such as this can’t be unduly influenced by “public relations”, the politically correct term coined by Edward Bernays as a substitute for the more unacceptable term “propaganda”. This provides at least an explanation for why these hypothetical halves can be disproportionate but, at the end of the day, it doesn’t matter if that is the reason, only that we know this defense is fallacious generally. And of course, even if we choose some other fraction instead of ½, we still find the same logic. Thus, suppose the choice is not binary but that there are, say, \( n \) possible choices. Then the same research shows that we will never see an equal proportion of all \( n \)’th choices. And it shouldn’t come as a surprise that if a medical doctor has no specialized, formal training in medicine, his or her decisions will likely be bad ones and we wouldn’t want him or her performing surgery on us. It isn’t that the doctor is simple or personally deficient in any way. It’s merely that he or she is ill-prepared, not the right person for that job and he or she is being asked to do something wherein he or she is set up to fail. When we take this out of the ideologically tainted and stacked subject of politics, we can easily see this fact with little or no disagreement or doubt on the matter. But when placed in an emotionally charged, heavily compromised and opinionated field, this common-sense and obvious conclusion is pushed aside by appeals to authority, confirmation bias, the Conjunction Fallacy and other well-known and studied phenomenon. That, too, has been shown to be an issue in ideological opinion, so we know it’s a factor. We will explore this in more detail later.

IV. This same “open door policy” that has allowed excessive influence of faction has led to the passage of laws, in modern times as a matter of course, that provide for an excessive and overly broad range of punishment to be applied in their violation. On the one extreme the punishment is draconian and severe and on the other it is more measured and reasonable. This is because faction has lobbied for these draconian, extreme and reactionary laws which, if actually enforced at that extreme, would be destabilizing due to their impact on the population. If enforced at such extremes, population revolts and mass loss of elections of politicians would almost certainly ensue given the severity...
of these maximum allowed punishments. Therefore, the laws are written to allow the Courts to impose punishments at the other, much more moderate extreme. And this more moderate punishment is the usual punishment the Courts apply. In this way, faction is satisfied and gets the extreme and severe punishment they desire – at least on paper - while politicians are able to pass laws that don’t, by their severe and draconian enforcement, cause them to lose elections in the future. The result of this is a body of statute full of laws that result in a highly unpredictable exercise of power. This is directly counter to the definition of “rule of law” we mentioned previously. By definition, the system is operating well outside Rule of Law; and it is due entirely to the corrosive influence of faction. Very typical examples of this wildly varying range of punishments include the range of punishment provided for what in most States in the United States is referred to as driving under the influence of drugs. One very vocal and publicly visible faction in this debate were the family members of people killed in vehicular accidents involving alcohol. The issue of driving while intoxicated has been a subject of intense lobbying by faction, not just for the obvious safety issues involved, but for all sorts of varied, unjustifiable reasons and has led to laws in some States that allow punishments for first-time offenders that can range from only 24 hours of incarceration to up to two years of incarceration; the exact punishment determined only by the Court. Adding to the unpredictability of the outcome is the fact that the manner in which intoxication can be defined is blurred and rendered ambiguous by the overly broad definition it is given. A person under the “influence” of prescription medication not contraindicated for driving and taken at the prescribed doses could, if the Court chooses to interpret it as such, be considered a drug of illegal “influence”. This sloppy, broadening of definitions of terms has been applied with ubiquity throughout statutes both in State and federal code. The examples are too numerous to list here, but the Patriot Act, for example, has led to definitions of the term “terrorism” that are so broad as to no longer have any meaning. And indeed, the provisions of the Patriot Act, quite predictably, are now being used in cases that manifestly have nothing at all to do with anything that could be construed as terrorism, such as run-of-the-mill prostitution and vagrancy in which even law enforcement admits has nothing to do with terrorism. Like the driving under the influence laws, this means that the application of state power is grossly unpredictable and an offender, even if in reality completely innocent of the crime the law appears to be drafted to address, has no idea what punishment to expect. And we should point out that the definition of Rule of Law as being a standard in which power is applied in a predictable pattern implicitly
requires – if it is to make any sense at all - that this predictable pattern be clearly discernible not just to professional attorneys but to virtually any, reasonable lay person. And this consequent unpredictability of intoxication laws is especially true in small, provincial Courts where an offender might be an unpopular figure, such as an atheist, homosexual or other rejected minority who cannot be sure how extreme a Judge is going to rule in their particular case. While it may seem remarkable that Judges would be swayed by this, example after example shows that this is indeed the case and anyone in any kind of minority or unpopular category will be faced with a particularly unpredictable, possibly draconian outcome. Since they are a minority, any outcry of the public for excessive and draconian punishment will not likely materialize. They will simply be quietly sent to jail and forgotten. So, these laws can be both applied in an excessively broad manner and the punishments exacted for them can be excessively broad. And we note the pattern evidenced here which we shall see in so many examples of how laws of this nature produce this two-headed Hydra called moral hazards, in this case for Judges, who can be enabled and empowered to apply process to one individual in a manner completely inconsistent with the process normally considered due any similarly situated individual. Though the highest Court in the United States, the Supreme Court, has repeatedly and clearly ruled in case law for decades that all persons are entitled to the same legal process anyone else so similarly situated is due, this ruling is routinely ignored in the enforcement of these insanely broad laws consisting of equally insanely broad definitions of terms. Indeed, even U.S. officials are beginning to misrepresent the meaning of this long history of case law by suggesting that “due process” is not the same thing as “judicial process”; implying that even those that do not receive any kind of judicial process may still be afforded a “due process” if it involves, for example, the buzz phrase “national security”. Of course, this is blatantly false as case law clearly states that all persons are entitled to the due process any similarly situated individual would normally receive. By simply leaving off the last part of the more well-known condensed form of the Supreme Court’s language of the “due process” phrase, these officials, such as Eric Holder, a U.S. Attorney General, can make these outlandish statements sound reasonable to a lay public. This explanation was used by Holder and others to justify the killing of U.S. citizens by the United States government without any form of judicial process whatsoever, something, by the way, also demonstrating the wildly extreme and broad range of punishments provided for anyone merely involved in the equally overly broad offense of “terrorism”. It is clear from this pattern of grossly
unpredictable statute in and of itself that Rule of Law in the United States cannot possibly, by definition, exist. General Federalists suggest that this almost certainly will be viewed by future observers as criminal behaviour; essentially and with no undue embellishment amounting to crimes against humanity. Thus, a new idea is needed and another, more creative way to ensure public participation and representation is obviously required and simply repackaging this same problem, uncured and untreated, of western, neo-liberal democracy cannot work, especially at a global level. And to be clear, the origin of this problem, like so many other violations of Rule of Law, and if studied closely by someone familiar with the legal profession, can be clearly traced to the corrosive influence of faction and the open door policy of allowing direct participation in the creation of public policy. Persons familiar with the profession know for a fact, not by theory or ideological belief, but by fact born of direct experience in witnessing it, that this break in Rule of Law comes directly from the corrosive influence of faction.

V. In Citizens United v. Federal Election Commission, 558 U.S. 310 (2010) the crescendo of Ravel’s Bolero reached its apogee when the U.S. Supreme Court Justices decided that corporations could donate to political campaigns just like natural persons; meaning they could do so anonymously. This means that an unknown entity could come into a Congressional district from the other side of the country and destroy a candidate in the media who was in fact quite popular there. Why in the world would the Justices do this, which amounted to allowing corporations to control elections completely? Because they have been corrupted by moral hazards. In the movie, Patriocracy, a U.S. Congress person stated that they have to plead so thoroughly to special interests that by the time they get to Washington they have absolutely no discretion: their stance on public policy has already be set in stone by the commitments they had to make in order to (A) get the campaign financing needed and (B) not invoke the wrath of special interest anti-campaign spending if they betrayed their masters and actually did what their constituents wanted them to do. But this sentiment has been echoed many, many times before by politicians. It couldn’t be any clearer that the American experiment has failed since it is blatantly impossible for any true representative governance to occur. If politicians are entirely beholden to special interests, which are by definition a factional opinion, then they cannot represent their constituents. This is a cold, hard fact. And the irony of the situation is that the very claim that an “open door policy” to allow public input into governance is somehow “democratic” is precisely what has made it not only undemocratic but not even
representative. The American experiment is riddled with this dichotomy and it is screaming out what General Federalism says about the difference between *executing* the social contract versus *delegating and revoking* the political power to execute the social contract. There are now over 200 years of experience in the American experiment to make this point crystal clear. The saddest part of *Patriocracy* was watching what we’ve seen in this country for decades: People complain about the dysfunction of the American system but never once are the obvious and pervasive structural problems hinted at, much less discussed. The same band-aid “solutions” discussed in 1960 are repackaged and repeated in 2013. In over an hour of drivel about how to “fix” a system with solutions repeated since 1950 that isn’t just broken but mal-designed and structurally unsound, *Patriocracy* never once mentions the deeper structural issues involved. They’ve been talking about fiscal irresponsibility for decades. They’ve been talking about Congress’ inability to “get along” for decades. They’ve been talking about special interests for decades. They’ve been talking about Social Security for decades. They’ve been talking about the illegal, clandestine activity of the CIA for decades. Nothing has changed. It’s insanity. It’s structural.

**END OF VIDEO DOCUMENTARY SERIES PART 2 OF 8**

VI. The future of humanity depends on a viable global government. In a system based on constituent *participation* in governance (such as through special interests), not just *delegation* of power, the system quickly becomes dominated by a pattern of *moral hazards* which are in turn used to suborn Rule of Law and violate civil liberties with abandon. This happens because the public pressure and scrutiny on public officials is so high when applied by well-financed special interests, blame must be displaced and “spread out” over several individuals in order to protect themselves. An excellent example of this deflection of accountability was shown in our discussion of how politicians draft overly broad laws with overly broad definitions to wash their hands clean of any wrongdoing and talk out of both sides of their mouths, on the one hand bowing to faction and on the other to their constituency. So, one can do this generally by creating *moral hazards* which are inherently deniable and those that fall prey to the hazard can justify it based on the false choice they claim it presented. In this way they can do the corrupt bidding of faction by appealing to special interests and lobbying while simultaneously averring to their constituency that they have not. It’s a massive scam. We shall see throughout this introduction that in virtually all neo-liberal western “democracies” this is exactly what has happened and that a full understanding of how they work is simply lost without taking the ubiquity of moral hazards...
in these systems into account. Muammar Qaddafi, of all people, is one of the few in the public domain who also identified the fraud of parliamentary democracy as we have here. However, his further treatment and understanding of the problem, as outlined in his so-called *Green Book*, we believe was incomplete and replete with factual and logical error. **Therefore, a global scheme of governance absolutely must solve the issue of moral hazards by the introduction of considered, profound new ideas.**

**VII.** The sheer complexity of global governance is overwhelming. There are two key areas where this needs some original work as we have seen no proposal that would actually work. First, (A) the fundamental law (the Constitution) that frames global governance in Rule of Law must be as simple as possible while still be sophisticated and complex enough to address the problem at hand. While it could be argued that the Constitution we’ve come up with so far is large (about twice as long as the U.S. Constitution), for a global scheme we think it’s pretty Spartan, especially when compared to the War and Peace of Constitutions such as the Maastricht Treaty, which doesn’t even clear the bar of a Constitution. Second, (B) the basic administration of such a government could easily get unwieldy and impractical. We are already seeing in the United States that, exacerbating technological deregulation is the sheer complexity of managing a social contract in an area with such a large economy, so many people, so many laws and so many interests outside the country. Our proposal is to empower “lawful delegates” through a Federation Civil Corps that is Constitutionally defined. Acting as delegates of the respective Houses, members of the Civil Corps would be responsible for handling the day-to-day issues of governance throughout a Federation, however large it may be. In this way, a merit-based system whose authority and power reach is Constitutionally limited and framed, can be employed and scaled up or down to whatever extent global governance may then require. Key to this provision has been the Constitutional mandate for its existence, which ensures that unelected bureaucrats, basically the same kinds of people we think of when we think of “disaggregated States”, operate under Rule of Law and are accountable to the People. In this sense, the Corps is something more than just a bureaucracy but is, in some sense, like a department of the military where employment and promotion is pegged to merit and discipline is high.

**VIII.** Experts who have studied the matter in detail have, not surprisingly, concluded that an open and free election involving what would potentially be the entire population of the world would be logistically infeasible; essentially impossible to perform. The reasons for this are many, but recalling that we...
seek a *general* solution to the issue of global governance means that we have to consider the fact that some localities will have relatively low levels of corruption and fraud in elections (such as countries that have a long tradition of open and free elections) while others would likely have relatively high levels of corruption and fraud in elections (such as countries that are new to the process or simply have a history of difficult elections). Therefore, we must find a *general* solution to this problem and to the problem of margins of error. In any election involving such large numbers of voters the margin of error, even if all elections were performed with no fraud or corruption at all, would be quite large. It is impossible to hold an election that is completely error free. And the larger the voter base the greater that error. This kind of uncertainty is bad enough at the national level, and can cause constitutional crises at that level (recall the Bush-Gore presidential election in the United States where the margin of error was precisely the problem), but it would be disastrous in a global governance scheme and simply cannot be allowed to happen. At a global level constitutional crises must be avoided at all costs. So, what solution can we offer?

a. The determination of succession in office must be highly deterministic in the sense that validation of the lawful successor is as simple, clear and irrefutable as possible.

b. The succession of power also constitutes an act of *delegating* power, whether implicit or explicit, therefore, it must have some means for public participation that is inherently representative, at least to the degree feasibility allows. If this cannot be fully realized due to the practical realities mentioned, then a means of revocation of that power by the public must be equally deterministic as a fallback to ensure representative governance.

c. The only method of truly deterministic succession would be by the heredity of the Office holders, but this scheme is a difficult proposition to sell for no other reason than the untoward appearance it conveys. Therefore, the hardest sell of General Federalism will revolve around this issue of succession and we have recommended a hybrid scheme built on hereditary succession with additional features to ensure that it is (A) still representative and (B) highly amenable to public annulment (revocation) of that power if the public desires.

d. While such a hybrid scheme is acceptable for any governing body that actually *exercises* political power, it cannot be acceptable for any public body whose role is to execute the public’s right to *delegate and annul* power. This is an important distinction. This means that the Senate is the
toughest one of all to solve as its members cannot be chosen on the basis of heredity.

e. We provide a solution to this infra when we discuss the legal character of General Federalism which combines heredity with representative equal suffrage.

As an aside to this discussion, I would point out that some have projected that the world is not moving toward consolidation or centralization of government but that it is rather more likely to decentralize. The argument is that the Nation-State is becoming more irrelevant because it is becoming more dysfunctional. This line of thinking I found very interesting because it is consistent with what we are discussing here inasmuch as it provides a glimpse into what might happen when large, powerful neo-liberal, western democratic Nation-States do in fact fail. One mode of failure is total dysfunction. At some critical stage the dysfunction would be so bad that the neo-liberal Nation-State would be unable to enforce its own tax laws and this would be the final nail in the coffin. In such a scenario, we can imagine a Nation-State simply lacking the political will-power and being generally too dysfunctional to respond to a city or subsidiary government that simply chooses to ignore the Nation-State laws. Is there evidence for this trend? Yes, and it is considerable. Just here in the United States both State and metropolitan governments have begun bucking and ignoring federal laws, a practice that has increased considerably in frequency and severity over the last twenty years. In California especially, both metropolitan and State governments are in direct defiance of federal law or simply seem thoroughly insouciant about it. Were the failure to proceed in this manner it would still be, in the long run, a good thing because the necessity of global Rule of Law placed on society due to technological change isn’t going to go away. Once the Nation-State becomes irrelevant and disappears, it won’t be long before the remaining subsidiary governments, possibly including City States, would have to form some kind of larger Federation. This would be inoculating the world of the disease of neo-liberal, western pseudo-democracy by killing the host. It’s an interesting idea. Once upon a time one could make pretty reliable projections based on an understanding of human nature alone. However, and again due to technological change, the conditions and circumstances in which human beings now live are so dramatically different and changing so fast that this old method doesn’t work nearly as well. I wouldn’t be surprised if this projection more or less turns out to be our future.

IX. Rule of Law is the great public myth of western neo-liberal democracy and genuine rule of law is desperately needed for a global scheme
a. Attorneys in the United States routinely gather privately and discuss cases, then decide on a “deal” they will present to the judge, making the hearing itself a show trial. While this is not supposed to happen, because the judge and attorneys all know the identity of each other, this becomes possible, and human nature demonstrates it is inevitable. This constitutes an end run around Rule of Law. General Federalism ends this practice by invoking double-blind standards – something never proposed before. Failure to institute double-blind standards is an act of omission in creating moral hazards. Notice that this issue is structural.

b. Just a few years ago the United States experienced what became known as the mortgage crisis. Here is what really happened. Banks divided their mortgages into groups based on risk. For example, those most likely to default might be in group 1. Those least likely to default might be placed in the top group, 10. And the risk of default for each group would then increase from 1 to 10. Then, the investment gurus created an investment instrument which was itself composed of several other instruments. Rule of Law requires that when you create an investment vehicle like this you must report the default risk so that credit rating agencies can give the instrument a proper and accurate risk rating. So, a legal entity called MERS was created to buy the deeds for all the mortgages the banks carried, including all the deeds of risk levels 1 through 10 in our illustration. MERS then violated Rule of Law by severing the chain of ownership between the deed and the homeowner and instead re-titling it in the name of a third party investment firm. But the clever fraud here was that the reconnecting of the deed back to its rightful owner was not done before the investment instrument was sold to an investor. Rather, they placed all the deeds in what are called tranches created by the investment firms; basically a bunch of buckets in which to place and categorize the deeds by risk, in our illustration being 10. Normally, the tenth tranche would be the lowest risk bucket and would have the highest credit rating, thus making its market value higher than the higher risk buckets. But when they put the deeds into the buckets they just dumped all of them in, by illustration, bucket 10 and left all the others empty. This put 10 buckets worth of instruments in a single, highest-valued bucket, or tranche. Of course, the rating agencies rated all of them with their highest rating, “AAA”. Now, they could begin selling these deeds, which by this time were converted into investment instruments whose value was backed by the deeds, at a premium price. But that also meant they could sell very high risk deeds at a premium price also. Only once a mortgage actually
defaulted did they then move the deed from tranche 10 back to tranche 9 or some other lower bucket. This circumvented the very meaning of speculation and risk as they were not operating with risk, as they were purporting to do, but were acting out of virtual certainty. Thus, once a mortgage defaulted it was quickly placed into a riskier tranche and the ownership trail of the deed was “reconnected” by ‘robo-signers’ (people who signed deeds in order to transfer them, which, done in that way was illegal anyway) back to the actual investment vehicle that got moved to the riskier tranche. This is blatant fraud and was never resolved by any legal authority. It was a multi-trillion dollar theft that was never prosecuted. Nor were the actions Rule of Law required to remedy this problem undertaken. It was a blatant violation of Rule of Law. This event in particular, shows how deeply corporate interests can and have influenced government to the point of suborning Rule of Law. The entire affair involved approximately 48 million home mortgages. Western, neo-liberal “democracy” has clearly demonstrated an inability to prevent the suborning of Rule of Law by the oligarchy and any global governance scheme will have to have a mechanism that reliably prevents this.

c. Judges in the United States are an “Officer De Jure”, which is interpreted to mean that their Orders can violate the law (a friend at the ACLU told me this and I have seen it myself). Further, instead of using the principles of “equity in law” as they are supposed to, they take it to mean they can rule anything consistent with their personal opinion. That is not what equity in law means. Thus, Rule of Law is subverted. General Federalism provides remedy for this and requires Judges to state their logic and reasons in every ruling. Giving absurdly corrupting powers to Judges is an act of commission in creating moral hazards. **Notice that this issue is structural**

d. Multilateralism exercised by numerous countries means that unelected officials are making decisions that affect their constituents in ways that their own fundamental laws intended to be made through legislation. This is not only a blatant subversion of Rule of Law but it is a complete suspension of it. **Notice that this issue is structural**

e. In the United States, the science of public relations is so honed that any candidate with sufficient funds can win an election and the very fact that voters hear so little of other candidates makes their efficacy in that office appear inadequate to the voter. When two candidates spend roughly equal amounts of money on a campaign, the result is a razor-thin election. If one follows the campaign money, it is clear that money, at least in the
last thirty years, is what wins elections. Consequently, the faction of oligarchy now controls all elections. Thus elections are de facto no longer of equal suffrage and are rigged. As equal suffrage is a requirement made in the U.S. Constitution, this is a violation of Rule of Law. Constitutionally permitting the private funding of campaigns is an act of omission in creating moral hazards. Notice that this issue is structural

f. It would under any other circumstances be a laughable fact that bribery and corruption are generally understood only in certain contexts even though their definition applies in contexts the general public, for some reason, seems to conveniently overlook. In other words, bribery and corruption goes on openly and blatantly on K street and the public never seems to notice it. What we are referring to is the idea of “special interests” and government lobbying. Of course this is blatant bribery and corruption, but the way in which those terms have been understood has been twisted and perverted to make it appear that only someone who is not a “reputable” politician could do something like that. Thus, the entire federal government of the United States is thoroughly corrupt as they take favors (or “emoluments”) from factions (campaign money) in exchange for favourable consideration in Congress of the faction’s perspective or agenda. It is blatantly obvious and is a wholesale rejection of Rule of Law. Yet, the United States lectures the world about “rule of law”. It is astounding. Constitutionally permitting the private funding of campaigns is an act of omission in creating moral hazards. Notice that this issue is structural

g. Since the Patriot Act, the United States now can incarcerate anyone without a trial indefinitely. This is not ideological hyperbole but, as I have found in my research, literally correct. This is another wholesale suspension of Rule of Law. This is a matter of ingrained public policy.

h. Federal judges in the United States routinely (to the point of being almost a certain, guaranteed fact) dismiss cases bearing heavily on matters of the United States Constitution simply because it is policy to not hear such cases. This policy (yes, courts also issue “policies”, or standing rules, throughout the courts that other courts are obliged to obey. This is not to be confused with precedent or case law, but is an explicit policy set by senior courts) must be followed by all courts. For example, if someone’s 14th Amendment rights are blatantly violated – say the custody of their natural child is completely revoked without service of process or a hearing beforehand, indeed, even without their knowledge at all - in an open and shut case for which even the opposing party agrees is true, and if it
involves subject matter such as domestic relations; the courts will almost
certainly dismiss it, even though they are required to hear it because it
hinges on a clear federal matter (the Supreme Court has set case law –
which is overridden by policy by the way – that if a hearing is held within
thirty days after the revocation then it is not a violation of the 14th
Amendment. But I am personally aware of numerous cases where a
hearing was not held for many months afterward). When a State fails to
perfect any of the valid methods of service of process (whether by direct
service through a law enforcement officer, a valid process server, or by a
waiver procedure) and revokes a fundamental liberty right (such as one’s
access to their natural child) this is cause for a hearing by a jury in federal
court. The examples are endless, even affecting Jesse Ventura when he
tried to obtain a federal jury in a politicized matter having to do with U.S.
airport security practices. Federal courts have turned the art of finding
ways to dismiss cases well before a jury can hear them into a masterpiece
displaying an impressive level of sophistication and effect. It is obvious
from the sheer volume of cases whose matters are highly politicized, and
the manner in which they are routinely dismissed in favour of the more
powerful political position at that time and place, that corruption is
occurring in that communication with the judges outside Court and
without the other party (ex parte) is occurring (speaking of volume,
please also note that courts have since their earliest days steadfastly
refused the collection of non-identifying statistical data on the outcome of
cases, precisely because it will prove what we are saying here). And we
shouldn’t be surprised at this since it is human nature to corrupt power.
*The only way to stop this is to enforce double-blind procedures in all
courts*, a key innovation made feasible in all its seeming complexity under
General Federalism. And all of this matters, regardless of how much of a
“technicality” we want to think of it as, because these technicalities go to
the heart of Rule of Law. When following Rule of Law, every technicality is
followed as that is the very essence of what Rule of Law means: You
follow the rules. But let’s not kid ourselves. The things we are talking
about here could hardly be called technicalities. These are wholesale
revocations of Rule of Law in which a wealthy, powerful individual can get
any ruling they want. It’s a complete disaster and farce. *This is why we
call neo-liberal western democracy a lie. The constitutional elision of some
form of jury representation in the appellate courts, lack of double-blind
standards and a lack of requiring scientific rigor for probative force are all
acts of omission in creating moral hazards. **Notice that this issue is structural.**

i. Courts in the United States have the power to issue two flavors of something called “contempt” of the Court. The two flavors are criminal and civil. Here, yet another back door to circumvent rule of law is structurally built-in because should a judge issue a contempt order, either civil or criminal, a person named therein to be arrested can be arrested without any stated cause, without any reading of rights and can thence be placed in jail until the person pays whatever fees the judge wishes to demand in the contempt Order. Notice that several rules of law we generally take for granted are being violated here. This is a tool of choice when dealing with any “normal” person who has a slam dunk legal case against an oligarch and who just won’t go away. By assessing attorney’s fees, expenses or other required remediation costs that are, of course, all trumped up, a judge can Order the paying of massive fines that no “normal” individual could possibly pay. This allows the judge to jail this person for many, many months. I cannot speak for every State of the United States but I can tell you that in the State of Georgia this is more than just routine. People sit in jails in Georgia for several months on account of an inability to pay a fine set by a judge. And they obviously cannot pay it if they are sitting in jail because, for one thing, they would pay it in order to get out, secondly, they cannot do anything in jail as far as paying anything or even coordinating the payment of fines and third, they cannot pay themselves (that’s the rule imposed), so someone else has to do it in their stead. We’re not talking about bail here. Speaking of which, these cases offer no bail option at all. Again, the purpose of this provision, like the Officer De Jure nonsense, is to give Judges the power to circumvent rule of law when oligarchy is in a bad way and a case is heavily stacked against them. General Federalism eliminates this moral hazard by requiring that no one can be jailed on the basis of any debt or fee by itself. The granting of legal powers that are excessive and resilient to accountability is an act of commission in creating moral hazards. **Notice that this issue is structural.**

j. Absolute immunity of judges has been grossly abused, in many cases by State legislatures themselves. In the State of Georgia, the legislature there pulled a clever trick to circumvent rule of law: they passed a law that allowed Courts to hold hearings in which a person’s rights were revoked or disfurnished without telling that party that a hearing was being held (an ex parte ruling) – but unlike the Supreme Court’s ruling stated –
said nothing about how long one could do this without a hearing with the affected party present. This meant that if the judge issued a ruling and did not hold a hearing within thirty days, he (or she) was in violation of the 14th Amendment! But because of his or her absolute immunity, as the Supreme Court has sternly ruled in case law, you can do nothing about it. As we can see as we enumerate all these “secret” tricks it is clear that if the United States government wanted to go down the road of despotism it is already well equipped for it. General Federalism places limits on absolute immunity of judges (it does have a good reason for existence, but limitations can be placed that do not undermine its purpose). The granting of legal powers that are excessive and resilient to accountability is an act of commission in creating moral hazards. Notice that this issue is structural.

k. What we see here, as we do in virtually every case in the United States, is a unique strategy for violating Rule of Law. In other places, especially non-western countries, violations of Rule of Law are more overt and open. But in the west trickery and deceit is the name of the game. This unique strategy so thoroughly perfected in the United States is to deliberately create moral hazards for actors in various roles, then use that to circumvent Rule of Law, either by blackmail or by simply relying on their human nature. In creating the moral hazard one does not, necessarily, have to violate Rule of Law themselves. This gives the appearance of a working system of Rule of Law while the true violation occurs behind closed doors in ways not easily observed by the public. It is deceitful and dishonest. Of all the characteristics of General Federalism, this disdain for deceit probably differentiates it from just about every other global governance movement more than any other single characteristic. Notice that this issue is structural.

l. Slavery is illegal in the United States by Constitutional Amendment. An example of how slavery works might go like this. If I decide to purchase one hundred slaves from some distant location overseas at a price of x per head there is a reason why I’m doing this. I’m doing this because I know that despite what I spend on the slaves, owning them and putting them to work on my plantation will generate far more money that what I spent purchasing them. Of course, that calculus involves some speculation on my part. First, I am speculating that only a small percentage of the slaves I purchase will fail to be productive (some may die, some may not be able to work because of health, etc.). And I know that some will fall into this category. But, if the price per head, x, is right, and the gains I know I’ll
get by using even just the remaining healthy slaves is high enough, I
know I will profit. So, I am speculating on the future economic
performance of a group of 100 human beings. I cannot know for sure
which ones will be productive and which ones will not, not by name, but
all I need to know is what is the likely percentage of productive individuals
in that larger group. So, the future economic performance of any one of
the named slaves is speculative. If we switch lenses now we can see that
the exact same definition exists with unsecured credit. In this scheme, I
give a large sum of money, like I did when I bought slaves, to a purveyor
of credit. This purveyor loans this money out to several people, say 100
people. But in doing so they sign an agreement that requires them to pay
back my money, plus some amount of interest. I know that, if the interest
is high enough, and if I can have a rough idea of how many of those 100
will fail to be productive (and thus fail to repay me), I can adjust that
interest rate to insure that I profit from all the other debtors that repay
me with interest. In this example, I am speculating on the future
economic performance of a group of 100 human beings. However, by
making it “voluntary” (a questionable claim we’ll make for the sake of
discussion) and by obfuscating it in the world of abstract finance, I am
concealing the fact that I have just circumvented Rule of Law by making
an illegal activity legal, even though the law never changed. For if the
gravamen for making slavery illegal is not that it constitutes speculation
on the future economic performance of human beings, how else would you
define it in a way that would capture all forms of slavery known at that
time? Clearly, this speculation on human performance is the basis of
slavery itself. So, slavery has been reintroduced and Rule of Law violated
again. Notice that this issue is structural.

m. In the United States, the right to be protected from unreasonable search
and seizure is the law of the land. However, as noted in previous
examples, if you take such a case to the federal courts it will almost
certainly be dismissed. And cases running rampant across the United
States are frauds such as storming into private residences where a
warrant, also by law of the land, is required before entry. Simply “having”
the warrant, or the warrant being in “existence” at the time of the
intrusion is a mockery of the meaning of the law. Without allowing the
residents an opportunity to validate the authenticity of the action, the
intruders are trespassing, plain and simple. But the Rule of Law protecting
one from “unreasonable” invasions in which the resident has no
knowledge of the required “oath or affirmation” (warrant) is circumvented
by existing practice and the federal courts refusal to hear such cases. It is
true that occasionally federal Courts will hear cases like this, but only
when it is brought by oligarchy or its agents and only to placate growing
public anger and sentiment. The vast majority of cases of this nature are
dismissed out of hand. General Federalism puts an end to this moral
hazard by simply denying the right to enter any place serving as a private
abode at all. There are exceptions, but that is the gist of it. **Notice that
this issue is structural.**

n. If any agent of government notifies or informs a Citizen that a given set of
Rules of Law exist when they do not, or states that a given set of Rules of
Law that do exist do not or if they simply misrepresent existing Rules of
Law, then under General Federalism the agent would be considered to be
violating Rule of Law. This is because, by dint of the agent’s authority as a
lawful delegate of government, they compel the Citizen to behaviour
outside the actual Rules of law. And if you cause someone to violate the
law you are violating the law. Sadly, this happens on a routine basis every
day in the United States, usually being perpetrated by law enforcement
officers. **Notice that this issue is structural.**

o. Advertising in the United States has clearly crossed the line into blatant
fraud and virtually every American can easily see that fact. For example,
when a software company collects your financial information to sign up for
software as a service, then tricks the unwitting computer user to respond
to an advertisement for a different product or service in which it isn’t clear
to the buyer (which is what matters) that it is in fact an ad or that
they’ve consented to a purchase, and the advertiser charges them for that
purchase using the financial information already collected, it is clear and
blatant fraud. Once again, because the Courts are structured with so
many “ejection seats” to get them out of cases like this, they can either
rule in favor of oligarchy or just dismiss the case entirely. Seldom will one
ever get to an actual jury. General Federalism includes a specific
Constitutional provision to stop this practice. The constitutional elision of
principles of justice in economics is an act of omission in creating moral
hazards. **Notice that this issue is structural.**

p. One of the areas most rife with corruption in the Courts of the United
States is the area of domestic relations. Here, the federal government
pays States a proportionate amount of money for the amount of child
support they order. In other words, the States are getting kickbacks from
the federal government to order child support. The problem however, is
that this compels judges, the same people making determinations of child
custody, to give almost all custody rights to just one parent, not divide it equally. The overwhelming consensus in the psychological profession is that joint, down the middle custody of children is by far in their better interests. This kickback came about as a result of special interests lobbying for it and created a moral hazard for judges when making determinations of child custody. Judges simply revoke almost all custody from whichever parent the constituent community will least be in uproar about. And there is the final cause of this moral hazard: judges in most districts and circuits are elected directly by the residents of that area. But the same problem of special interests comes into play and judges are put in office by those with the deepest campaign pockets; the oligarchy. And that is why judges always use these tricks and “escape hatches” to circumvent Rule of Law and please their masters. General Federalism forbids this practice by having Judges nominated by equal suffrage and a candidate then appointed from that selection. The Failures to protect individual liberties are acts of both commission and omission in creating moral hazards. **Notice that this issue is structural.**

q. Both State and federal Statute in the United States is a bloated tome of years of legislation piled on top of itself. The inevitable result of this is that, eventually, blatant contradictions and internal inconsistencies in the law appear. It is a verifiable fact that about 25,000 new laws are passed in the United States every year. It is truly astonishing to find that in most bodies of Statute, to include United States Code, for every law found one can find another law somewhere else in that corpus that blatantly contradicts it. This again creates a moral hazard by allowing Judges to simply pick whichever law they prefer in any given case and apply it, even if they are bothering to read the law in the first place (usually they just rule on their personal opinion). This is another wholesale corruption of Rule of Law. General Federalism addresses this by requiring Courts to identify contradictory, internally inconsistent and/or redundant law, declare all of them unconstitutional where codified together as such and only then reach a ruling in the case presenting. And they must do this in every case heard, virtually guaranteeing that contradictory law doesn’t live long in Statute. Failure to constitutionally require Courts to rule on such inconsistencies in every hearing held is an act of omission in creating moral hazards. **Notice that this issue is structural.**

r. The United States Congress has passed laws over the years requiring that, in certain politically sensitive cases, original jurisdiction in federal courts shall not begin where it is supposed to and always has before, with the
lowest federal Court, the District Court, but rather shall first be heard in the federal Circuit Courts ... where no jury is present. This is what happened in the example given of Jesse Ventura. General Federalism ends this practice by first, explicitly denying the government any right to place barriers to anyone seeking to have their case heard by jury and second, by Constitutionally framing the Courts such that all Courts, including appellate Courts, have juries. In western law, an appellate Court is only supposed to evaluate the question of whether or not the lower Court erred in its ruling. It is a decidedly procedural analysis and is the reason why juries were not required. Appellate Courts do not try fact, which speaks directly to merit. They thus don’t really try a case on its merits either. They are simply making a determination of whether or not the lower Court made some procedural mistake. Under General Federalism, the role of the appellate Courts is both to be an arbiter of procedure as well as a limited trier of fact. However, the restriction on trying fact is that the appellate Courts are not empowered to hear or collect new facts unless a lower procedural error prevented its entry there. Thus, under General Federalism appellate courts hear matters of procedure without a jury then under limited conditions hear matters of the merits of that same case with the jury, and the jury’s decision is final. The denial of juror involvement on any level in the appellate system is an act of omission in creating moral hazards. *Notice that this issue is structural.*

**END OF VIDEO DOCUMENTARY SERIES PART 3 OF 8**

s. General Federalism holds that the ultimate expression of Rule of Law is to acknowledge in deed that its powers are derived of a population of people who, at the end of the day and as an Individual, had no choice but to consent to the social contract put before them. And therefore, it is a perversion of Rule of Law to then assert any right to “punish”, for punishments sake, an Individual who for whatever reason, declines to abide that social contract. This concept is a bit abstract but when you think about it, the logic is inescapable. If you believe in Rule of Law you cannot simultaneously believe that a provision of the social contract as a rule of laws authorizing punishment can constitute a valid rule for someone who declined to accept it in the first place. It is internally inconsistent and only serves to suborn all Rule of Law. Punishment is a strongly positive action authorized by a social contract. Rule of Law suggests that the minimal act against a dissenter necessary to maintain the social contract amongst the remaining ones that abide is the correct approach. Therefore, under General Federalism, punishment by the state...
is forbidden and the only act one can take for someone who violates Rule of Law is to physically separate them from your own society. As they had no choice but to accept your social contract, this should be done humanely as they are in your care and your responsibility. So, jails in which people are locked out of their cells all day every day in a commons room with steel chairs and tables, concrete floors and no other place to sit and no activity in which they can engage are deliberate forms of punishment. Under General Federalism, one who violates Rule of Law hazards their right to freedom of movement and association and can be separated from the general population for any length of time. But they cannot be punished for the sake of punishment. It is broadly true that condoning punishment, which is violence, is an act of commission in creating moral hazards.

t. The sheer volume of legislation that inevitably brews in a system in which the general public’s direct participation in the creation of public policy itself, which we’ve shown is in fact a ruse and a kind of baiting to gain the public’s acquiescence to rule by faction, also tends to result in a massive and colossal corpus of Statute which, by being internally inconsistent and redundant, also tends to breed moral hazards. For example, though it varies amongst the States of the United States, for example, some of those States have produced not only a massive tome of State code, they have created Code that is obviously designed to please faction by offering extreme, outlandishly excessive punishments for the most minor offenses while simultaneously also providing an out of proportion punishment orders of magnitude less severe. This is necessary to placate the factions that got members of their legislature elected by enacting laws with the ridiculous punishments the factions sought, but providing an ejection seat for judges to avoid creating mass public anger and revolt over draconian and abusive laws. This gives judges hearing cases involving these Statutes far too much discretion, a moral hazard, and serves to intimidate the public by misleading them as to what de facto Rule of Law will be applied if they commit such an offense. This, by itself, undermines Rule of Law. But it speaks to a much more serious and deeper problem: a body of Statute with extreme variation in the allowed consequences for conviction results, inherently, in a system that is highly unpredictable to the public. Unpredictable Courts, in yet another way, will then generate and promote moral hazards up to and including moral hazards within the general population: consider what happens in a case in which a person is being treated highly unfairly or has a powerful political opponent that wants to
bring him or her harm. Then simply appearing for a court appearance over a simple misdemeanour offense might compel them to violate Rule of Law and deliberately refuse to appear in Court. This happens to go on in the United States on a routine basis, especially in States where these vast differences in allowed punishments exist. In many States, the law may allow for a punishment ranging from 24 hours in jail to two years in jail for the same simple misdemeanour offense. This is a huge moral hazard and makes the Court’s behaviour highly unpredictable to anyone outside that system not familiar with its workings. **Notice that this issue is structural.**

u. But Rule of Law is not a panacea and it cannot be applied universally. There are two distinct points at which one and possibly two options must be substituted for Rule of Law, at least to some degree. First, agents acting on behalf of the state must exercise **discretion** in the application of Rule of Law. This means that an agent must determine, upon their own discretion as circumstances warrant, **what** Rules of Law might have been violated. While this determination is not final, if it appears to be the case that one or more Rules of Law were violated, the agent is obliged to involve the Courts to resolve **how** the Rules of Law apply in that circumstance. In the latter stage the Court will apply equity in law if more than one Law applies and/or if circumstances color the meaning of the Rule of Law in question. It may be that the Court will determine that the agent’s discretion in determining that a Rule of Law had been violated turns out to be false. So, the agent’s discretion is only a preliminary determination. But the key observation here is that the judge absolutely has no right or basis for rendering a decision on such a matter based solely on his or her personal opinion. In fact, their personal opinion has nothing to do with it. If it does, the condition is called grounds for recusal.

X. **Global Rule of Law presents an especially hard case for durability:** In order to ensure durability of such a vast expanse of representative governance one must find a way, first and foremost, to create within such a system an historically unprecedented degree of justice throughout the society.

a. Of course, when we speak of “justice” we are referring to what the vast majority of the population would consider, in its judgement, to be just. We discuss this topic in other sections here.

b. Justice throughout a society would require not only a just legal framework but a just economy. So, it is fair to ask, why are new ideas about economics needed? Most of what we’ve discussed is of a strictly legal nature so the discussion does beg this question. When this problem was
first addressed three things were acknowledged as essential for any scheme of global Rule of Law as well as for any maximum approximation of the ideal Republic Plato had in mind:

i. The economy of such a system must be just, in the sense already given. This part was the easiest to address since it involved merely applying general equity to matters of economics since general equity relies on what a vast majority would themselves define to be an equitable compromise for achieving common, worthy goals. In the section on Economics as an Object of the Social Contract we will employ this approach in more detail.

ii. The economy of such a system must be durable in the sense that it is likely to escape corruption and the scheme devised and implemented must in practice be sustainable. For global rule of law the preservation and perpetuity of a just economy is essential since any failure in that calling will likely destabilize such a Union. This is much more of a critical concern with global Rule of Law since General Federalists acknowledge that maintaining social stability in a global social contract is inherently more challenging than maintaining social stability at a national level. The antiquated but still relevant phenomena of nationalism, ethnicity, religion, language and culture; things arguably deliberately created and infused in societies over hundreds of years as public myth, make establishing social order and stability much easier when the mythos applied is uniform and consistent. As with the legal framework, an economic framework would have to be original and sophisticated in order to deal with this additional challenge.

iii. The economy of such a system must perform. A society won’t likely consider an economic system just if it doesn’t perform. Performance, while not the end goal by itself, must be an equal factor for consideration since it directly impacts both the just status of an economy and its durability. New ways are needed to accomplish this because, as already stated, global Rule of Law presents much bigger challenges than the management of a social contract at the national level.

c. Given these three primary objectives it is fair to ask, what is wrong with the status quo? Why doesn’t Capitalism or Marxism or some other “ism” suffice for the task? We can theoretically test any given economic theory or scheme by applying the three objectives in the form of fundamental standards and ask if these economies meet those standards. In the first
case, we could ask if the system in question has some explicit mechanism for applying some kind of equitable resolution in economic transaction? For this is the very basis of justice and is a pre-requisite for applying general equity, or equity in any meaningful sense. Again, we are not speaking of “equality”, only equity, a term that will be defined with greater and greater precision as we proceed. This answer to this question is easy. Neither Capitalism or Marxism or any other theory or economic idea we are aware of comes anywhere near this standard. We are not aware of any economic theory that seeks to explicitly apply any form of equitable resolution in order to define how economic transactions should occur. This leaves the Citizen with no clear, explicit path whereby they can with a reasonable degree of predictability, know how a transaction will occur, what the sum of its affects shall be and, most importantly, where a confidence regarding the fairness of the transaction can be elucidated in a clear and convincing manner. And justice requires this.

d. The second question we can apply is whether or not the existing economic ideas have a construction that maximizes durability of that scheme over lengthy spans of time. Again, if we apply this to all known economic schemes, including all flavors of Capitalism and Marxism, we can easily see that durability is lacking. Specifically, in the case of Capitalism, economists of all ideological stripes have reached a general consensus that Capitalism does in fact involve an inevitable process of capital accumulation that renders it, ultimately, unsustainable. While the United States has managed to compensate for this in creative ways, something we’ll address in more detail later, this outcome is inevitable at some point. Ironically, this very work-around employed by the wealthiest oligarchs has resulted in a kind of Capitalism that can no longer be discussed in terms of multiple Capitalist economies but which is now far more a transnational economic scheme. Furthermore, the statistics of neo-liberal, western democracies, which are beacons of Capitalism, have demonstrated a remarkable lack of durability when examined empirically. In the beginning of this section we discussed that data and it is really a matter of the historical record alone to prove and demonstrate. Of course, the same dismal record exists for all the various flavors of Marxism that have been attempted. Their half-lives are even shorter. Clearly, this won’t suffice for the much more challenging case of global Rule of Law. Specifically, data from the former Soviet Union gives us some solid reasons why such schemes might not generally be durable. While data prior to 1950 has
been acknowledged by most academics as too unreliable for study, the data since then clearly and unambiguously shows that, alack, Marxist-based economies have the same durability problem that Capitalist economies do: the unjust and unequitable management of Capital, or wealth generally. In the case of Capitalism we noted the unsustainable phenomenon of capital accretion. In the Soviet Union something more like the opposite occurred: capital was being produced in massive quantities, exceeding even that of the United States, but was not being applied to productive use. In other words, lots of capital was being produced that had no useful purpose or, stated more accurately, was not put to its best use either because it was the wrong product and not needed or was simply misallocated. And this phenomenon appears to be by far the predominate factor spelling the demise of the Soviet economic system. Thus, all economic systems we know of have inherited these same basic problems which shows clearly and convincingly that these are not tools that maximize durability.

e. Finally, the third question we can pose is the question of, do these systems perform? The answers in the two more common economic systems diverge considerably. But in both cases there is something schizophrenic about them. In Capitalist economies there exists wildly varying extremes of wealth which, because no explicit mechanism for applying general equity exists, is hard to explain or justify as a just distribution and therefore, by extension, one in which performance can be characterized in a meaningful way. Certainly, for the oligarchy and the lucky, Capitalism is a powerful economic juggernaut and this is likewise the case when viewed in the aggregate sense. However, recalling that our question about performance is posed precisely because we are concerned with justice and durability, we must consider what kind of performance is seen for any sizeable minority of the population in such a system. And indeed, we see that the percentages of persons living in clearly low performing economic conditions is not negligible but significant. We stress again that we are not making ideological or value judgements by posing these questions; we’re only concerned with whether or not these systems are the best available answer for the more complicated and challenging case of global Rule of Law. Therefore, Capitalism fails this test. Similarly, Marxism and its descent have shown empirically demonstrated low performance in the aggregate, even though some flavors do show excellent performance when mixed with Capitalist principles (by example, the Nordic countries). The problem with that however, is that it introduces
the same limitations already mentioned for Capitalism. The ideology of what is usually referred to as “social democracy” attempts to remedy the defects in both systems by combining them. However, the whole is never greater than the sum of its parts. All economic systems hitherto are pathetic, disastrous failures which, by not being superseded in a timely manner, have wrought enormous and unnecessary suffering and want upon the lives of literally hundreds of millions of human beings. In all likelihood the reader of this document is living in conditions far, far below what the technological infrastructure could justly sustain. And the depth of this failure will not be clear until we see just how powerful Fiducial Economics truly is. Trying to build global Rule of Law upon any one or any combination of these systems would be disastrous on a scale never seen before. *Listen to us now, hear us later.*

XI. **Global Rule of Law** has generally been understood in the past to be unworkable because:

a. A government strong enough to “rule over” several Nations would almost certainly be tyrannical. New ideas are needed to provide the strength to govern without concomitantly granting the strength to corrupt.

i. Considerable improvement and sophistication in how political power is delegated and revoked must be found. Under General Federalism, annulment of the delegation of political power is highly deterministic. In addition, because succession is by either annulment or biological heredity, whichever occurs first, succession is also highly deterministic.

ii. The general program we’ve applied to achieve this aim can be outlined by the following logic:

iii. We can all probably easily agree on the broad intent of global government; that it is not to be oppressive, hated, or despised by anyone, that it is to be used to better the lives of humanity and serve their general contentment and happiness, that it is to last long with peace and stability, that it can govern justly and resolve the issues humanity as a whole may face in the future. Obviously, no government is perfect, but these are at least some of the ideals virtually everyone would agree upon.

iv. What history has shown is that Constitutions written on paper only have long-term effect and impact if the institutions they call for are actually created in the first place and are also very cleverly designed such that we can rely on human nature alone, operating within such institutions, to serve the goals aforementioned.
faithfully. In other words, we can’t rely on explicit statements in a document that stipulate what a government can or can’t do, or that stipulate what people’s rights shall be. All of this, without adequate institutional frameworks, will be violated eventually. This is why multilateralism and disaggregated states are so dangerous: Without some kind of very, very clever set of institutional design wrapped around it to constrain and channel human nature productively, history shows that human nature will become destructive of the desired end.

v. In the verbiage of the legal profession, these “clever” institutions are described with what is called “procedural law”, or, in this case, “fundamental procedural law”. A Bill of Rights, or other similar set of explicit statements of what government can or cannot do, are called fundamental substantive law. Though substantive law cannot be relied upon for a durable continuance of intent it does have a crucial role. General Federalism holds that when the authors of a system of fundamental law create the procedural law therein it isn’t always clear to a reader why or how this particular construction is any cleverer than another and its construction is based largely on an intangible understanding of human nature, sociology and institutional behaviour. This means that should any question arise about how to conduct a particular procedural act, especially in times of crisis, the authors should, in an ideal document, spell out in plain English and simple statements what their intent was with respect to their procedural construction. In this way, when questions arise, the Courts can refer to the plain statements to inform their understanding of what was intended procedurally; for the procedures should in most cases result in what the plain statements dictate. These plain statements are called substantive law. Normally, substantive law is thought of in simpler terms as just a laundry list of rights of the people and do’s and don’ts of the government. But General Federalism sees a special meaning in it and therefore values it more than most constitutionalist would (most academics on this subject tend to hold substantive law in lower stature than procedural law). In General Federalism, substantive law is seen as the ultimate end of Constitutionalism and procedural law is seen as the mechanism for chasing it. Through many levels of indirection procedural law should wind its way to substantive law. In other words, when the procedural law is
put into place and practiced, it should result in the outcome framed and defined by the substantive law. Thus, to leave out substantive law or make it incomplete is to create an asymmetric, incomplete Constitution. One that spells out the full intent of the procedural law is thus considered symmetric. General Federalism posits that a good Constitution is one that, to the extent possible, fully explicates and states in plain English what the intent in all the procedural law is. And we call this procedural-substantive symmetry. In other words, what is stated procedurally (and indirectly) should be fully stated substantively as well so that Courts in the distant future can figure out the intent built into the procedure. This is why the GF Constitution has such a long and full Article 7 (the substantive portion of the Constitution). On the other hand, Article 7 would be more likely viewed by the general public as an explicit assurance of rights. But this is in no way inconsistent with how the author’s view it. The end is the same.

vi. We will discuss these clever institutions as we go, but note throughout that there is a pattern of explicit do’s and don’ts placed in the Constitution alongside some institutional or procedural rule that ensures the same end. This pattern is deliberate.

vii. Returning the issue of voting, we can clearly see a problem by just applying some simple math. If the total voting turnout in a U.S. Presidential election were, say, 50 million and we were to see similar turnouts at a global level (which are modest numbers), then the turnout would be around 1 billion. Of course, one can argue that we don’t really have to consider the entire world since General Federalism is an incremental scheme and it might be some time before the entire world were united. But since we seek a general solution to this problem, we must assume the largest number of voters. In other words, we must constitutionally accommodate the maximum number of voters we might encounter in this scheme to ensure durability and functionality into the future. Taking the conservative approach and assuming that the world’s population never exceeds its current level at 7 billion, and assuming the conservative estimate of a 1% margin of error in elections, this means that in the United States the hypothetical election suggested would result in a total vote variance due to the margin of error of 1,000,000 votes. And this is due solely to a margin of error where we assume there is zero fraud and corruption. The
The conservative nature of this estimate is indeed robust. Now, when we look at the same election held globally, we see that we have a voter variance of 20,000,000. But now, our conservative estimates are beginning to stretch credulity. First of all, the margin of error in the United States for votes taken by electronic voting machines is over 3%. To assume anything near this number for jurisdictions that might not even have the infrastructure for such equipment is unrealistic. Therefore, continuing with all the other conservative assumptions, at the global level we’ll assume a margin of error of 3%. That combined with the conservative estimates for population growth, fraud and corruption (which will almost certainly be higher when we consider nations with limited experience with elections) and low voter turnout, should be reasonable. But this yields a voter variance in the margin of error of 60,000,000 million voters. This is clearly not feasible and would almost certainly result in a constitutional crisis every time an election was held. It won’t work. Therefore, an attempt was made to figure out how a more deterministic means of choosing successors in governance could be achieved that could be adjudicated as a matter of law alone. The only mechanism, as we’ve mentioned earlier, is by heredity. A thought experiment might help us see this ineluctable conclusion: suppose we try to fix this problem by doing what we do with the Senate; which is to divide the population into 12 classes and hold an election every year for each class. This would reduce to an election each year for a different twelfth of the world’s population, working out to be about a 5,000,000 voter variance per election. But right away we see this can’t work for, say, a President, because any political campaign spread out over twelve years would result in various candidates coming in and out of focus as the population’s opinions changed over the years. Finally, after the twelfth election the overall result would be a watering down of each year’s election to the point that almost all classes vote more or less evenly between numerous candidates. While this isn’t mathematically an issue, it merely belies the fact that the election is rendered meaningless and the will of the voter isn’t expressed at all. So, then suppose we suggest having a pool of vice candidates to be a pool of nominations for future vacancies from which some elected body could select from. The problem we immediately see here is that this merely compounds the election problem since
numerous elections would need to be held to fill these pools to the point of making so many elections of such a massive scale impractical. But there is a more fundamental point to be made here and it is the true, underlying issue that must be remedied for global Rule of Law: the number of voters in the future will be uncertain whenever a constitution is ratified and that number could change dramatically in 500 years. Recalling the heightened import of a General Federation’s durability over what is acceptable today for a national government, any assumption about numbers is probably not prudent. This pretty much rules out any form of direct election. So, the fifty million dollar question is, can heredity be used in such a way that it is not binding, but that allows the process of equal suffrage to work out its limitations. Indeed there is. We can go back to our thought experiment and simply use our first idea. This would work in the case of heredity because the vote is not an election but is rather a confirmation. Therefore, one election every year for twelve years guarantees a representative solution by requiring that any heredity presumptive succession be confirmed by this set of elections. Even though it might take twelve years, because of the highly deterministic structure in place for power annulment this doesn’t pose the concern it might otherwise. In other words, this scheme ensures a meaningful up or down vote. Even more durable would be to allow the House of the Legislator to establish by law the fraction to be applied for determining the number of classes used to confirm, provided the fraction is not less than 1/12th. This way, even if the population were 100 trillion the system would still work. It isn’t perfect, but it is the best idea I’ve seen put forth and we don’t have a better one. If anyone has a better idea we’d like to hear it.

b. With a world government, by definition and if successful, there is no external, third party to hold it to account

viii. The durability of any world government would have to meet standards that would far exceed acceptable standards at a national level. Mechanisms for holding parties to account must run deep.

c. Languages, cultures and religions are too vastly different to bring them all under one roof. Consensus on public policy would be impossible

i. The very nature of representative government, a la neo-liberal western democracy, must be re-examined very carefully and a much more sophisticated and clever means of representative
governance that simultaneously attains consensus with far greater speed, totality, ease and certainty is required.

ii. Objectivity must be taken to new heights in a global scheme.

d. Nationalism will prevent it

i. The best course of action to address this is simply public awareness. Semi-sovereign statehood a la Federalism should be sufficient here. But like religion, the correct solution is not to “stamp it out”, but to provide an environment conducive to an impartial education.

e. Economic systems around the globe are incompatible, even when we restrict our concerns only to “free market” economies. The issue of capitalism vs. Marxism still remains unresolved to this day; it is clear that one cannot build a world government based on the kind of consumption and laissez-faire mentality in the west and that likewise it isn’t likely that Marxism will be a global success either. While not as clear as the other points, this one will become clearer when we discuss economics. The key issue to tackle is how to introduce a system of justice into economics in a way that is sensible, natural and, of course, just.

XII. No economic system attempted or even theoretically proposed as a realistic, functioning system not hobbled by the empirical data that would show it to be a failure exists today for solving the problem of how to manage and control energy and natural resource consumption at rates less than the rate at which our technological capacity to exploit additional energy and natural resources is. A new economic theory that can plausibly provide a plan for how this can be done is desperately needed since this condition is likely terminal. Fiducial Economics does in fact solve this problem by allowing for a very narrow, targeted form of economic planning that the historical, empirical record (USSR and PRC) demonstrates does work well; in fact, it is the only subset of the types of economic planning known to have been attempted in the past that works well. Essentially, natural resources are legally owned “by” the Public Trust and decisions about what natural resources to use, and how to use them, at the beginning of the production chain, are the constitutionally provided powers of the House of the Fiduciary. This narrow form of central planning allows for what academics call “optimum allocation” of resources, the key to controlling consumption.

XIII. International Banking: the 800 Gorilla in the Living Room. We’ve mentioned moral hazards and Rule of Law and related to those points we mention another, arguably the most, prominent reason why bold, fresh new ideas are needed. The existing international banking system is not durable and will not
suffice as a system of monetary management in a global scheme. A combination of base human nature and some three hundred years of ingratiation in society has turned this problem into a well-crafted, clever and riddled trap from which no one has yet identified a means of escape. This is because it inherits from its past a broken and arguably fraudulent overall scheme whereby its benefactors have all the reasons imaginable to sustain and which we’ll discuss in later sections in more detail. But the key, structural problem with the system is it is built upon economic assumptions built into capitalism and the western, neo-liberal tradition that merely exacerbate the problems we’ve already discussed with both of these philosophical approaches. As we shall see in what follows, it relies on a redistribution of wealth in a manner that is inconsistent with general equity by inequitably redistributing wealth from those that produce that wealth to those that control the banking system used to manage that wealth. Because this subject is so controversial and so potentially inflammatory, we ask the reader to think carefully about what we’re going to say on this subject and consider our argument thoughtfully; to wit, there exists in this age a kind of parallel universe in this matter in that the system that has grown and spread to almost every economic system on the globe is an inherited scheme from which those currently invested have everything imaginable to lose if that system is dismantled and that parallel to that reality those so invested cannot be the sole or even primary parties to account for a system gradually built up to its present inequitable condition by hundreds in the distant past who, as we’ve shown so often happens with neo-liberal democracy programs, either wittingly or unwittingly produced massive moral hazards entrapping those presently so invested into a relationship with society which is difficult and arguably impossible for them to throw off and discard. While those who are invested in this system today do in fact benefit enormously from it, their culpability in the current condition is far more limited than a cursory examination might suggest. There will always be individuals within a group whose culpability in an affair might be greater than that of others, but attempting to sort that out is a waste of time that will only distract from the bigger aim. Therefore, General Federalists argue that like any antiquated system, the best approach and the one most likely to succeed with durable results is to engage the problem with a mind toward consensus with all, including those that benefit currently, into how we can transition from that system to a Fiducial economic system or, for that matter, any economic system that genuinely and fully resolves this situation. We suggest that there are means by which this can be done for the sake of posterity without unduly
disrupting the status quo to such an extent that it makes reform a difficult if not impossible proposition. First, (A) we recommend that all current benefactors of the existing banking systems be grandfathered in any ratification of a General Federalist Constitution or where any State should join that Union. This can be done by offering first choice in the next nearest, comparable role under General Federalism. Second, (B) we point out that General Federalism calls for – and in fact it specifically excludes the possibility of – dispossession of existing wealth of any person on account of ratification or on account of joining the Union. To do otherwise would be a moral hazard and that is why it is part of the General Federalist program. Thus, it is not proposed as a carrot or political tool for ratification, but a necessary evil to allow any kind of real transformation. Wealth currently acquired under the antiquated system would be regarded under General Federalism as private property, a constitutionally protected type of property that is specifically firewalled from government tampering by the Constitution. While future profit of the kind afforded through the existing systems would be denied after transition, we believe this is a much more viable, stable means of transition than any other we’ve seen proposed. In return for agreeing to this program, those benefactors of the current system, as private property holders, would be protected by the Rule of Law of General Federalism from any negative public backlash. Third, (C) a period of twelve years after ratification or Union would be allowed to afford this transition, giving the existing benefactors time to prepare and protect their holdings before the practices to which they are accustomed cease. Of course, we are not naïve about this either. The profits under the existing system are so enormous and all-encompassing that, in reality, this single factor is likely the biggest hurdle humanity will encounter in attempting to establish a just, equitable system of global Rule of Law. Indeed, we suspect that this fact is the primary force behind the status quo approach to global rule of law promoted in the form of the scheme we’ve denominated as the Slaughter Fallacy. This approach merely nurtures, protects and enables this existing system to thrive and grow globally. But as we shall also see later, this system, that system of monetary policy so intimately tied to capital accumulation and the Triffin Dilemma we’ll soon discuss in greater detail, is ultimately fatal and the problem will eventually resolve itself with no conscience or remorse in the consequences of such a forced decision. Our goal, therefore, should be to convince the benefactors living today that, first, (A) this outcome is not a mere projection but is in fact certain and inevitable and second, (B) that General Federalism or a similar proposal is the only way to avoid the inevitable and total collapse
of the system if no similar action is taken. So, the spirit of the General Federalist approach is decidedly pragmatic and only concerns itself with how to advance the social contract beyond this confining, inherited and deeply ingrained artefact of the status quo and how to manage public reaction to something that most General Federalists believe will be highly inflammatory and destabilizing. General Federalists would likely stand just as opposed to “finger pointing” and at disastrous demands for “full accountability” as it is to the scheme itself. And the reason is that General Federalists seek results, not ideological rigidity for the sake of ideology. A minority, and we emphasize a small minority, of benefactors alive today believe that this system, even at its near terminal stage, can be sustained by greater and greater application of the selling of permissive coercion. As we’ve attempted to show in this work, even with the most aggressive application of the latest technologies to the object, this assumption is a bad one and we do not believe this is realistic. Those benefactors living today who reflect prudently on the General Federalist position must at some point realize that General Federalism, rather than being something to oppose or denounce, is their ace in the deck that provides what amounts to the least painful path out of this trap for all involved. Indeed, there is no small number of General Federalists who stand to lose something as well in such a transition and advocate this solution as the best and truly, the only way out of this trap for all of humanity. Sprinkled and mixed within this group of benefactors extant are many who aspire to promote and create an enlightened and just plan for global management of society, an ambition shared by General Federalists.

XIV. One thing the original founder of General Federalism strongly believed, as a belief not unlike his belief about religion, was that ideology itself was a deliberate ruse and distraction used to conquer and divide populations and distract them from engaging more meaningful questions of science, law and economics. In lengthy discussions on the matter, he used several well-studied psychological phenomena to prove his point. He introduced us to things such as the Conjunction Fallacy, the Genetic Fallacy, Confirmation Bias, Misinformation Effect, Agenticity, Insufficient Justification, Informational Influence and the Primacy Effect. Each of these, he believed, have been used for hundreds of years by rulers to control large populations and it is an inherited legacy that the power elite today simply apply automatically and with little or no thought about it. Kir Komrik, a relative of the founder, wrote a book you can find on his website entitled On the Means and Methods of Mass Deconversion in which he describes these tools, these weapons if you will, in great detail. In summary, it has been overwhelmingly empirically
demonstrated in the last fifty years that human beings are especially and remarkably vulnerable to:

a. The Conjunction Fallacy; a fallacy proven true and valid by the Conjunction Theory of Probability Theory. It is the tendency to reach incorrect conclusions when presented with evidence by adding more detail to the narrative or situation than is necessary to adequately explain it, provided the information added is no more certain than the more obvious conclusion about the narrative or event itself. This last condition or qualifier is related, in turn, to the Genetic Fallacy, which speaks to the other extreme. In plain English it is summed up with the phrase, “the simplest explanation is usually the correct one”.

b. The Genetic Fallacy; the tendency to reach incorrect conclusions when presented with evidence by ignoring or being unaware of additional relatively certain details that could be added to the narrative or event to provide a more likely explanation to explain it.

i. Komrik summed up the two fallacies this way:

   Let the proposition of the truth of an ideological embellishment be regarded an uncertainty. Then, in the common vernacular this is just saying

ii. You cannot make an uncertainty more certain by adding an uncertain detail. If you do, you are committing the Conjunction Fallacy.

   On the other hand,

iii. You cannot make an uncertainty less certain by denying a detail that is certain. If you do, you are committing the Genetic Fallacy.

c. Confirmation Bias; the tendency to adopt the pattern that induces one’s pre-existing beliefs. Since life is full of cases in which multiple general solutions exist to specific occurrences in life, this is readily exploited as well. The rate at which this occurs in a randomly selected group of people is around 73%; that is, 73% will tend to confirm a general solution that is incorrect or not verifiable by the pattern given.

d. Agenticity; the tendency to reliably believe that some unseen force or cause is responsible for events that one cannot otherwise fully and certainly explain. Persons with brain damage and Autism tend to be devoid of this tendency or to have a weakened expression of it. This demonstrates how ubiquitous this trait is in human beings. It is a strong biasing factor. When confronted with mysterious and dramatic events human beings tend to fill the void of uncertainty with human-like agents.

e. Insufficient Justification; the tendency to believe something by simply expressing it as fact; provided it is done in a particular manner. This is why so-called “sound bites” and other memes and phrases are repeated
so often in the political arena. It is a deliberate tool for brainwashing and that is why it is so common to see public relations experts use catch phrases repeatedly. Controlled studies show that, a boring, monotonous and trying experience can be “sold” using an insufficient justification. This concept is tricky and not at first obvious. But numerous studies have shown it to be true. It is essentially a defensive mechanism used to protect one’s conscience from discomfort or shock when a person is forced or otherwise compelled to act against their conscience. When a person is compelled to lie but given little or no justification for doing so, we tend more strongly to just believe the lie – conveniently sidestepping the guilt of lying, and we tell what we now “believe” to be true. *It makes no difference how blatant the falsity of the claim is.* But when given much greater justification for lying we correctly *tend not* to believe the lie when compelled to tell it. This is likely because the conscience is not disturbed or shocked since the individual can justify the lie. This is an utterly fascinating trick used by the creators of religion to brainwash … *It exploits the very thing that sociopaths and narcissists lack; a conscience.*

f. The Primacy Effect; the tendency of those with a high need for closure to reach a certain conclusion on an issue in order solely to gain emotional closure. And whenever there is a void of fact people tend to fill it with certainty, regardless of how silly the conclusion may be. Furthermore, the order in which people receive information also affects how they rate the value of the object to which that information pertains. If received in order of increasing negativity, the final rating is more positive. If presented in order of increasing favorability, the final rating is more negative. The greater one’s tendency to need closure the more the person latches on to the first pieces of information and the value it assigns. This is called the Primacy Effect. People exhibiting this trait tend to be outwardly observed as people with strong opinions, or who are strongly opinionated. Notice how deftly this can be applied in the Machiavellian circus of politics. It can be exaggerated and exacerbated by the following conditions:

i. Ambiguity
ii. Uncertainty
iii. Time pressure
iv. Audible Noise (not usually used in politics)
v. Peer accountability for the value assigned

The next time you see a campaign commercial or listen to a politician, apply this list to what you see and hear and you’ll be astonished.
g. People’s perception of events, that is, their reliability as a witness, can be manipulated by superficial artifacts (appearances). The most common manipulation of appearance is language. By using certain verbs and adjectives, you can influence one’s testimony of fact. Studies have consistently shown that the memory of human beings is considerably influenced by the mere choice of words used by others to describe an event.

Thus, new ideas are needed that are formed and generated in environments as free of these corrosive effects as possible. This is why General Federalism insists on neutrality when speaking strictly of General Federalism as a set of ideas in law and economics. We all have our religious, political and various other personal opinions, but we’d suggest that we’d get much better results, for our part, by being aware of these phenomena and trying to solve the issue of the social contract, how humanity can manage its society and how to create durable, just global Rule of Law by astutely avoiding these fallacies and pitfalls that riddle almost all previous systems of ideas on this subject.

Some of the legal character of General Federalism has already been captured in our discussion of the need for new ideas. However, there is still more to be said about that so we will next begin a specific discussion of that topic.

END OF VIDEO DOCUMENTARY SERIES PART 4 OF 8

C. The Legal Character of General Federalism

One of the biggest challenges in any global governance scheme is how does one ensure (A) uniform, deterministic, predictable, efficient and speedy execution of law and equity globally while retaining a (B) durable, representative form of government that is considered by its population to be just? This is a major question of historical import and is non-trivial. It has never been solved until now.

I. General Federalism is a scheme of governance modelled on the system of federalism first fully described by the founders of the American experiment; and it draws its form primarily from the work of James Madison and Alexander Hamilton.

II. General Federalism operates off of a fundamental principle: (A) that global, or universal execution of the social contract is not a basic science and by its nature can only be understood in the context of uncertainty; and (B) that therefore the only way to perfect such a scheme is to seek the most general solution to legal and economic unity; which (C) can only be achieved by employing (negative) feedback loops whose operation is constrained by codified Rule of Law and which
shall work over time to refine the policy-making process. The key difference (and we posit improvement) of General Federalism over lawless multilateralism and incrementalism – the status quo - is that similar incremental and multilateral projects operate through a public service called the Federation Civil Corps whose actions are bound by Rule of Law. This creation of negative feedback loops is the principal role of the Civil Corps – whose work is enabled by the option of State adoption of a Constitutional Codicil - which applies equity in law between Laws of the Federation and the laws and mores of States whose system is to varying degrees incompatible with Federation Law. In this way, no ideological laws or assertions need be made. General Federalism is, therefore, apolitical. Nor does it make claims to possess knowledge of universal economic “law”. Its motive rather is to bring disparate world views closer to expectation and events. The limited program of General Federalism is to make assertions only to the extent they are practically necessary to enable the negative feedback loops of multilateral negotiation and incremental dissolution over time of all State Codicils. This view was inspired by the system of philosophy advanced by Mr. George Soros and which we believe is a conspicuously appropriate philosophy on which to generalize law and economics.

III. Key developments that extend the Soros program are the use of equity in law, what we call general equity, to frame, guide, render accountable, render predictable and subject to Rule of Law the negative feedbacks Soros wrote of. This is done with general equity to resolve the incongruity of the “thinking” side of a presenting issue and real, material events (the “manipulative” side). In this model, the positions taken by participants vis-à-vis public policy in a given instance of State constitute the “cognitive” mode and the resulting effect of those policies become the “manipulative” mode. By deliberate design, these policies begin as policies incongruent with the overall General Federalist program but over time, due to this negative feedback loop, gradually result in policy and events that are congruent. Not only that, but General Federalism prescribes, based on the statistics of the failure of “democracies”, a specific time period constituting what is believed a mean value for how long this process should take. That period is fifty years, the sunset time limit on the Constitutional Codicils. Thus, once fifty years elapses since the ratification of a Codicil, the Codicil sunsets and rescinds from the scene. While it may not be perfect as we cannot know in each State case how long this process might take, it is a reasonable approximation based on the data regarding the durability of “democracy”. This process constitutes the institutionalization of multilateralism and incrementalism. Thus, in the interest of being a general solution with a minimal set of presumptions, General Federalism is intensely pragmatic and becomes
“ideological” only to the extent that it rejects specific ideologies for the reasons given. Another way of understanding this is that General Federalism treats questions of public policy and the creation thereof as an exercise in uncertainty compelling the innovator to divine and design a procedural law program that allows a repeated feedback of attempting necessarily fallible solutions, observing their error or imperfection once applied, then attempting another solution informed by the error or imperfection observed in subsequent outcomes; world events as impacted by the solution previously applied. This process simply repeats for a period of fifty years, drawing the legal character of a once “foreign” system of law closer to, and hopefully fully congruent with, General Federalism, or the federal government’s Statutes, general equity and public policy. Those charged with performing this task are Constitutionally chartered as a Federation Civil Corps who work day-to-day in the same physical space (or office) with their counterpart representatives provided by each State bearing a Codicil. General Federalism does not invest in any adoption of Mr. Soros’ General Theory of Reflexivity but does rely on some of its key ideas to the limited extent that we properly understand it and find it useful. General Federalism does not contribute to or propound the Reflexivity theory, it describes the mechanisms needed to implement it in law and economics.

IV. General Federalism takes as foundational many of the same concepts considered a foundation of special federalism, or, put more simply, the canonical federalism of Madison and Hamilton. First, it applies the principle of subsidiarity which, based on what has been observed from the American Experiment, includes a stronger structure surrounding State semi-sovereignty including provisions that firewall the federal treasury from State treasuries and precludes the possibility of federal funding in exchange for the favors or other considerations by States of federal interests. By firewalling treasuries this corrosive pattern of consideration that effectively turns sovereignty into a value commodity is eliminated structurally without the verboten approach found in the Madisonian Constitution in force today; and which clearly hasn’t worked out so well. Subsidiarity in the United States is a lost concept. The other concept inherited, among many others too lengthy to list here, is the concept of symmetry, as that term is traditionally used by academics, and which means that wherever the semi-sovereignty of any one State is disfurnished, then, we follow the mantra that “if it be so for one State then it shall be so uniformly for all States”. The only exception to this is the National Codicil provision we’ll talk more about; however, we consider this a necessary but temporary evil which lasts only fifty years. So, there are no partial policies in a genuine federalist system. Also, it adopts the concept well-ingrained in the public’s imagination of the separation of governing powers. We bring this
one up specifically because of a misunderstanding that we see arising from a certain ideological persuasion in the United States. Newt Gingrich, a U.S. Congress person, has claimed that so-called “Judicial Review” was not a power the so-called “founders” intended for the Judicial Branch. This is blatantly false and any first-year law student knows this. But let’s start with Alexander Hamilton who, in Federalist Number 78 clearly and unambiguously stated what most Americans know today: the Branches of government are co-equal in powers and balance each other. He went on to argue that this does not mean that the Supreme Court, or any Court for that matter, couldn’t review any statutes for their consistency with the Constitution and, if it should find an inconsistency, to strike it down. This is what is known today as Judicial Review. From Anthony J. Bellia, Jr.’s academic text Federalism, we can quote the relevant portions of the Federalist 78 here: There is no position which depends on clearer principles, than that every act of a delegated authority, contrary to the tenor of the commission under which it is exercised, is void. No legislative act, therefore, contrary to the Constitution, can be valid. So, Hamilton begins with a general observation; to wit, that no legislative act, including its laws, can be contrary to the very instrument that delegated its powers in the first place, the Constitution, which he also refers to as fundamental law. We agree with this logic, for to conclude otherwise is to deny the very meaning of fundamental law. And any such act that does so is void. In law, and Hamilton was a lawyer, when a law or Act is void it means that, as a matter of law, no one is required to follow it. It is prima facie to be ignored and no Court need hear it, but if it should, it shall dismiss any attempt to enforce a void law as a matter of law. Its erased. Hamilton continues, “The interpretation of the laws is the proper and peculiar province of the courts”. And he cuts to the chase when he connects this up with the will of the People vs. the will of their agents (politicians): If there should happen to be an irreconcilable variance between the two [editor’s note: between the statutes and the Constitution], that which has the superior obligation and validity ought, of course, to be preferred; or, in other words, the Constitution ought to be preferred to the statute, the intention of the people to the intention of their agents. He couldn’t have been any clearer; to deny Judicial Review is to deny the will of the People, and he explains that this is because of the fact that the People delegated authority to the agents, the politicians, through the instrument of Constitution. Politicians are delegates, not Royalty. End of discussion. And this in no way places the Judicial Branch over and above the legislative, it merely places the Constitution and the will of the People above the Legislative, where it should be. For this reason, and because this involves the strong element of General Federalism called delegation of powers by the public, Judicial Review is a central
tenet of General Federalism. So, at the end of the day, General Federalism does not worship or blindly follow Hamilton or anyone else, for to be ideologically impartial requires this, but General Federalists do in fact agree with this logic. Hamilton went on to argue in that same paper that judicial precedent is the vehicle by which excesses of the Judicial Branch are controlled. By binding contemporaneous judgements to past case decisions, the courts are limited in the degree to which they can drift by way of “arbitrary discretion”, something that could be corrosive to the Constitution and give the Judicial Branch an upper hand over the Legislative Branch. Experience shows that, on this point, Hamilton was wrong and General Federalists invoke tighter structural limitations around the use of precedent in court decisions. This is done, in part, by requiring direct callback to the Constitution itself and deducing law in a logical order from Constitution (the general) to contemporaneous law (the specific). This must be applied in addition, and with equal force, to precedent.

V. Many in the global rule of law camp have suggested a plan that involves, in one form or another, an attempt to rehabilitate the United Nations into a true, global governing body. Of course, almost all of these proponents are ideologically aligned with the neo-liberal, western democracy school of thought which we’ve discussed in the context of the empirical evidence. Naturally, we don’t believe this will work and we believe it will only lead to a magnification of the moral hazards and corruption that exists in neo-liberal western democracies at the nation-level today. General Federalism stresses this point strongly; essentially that all the legal and economic systems tried thus far are failures. Having said this, one interesting proposal was suggested in which the UN would pass an amendment to its Charter to allow for a binding decision-making process for the General Assembly and which was called the “Binding Triad”. We’ve seen different versions of this idea but it basically suggests that, if a majority consisting of (A) a majority of the total membership States affirming, (B) a majority of the total membership population reflected in the member States affirming and (C) a majority of the total membership dues or revenue reflected in the member States affirming, then the motion is binding on all member States. This reflects a pattern of thinking common in the global government movement in which concern is raised purely as a pragmatic matter that member States that are economically dominant should have a disproportionate representation. And this is advocated out of the pure pragmatism of acknowledging that the wealthiest nations would never agree to a global governance scheme without such an escape hatch. Ironically, General Federalists also addressed this issue but in a way that didn’t undermine the principles of General Federalism. The question this poses is how can one satisfy the ratification concerns of wealthier nations while
moderating any disproportionate influence they might have? The answer to that question came in the form of the clever institutional architecture of General Federalism’s representative attributes. General Federalism bases Senatorial representation on population, which is consistent with the first “leg” of the Binding Triad. The second “leg” is also consistent with the Binding Triad in that each State shall have at least 2 Senators, regardless of population. And the third “leg” is consistent with the Binding Triad, not through the Senate, which would indeed undermine the principles of federalism if applied there, but in the power of annulment. For, if annulment is initiated by State petition, a majority of States weighted by wealth shall be sufficient to initiate the annulment process. This gives a disproportionate representation only in the annulment of powers and applies a proportion cleverly constructed so as to de facto “sunset” after enough nations join the Union after what could be several decades. This is because the vote is weighted by choosing the poorest and wealthiest member States and assigning one vote to the poorest and twelve the wealthiest. All other States are assigned votes proportionate to that open interval. In this way, the disproportionate representation of wealthier States fades over time and once there are, say, 100 States in the Union, the advantage of twelve to one is greatly ameliorated.

VI. We’ve started upon the Canon of traditional Federalism for reasons we think will be clear, but we note for now that it is particularly well-suited to environments of diversity, which any global rule of law would involve. So, in order to fully answer the question of what legal character shall General Federalism adopt, our solution and answer include certain key developments beyond the canonical Madisonian or Hamilton formulation:

a. General Federalism uses a tool that appears to have the unique capacity to dramatically enhance what appear to be two mutually inconsistent aims; that is, it addresses both items A and B of the presenting question advanced in the introduction simultaneously. Therefore, General Federalism takes special note of it and stresses it to its plausible limit. This tool is called Rule of Law. In General Federalism, Rule of Law is dramatically stronger than the same tool as used in, for example, the United States today.

b. While Rule of Law can be misused to relegate or diminish the role of equity in law and of the courts generally, General Federalism seeks to avoid this outcome by clearly delineating what is law and what is equity. Therefore, and quoting the Constitution for a General Federation, courts are free to:
c. “Whereby no right, title or role de jure or any other such right by any other name or title shall be construed to grant any power within the jurisdiction of the Federation to, in the Court’s rendering of a decision, contradict, violate, nullify, or substantively or procedurally disfurnish, any provision of this Constitution or standing Statutory law: Equity in Law in the Federation shall inform Rule of Law by the color of the instance but shall never violate it.” Theoretically, this is how western courts are supposed to operate. But violating this maxim is a daily occurrence, especially when the laws available to them are so numerous as to afford virtually any conclusion.

d. So, it may be wondered what is to occur if two or more Laws in a given case contradict. The answer to that is that the Laws are unconstitutional and must all be struck down, thereby ending any prosecution based on them.

e. The Constitution is riddled with provisions and language strengthening the role of Rule of Law over and above anything seen so far. However, recognizing that, in the West especially, Rule of Law is given great lip service, but is routinely ignored in practice, it was recognized that a more sophisticated mechanism for ensuring that Rule of Law is actually exercised would be required. In other words, the strategy of creating an institutional form that by its design channeled human nature in a productive direction was needed.

i. General Federalism, cognizant of what statistics has already told us about “democracies” in the past, takes the fundamental step necessary toward genuine Rule of Law beyond simply demanding it in a Constitution. General Federalism makes a considerable distinction between the two modes of representative governance:

ii. Representation by institutions that allow the constituency to govern directly

iii. Representation by institutions that allow the constituency to delegate and/or revoke the powers to govern.

iv. Option (ii) is widely practiced in western, neo-liberal democracies while option (iii) is practiced, but only weakly. Some would argue that its even a farce in some systems.

v. General Federalism posits that this is exactly the opposite of what genuine Rule of Law requires.

vi. Allowing the public to govern directly sounds wonderful; until we consider human nature and its corrosive effect on such a process. Providing such open access to the day-to-day matters of government...
ensures that, with sufficient time, the organic power structures within the society will gradually bully their way into this process, drowning out the general public and dominating the exercise of governance through this channel. This is exactly what has happened in the United States, a country essentially fully corrupted by being run by special interests; another term for the faction of oligarchy. It is precisely the ease with which one can govern directly (lobbying) that makes this tendency so real.

vii. On the other hand, western, neo-liberal democracies have virtually no meaningful mechanisms to allow the public to delegate political power and revoke it at will. When we speak of delegating and revoking in General Federalism, we’re talking about real, deterministic and predictable means by which this can be done, not means that result in gestures and half-measures, but real results. The election process in the United States is totally pawned and owned, once again, by the faction of oligarchy.

viii. The distinctions supra lead to one of the most unusual features of General Federalism: General Federalism calls for four “Houses” of governance filled by a small number of people (a family) to be elected for life. However, because the public’s ability to revoke this “commission” is so strong, the public influences governance by the mere threat of impeachment. However, the public does not involve itself in day-to-day governance and backdoors and channels for faction to hijack the process are closed. Only the public, under equal suffrage, along with their “ombudsman”, the Senate (also directly elected) can delegate OR revoke these powers.

ix. This structure kills several birds with one stone. It greatly simplifies the issue of voting on a global scale by reducing the number of elections necessary for these “Houses”; the House of the Executor (the Executive Branch), the House of the Judiciary (the Judicial Branch), the House of the Legislator (the Legislative Branch) and the House of the Fiduciary (the Economic Branch).

x. It provides a clear and unambiguous line of succession by either annulment (explicit revocation of power), confirmation or heredity, whichever occurs first, ensuring that the Rule of Law of legal succession of power cannot be easily corrupted (relatively speaking, both annulment and heredity backing each other are clear and unambiguous methods for determining who the next office holder should be).
xi. Our proposal includes the hereditary succession of the four Houses of governance that execute the social contract; the House of the Fiduciary, the House of the Legislator, the House of the Executor and the House of the Judiciary. However, what is needed is a confirmation process that confirms the succession that is a different and distinct process from the annulment process (which is a more serious action that requires a massive public referendum or State petition to initiate).

xii. We thus propose that wherever a succession does occur by heredity (recalling that this won’t necessarily occur since that “clan” or family could have had their tenure annulled by the public before that) that a modified voting process occur afterward to confirm it. If the confirmation fails they are removed at the Will of the Senate and a new family is selected by the process given, which is an election based procedure.

xiii. The procedure for confirmation, and which would render the whole process feasible, would be to perform a random selection of six States from a universe of all States not exercising a National Codicil to a Social Contract (we just call this a Codicil here). We need to make this restriction to non-Codicil States because in order to enforce legitimate elections we need State governments that fully accept and comply with federal authority. Otherwise, the additional sovereignty the Codicil allows a State would undermine election integrity and make fraud easier in such States.

xiv. Those six States chosen would then hold the confirmation election. A one-third minority would be sufficient to confirm. The reason for the 1/3 versus ½ threshold is that, even with six States, such an election would be a massive undertaking and by lowering the bar for confirmation far less pressure is placed on the system to prevent fraud and corruption (when the election is tighter corrupt forces tend to push harder). This election must be regulated for fair and open practices by the Senate and not any of the Houses.

xv. For the Senate, a deliberately popular body, the problem, at least at first, appears more challenging. However, given its large numbers the problem is ameliorated somewhat (compare this to, for example, the President of the Federation, who is, usually, just one person for which the entire world would have to hold an election). Even so, a rotating class of Senators is probably the best solution which, for a body that is not exercising political power, does not introduce the same challenges as if it were. By rotating the elections, the size of each election is
rendered manageable. In order to make it manageable, we recommend twelve different classes with one class elected each year. This would constitute the maximum overall time for a term of a Senator. Likewise, we recommend a large body since it is intended to be a highly popular body. This gives greater representation by providing a Senator to constituencies of the smallest size possible per Senator. Setting the canonical Senate size at 1000 members, this also means that at a population of 7 billion, no single election would involve more than a maximum of about 600 million voters involving the election of about 84 Senators each year. This then renders the Senate elections under world governance feasible. While having Senate elections every year might cause a population to grow weary of the process, because they are divided in classes, each political district would have a Senatorial vote only once every twelve years. In the maxima and minima of Federation population counts, a population of 7 billion Federation Citizens eligible to vote (greater than the current world population) would redound to having one Senator for every 7 million inhabitants, the size of a mid-size metropolitan city. With a minima population of only 5 million, there would be one Senator for every 5000 Citizens eligible to vote. This gives us reasonable numbers and allows global elections. We also note that expanding any of the Houses to 1000 members would be impractical for carrying out their role, and that is true not just of the House of the Executor but of all Houses. This only works with the Senate because of both the nature of its powers and because of the limitations on those powers. The Senate is not a day-to-day legislative body but something more akin to an infrequently meeting Committee whose call to action revolves around circumstances where succession or annulment is at play.

So, the “Houses” are not “Kings” or “Royalty” and they are specifically denied any like powers; they cannot issue edicts, executive orders, etc. and all legal obligations within the Federation can come only through the Rule of Law codified in legislation. They are nothing more than statespersons who, if they do a splendid job, can remain in office and even pass that office on to their descendents. The Constitution places great emphasis on their sound education and preparation for their roles, making them truly professional statespersons who remain in office long enough to learn and to be educated from birth for their role. These are not “politicians”; these
are statespersons who have a strong incentive to keep the public very happy.

xvii. By the organization aforementioned the Rule of Law is organically and systemically embedded in the system and is very, very strong. By having a system of lifetime appointment, assuming they do a good job, the opportunity to truly educate and train world class statespersons, experts, is real and tangible. And the Constitution mandates that families in these roles be educated by … the public and its institutions. So the curriculum from birth is controlled, to a large degree, by the public.

xviii. In order to ensure that elections are not also hijacked by faction, private campaign financing is illegal, period. All candidates “get their message” out through an equitable source of public funds set aside for that purpose. Each candidates message can be translated into any languages desired.

xix. The Houses are Constitutionally denied any authority or influence over weapons and armament, all of which is in the control of the Senate and the people. Even the Armed Forces, should they exist, rely on the Senate for all their armaments and ammunition. Therefore, when an order to surrender a House is given it will happen, even if lethal force is required. It is unambiguously deterministic. The Houses must keep the public happy.

xx. As you read about how this works it is clear that the statespersons are being entrusted to do their job and run the Union without having to worry about the influences of politics. Meanwhile, they are surrounded by a heavily armed public closely watching. But the pressure from the public is not burdensome: it requires 1/2 majorities of public votes (referendum) and a 1/2 concurrence of the Senate to revoke the powers of a sitting House family. But most importantly, whatever pressure does exist, it is the pressure created by knowing that the mainstream public view must be understood and appreciated if one is to remain there long. Faction has nothing to do with it. And that’s the point.

xxi. The Senate’s powers are likewise checked, for they cannot initiate a call to impeach. They can only concur or dissent. Furthermore, they are constitutionally barred from any other activities and they are elected in a way that deliberately makes them a highly populist body (easy to get rid of). They do not make the laws or touch
the Public Trust. The Senate is merely the “official” embodiment of the public’s right to delegate and revoke political power at will.

xxii. After all the analysis we did, and the statistics backing up this proposal, should we really be surprised? If you go to the doctor you expect the doctor to do what he is good at without interference from non-experts, regardless of how smart the non-experts might be. And you also expect free choice in choosing your doctor. Right? That’s all this is. The colossal, primary failing of neo-liberal western “democracy” has been to reverse the import and emphasis of the two modes of representative governance: the right to “do it yourself” and the right to commission and dismiss experts. It has totally eviscerated Rule of Law.

END OF VIDEO DOCUMENTARY SERIES PART 5 OF 8

D. Casting Economics as an Object of the Social Contract

General Equity amounts to nothing more than extending the concept of equity in law to equity both in law and economics; that is, to extending equity in law to a set of human created laws (statutory law) and to a natural set of laws (economics). This is considered the first step in creating a more just economic system. For the first time, a system explicitly accounts for natural laws outside human control and considers them in the decisions it makes.

I. In order to achieve this both statutory and natural law (but in our case, we focus on the latter) must by fully exposed to the workings of justice.

II. As we discussed in the section on why new ideas are needed, we will be framing this discussion based on three key questions; namely, (A) what kind of economic system would be the most just, (B) what kind of economic system would be the most durable and finally, (C) what kind of economic system would be the best performer. By focusing our efforts on the first question, we believe the last two answers will come more readily and we can test our result against them.

III. Exposing commercial activity in such a manner has strong constraints as a method must be found that does not interfere in the natural process but which is also practicable.

IV. As with equity in law, a framework of law is required for this to work. In natural law, the laws are fluid and dynamic and may not, by themselves, suffice to provide an adequate framework. Therefore, a limited set of sound laws must be created to ground this purely natural framework.
V. The choice of the **minimal** set of rules and conditions for grounding natural laws is best made by identifying what rules and conditions speak most directly to the matter of equity in economics, or general equity.

VI. We will start by providing an operational definition of “equity”, which is used here more broadly than it is in traditional, western law. In any given situation where more than one person holds more than one opinion but where such a group of people have a goal in common, if the circumstances are such that a compromise of opinion must be reached in order to achieve that goal, then equity is defined as the best compromise possible wherein the common goal can still be achieved and for which most of the time most in that group will agree is necessary and fair. The *application* of equity would imply a subtle but important difference in the definition of equity: In any given situation where more than one person holds more than one opinion but where such a group of people have a goal in common, if the circumstances are such that a compromise of opinion must be reached in order to achieve that goal, then the *application of equity* is defined as the best compromise possible wherein the common goal can still be achieved and for which most in that group will agree is necessary and fair. Accepting the fact that there is uncertainty in any large-scale human activity, when examining economic concepts we will not concern ourselves with laws and absolutes, we will only insist on applying equity, or as we shall see, general equity in our economic analyses.

VII. The study of law is the study of how we assign value in society. Ironically, the same can be said of economics. In the study of economics we are studying how we assign value in society. The difference however, is in how we define "value" in each case. In the legal case we are speaking of values that pertain to abstract things. In economics we are speaking of values that pertain to material things.

VIII. In order to make clear the approach we are using, we will first examine roles in which an individual’s productivity lends itself to numerical analysis. Afterward, we’ll discuss other types of roles as an approximation thereof.

IX. In any “economy” in which all human beings provide solely for themselves the problem of economics is trivial and won’t concern us here. However, as soon as one adds the element of an exchange of value the discussion takes a sharp turn. And, as we’ve defined it, this is the defining point of “economics”, for only once an exchange occurs can we concern ourselves with the manner in which human beings assign value in society. To “assign” value in society implies an exchange of some kind. The exchange is known in legal jargon as “valuable consideration” and, if we can apply principles of equity to the material relationships associated with valuable consideration then we can apply equity to economics; that is, we can apply a **general** equity not only to law but to economics as well.
X. So, the economic activity most closely associated with and amenable to equity is the action of exchange; otherwise known as valuable consideration. In this view, both remuneration and general trade are considered forms of valuable consideration.

a. This leads us into various areas of discussion, the first of which is what kind of valuable consideration occurs in the organic construction of an economy? We pose this question because we would like first to ask how all this begins and where and at what point does valuable consideration first occur.

i. In the case aborning a global community must, if it be representative of all, decide what to do with the natural resources it finds. If it delegates to a selected Individual the care and productive application of the resource, this is a special kind of valuable consideration.

ii. Specialization of labor requires exchange and if a community decides that it wants to specialize labor it will have to consider the impact of valuable consideration. Prior to specialization of labor, whenever the individual provided solely for themselves alone, it would be rare that their activity would have any causal impact on the rest of the community. Therefore, it would be an equitable judgement to state that whatever natural resources one claimed as necessary for sustaining their life and livelihood is to be respected by all and the (nascent) “economic” system would have no need to consider anything other than private “property”.

iii. Once the community agrees to specialize labor however, the community has crossed the Rubicon and now must admit of the possibility that one’s use of a given resource no longer affects just that one person, but that it can affect the entire community. If a natural resource is mismanaged, stolen or if in any otherwise fashion the fiduciary trust placed in that person is violated, everyone could suffer, especially if the natural resource is something all require to survive. Since each individual who specializes their labor can impact the entire community and since each person who specializes their labor also must depend on that community to survive (as they do not produce everything their basic needs require), the only equitable solution to this problem is for the community to enter a pact or compact; a social contract that stipulates that all natural resources are owned equitably by all members of the community, thus giving them the ability to hold each other to account. Fiducial economics does not establish this as an ideology or law, and we reach this conclusion without any ideological
baggage at all. Fiducial economics merely asserts that we will apply general equity to both law and economics and the conclusion supra is a direct result of applying general equity.

iv. In the next stage of economic development the community might desire to build complex items which serve a specific purpose from these natural resources; no longer being content with simple products fashioned directly from natural resources (such as an iron hammer) which do not require significant infrastructure to make. In such cases, it may be that a collection of buildings might need to be constructed to house factories, people might need to help out since the fiduciary entrusted with the natural resource cannot do it all by himself or herself. And various tools might be needed which he might have to obtain from yet another community member. Two things occur that introduce some complexity into the situation. First, the labor of several persons now must be inhered in the natural resources when they are processed and pieces are assembled (Marx called this congealed labor). This means that something external has been irreversibly inhered into something the community as a whole agreed would belong to all community members by equitable division. Second, a simple bartering system might not be feasible if the factory project becomes sufficiently complex. It may be that the fiduciary’s specialized product is not needed or desired by any of the people who can supply him or her with a critical product needed for his or her factory. Something more convenient is needed to represent the wealth that was once bartered directly.

v. The solution to the first problem automatically solves the second. If the community intends to continue applying general equity to economic matters, once labour is inhered into natural resources the community has to figure out a way to disentangle the wealth represented by the natural resources and the wealth represented in the inhered labour. Since they are physically, tangibly intertwined, the only way to do this is by abstraction. So, the community writes “notes” that represent the wealth of, say, the new factory, and which encompasses both the wealth attributable to the natural resources used to build it and the wealth attributable to the inhered labour in it. In this way ownership of the factory can be divided up equitably: The community issues an appropriate proportion of notes to the community in Trust and issues the remainder to the labourers who built the factory (for the purposes of our example, I am using the term
“labourer” here very broadly to mean all involved in the creation of the factory). In fact, the community could decide to simply place the factory under community ownership in a community Trust, then issue notes equal to the wealth of the inhered labour equitably to all who laboured to build the factory. In this way, the note becomes a legal instrument, almost like a legal receipt proving that the bearer is entitled to access rights to the wealth it represents; that is, some fraction of the factory “on deposit” in the community’s trust fund.

vi. And as can already be seen, we do indeed need to preserve a means for continuing to apply general equity in all these relationships since, as we mentioned, these notes will be equitably distributed to all those who worked in any capacity to build this factory. It’s a way for the community to say that those who put their sweat into building this factory are the true, lawfully entitled fractional owners of the factory held in deposit and trust by the community at large.

vii. So, the question now becomes, what is the equitable distribution of notes (currency) in this example. To see this more clearly, we continue the example by next considering the relationships that occur when the factory enters production. Once the factory has been built, it can next begin producing another product. So, we start with a factory as a product or as wealth. Then we use that to produce another product, or more wealth. And we see that the workers who work in the factory to produce the factory’s products have a similar kind of relationship to the wealth and currency in play here as did the labourers who built the factory. In the case of the factory product, a certain amount of labour is inhered in community owned natural resources and then sold on the market by valuable consideration. But there are really two possible paths at this point. First, the product produced could be for consumption by the consumer or the product produced could be a tool for producing other products. In the former case this is a kind of consumption capital where in the latter it is a kind of productive capital. But in either case, valuable consideration means that whoever is responsible for the factory will receive a payment in currency for the product it produces. And the exact ratio of product to currency will be driven by that valuable consideration. Once that is agreed upon, and not worrying for now where the notes or currency used to make this payment came from, an exchange occurs and we must now figure out how these notes will be equitably distributed. The equitable distribution is a fairly straightforward relation, at least considering how
complex this can get: labour inhered in a collection of natural
resources which constitutes a factory is placed in the Public Trust, as
that is where the natural resources, at least, legally belong. But to
deal with the inhered labour that cannot be separated from the
factory, the community issues notes that represent the wealth of the
inherited labour in the factory.

viii. In order to develop a general relation to track and define change in
wealth in the Public Trust, we start by considering the quantities that
emerge from valuable consideration. We consider a factory producing
widgets (some product they can sell on the market) whereby the
widget is presented in consideration of currency. Let the currency in
circulation be denoted $M$, and the currency tendered in consideration
of the widget be denoted $m$. Thus, we can denote the total currency
paid precisely as $m_g$. The portion of this gross amount used to pay for
all expenses of all production processes causally associated with the
final production of the widget we denote $m_c$. This amount includes the
cost of a minimum wage paid for both time and personal expense per
widget for all persons engaged in that production process, but it does
not yet include any other form of remuneration. Thus, the remainder
of $m_g$ can be thought of as a gross profit which we’ll denote $m_v$. Thus:

$$m_v = m_g - m_c$$  \[1.0\]

In the simpler case of there being just one productive capital “factory”
and just one “consumption” capital factory, we have the relation:

$$\ell_w = \left(\frac{t_w}{t_0}\right) X_{0f} + X_{1f}$$  \[2.0\]

Where $\ell_w$ is the total inhered labor fraction per widget, $t_w$ is the time
elapsed to manufacture the widget in “factory” 1 ($0 + 1$) and $t_0$ is the
total operating time for the productive capital before it is retired and
either disposed of or salvaged. $X_{0f}$ is the labor fraction per widget
inherited at factory 0 and $X_{1f}$ is the labor fraction per widget inherited at
factory 1. It is important to understand that when we speak of a “labor
fraction” inherited at factory 0, we’re talking about the labor inherited in
the productive capital utilized by factory 1 to produce the widget, all
evaluated over the same time interval as the time over which it took
factory 1 to manufacture the widget. Therefore, we can define the
variable denoting the “cash” or currency value of the total inhered
labor thusly:

$$m_f = \ell_w \cdot m_v$$  \[3.0\]

And we can define “factory” 0’s capital depreciation fraction over the
time $t_w$ to be:
\[ d_{tw} = a_0 - \left( \frac{t_w}{t_o} \right) X_{0\ell} \]  \hspace{1cm} \text{[equation 4.0]}

From which we can derive the appreciation of the Public Trust due solely to “factory” 0 and consequent to the consideration of the widget at market:

\[ a_0 = \left( \frac{t_w}{t_o} \right) X_{0\ell}^* m_{\ell} - d_{tw}^* m_{\ell} \]  \hspace{1cm} \text{[equation 5.0]}

And, for the “consumption capital factory” number 1 we can use the similar relation:

\[ a_1 = X_{1\ell}^* m_{\ell} \]  \hspace{1cm} \text{[equation 6.0]}

More generally, a typical production process will involve a chain of “factories”, or production steps, and we’d rather not concern ourselves right now with the details of how the time components of these relations might be generated. Therefore, let \( f, g \) and \( h \) be sets of functions that are continuous on the appropriate time and depreciation intervals. Then we can recast equation 2 as:

\[ A_w = f_0 \left( \frac{t_w}{t_o} \right) g_0(X_{0\ell})^* m_{\ell} - h_0(d_{0tw})^* m_{\ell} \]
\[ + f_1 \left( \frac{t_w}{t_o} \right) g_1(X_{1\ell})^* m_{\ell} - h_1(d_{1tw})^* m_{\ell} \]
\[ + \cdots + f_{n-1} \left( \frac{t_w}{t_o} \right) g_{n-1}(X_{(n-1)\ell})^* m_{\ell} - h_{n-1}(d_{(n-1)tw})^* m_{\ell} \]
\[ + f_n \left( \frac{t_w}{t_o} \right) g_n(X_{n\ell})^* m_{\ell} - h_n(d_{ntw})^* m_{\ell} \]
\[ = f_n \left( \frac{t_w}{t_o} \right) = 1. \]  \hspace{1cm} \text{[equation 7.0]}

And where \( n \) is the total number of steps in the production chain.

---

b. In the next class of cases we are describing valuable consideration in the general marketplace in which goods and services are sold. For any economy that uses currency, this form of valuable consideration is self-exposed; for on one side we have a currency backed by rule of law and on the other we have a product or service defined in contract and thus backed by rule of law. Therefore, no additional mechanisms (other than currency itself) are needed to expose this form.

c. The third and last class of cases we need to concern ourselves with here is the valuable consideration exercised when a person is paid (usually in currency) for their time and labour. In this case, the valuable consideration described in (i) is simply being fractionally delegated from Fiduciary to employee. In this sense, the employee is a “Junior” Fiduciary.

d. A glimpse into how general equity can be applied to remuneration as a starting point and first-order approximation is to think of the typical enterprise in terms of its hierarchy of responsibility. First, there is the producer who is responsible solely for himself or herself and their assigned role. Their immediate supervisor is then responsible for them and their
peers. We can continue moving through the hierarchy until we reach what is usually the CEO. Remuneration on the basis of time and personal cost expended is fairly straightforward so we don’t need to expound on that except to say that under a Fiducial economy this “base” pay would be a minimum wage paid to everyone; the same uniform hourly wage for all. But when we discuss compensation by financial productivity we need to explain a bit more of what we mean.

e. Here it might be good to start with how the Constitution for a General Federation defines the key terms:

f. § 4.6.16.1 For the purposes of this Constitution, inhered labor shall be defined as the proportion of a product or services value attributable to the total value of the labor applied to introduce it for, and whose value is determined solely by, valuable consideration, which, in the case in which the product or service is used commercially for generating additional, dependent products or services, we here denote \( x_L \) ...

g. § 4.6.16.2 For the purposes of this Constitution, Individual financial productivity shall be defined as the inhered labor in a given set of products and/or services per unit time \( t_c \), attributable to a single Individual in which a given quality control standard which the House of the Fiduciary shall set by law is met for all such labor contributed.

h. This financial productivity and new wealth generated are one and the same thing, and it is this phenomenon that requires not just the minting of currency but the rate at which it is minted. We can calculate the Individual financial productivity of any given worker whose responsibility is solely to their own role and who has responsibility for no other workers. In that case, the worker is producing something and we can trace the financial productivity by subtracting the operating costs and minimum wage paid as a fraction from the fraction of the receipt of sale of a definable unit of that product. Since we are familiar with the product and we know the average time it takes to perform certain tasks in its production, we can calculate how much labor, relative to that average, was inhered in the product in a given time interval. But when we look at the workers immediate supervisor we have to think carefully about what productivity means.

i. Again, as a first order approximation, we can agree on some fairly obvious things. If the immediate supervisor in question is responsible for 10 employees all producing the same thing and having an average productivity of \( p \), then we can quickly see that the contribution this manager makes will be proportional to the difference in \( p \) with
management and p without management. This is a reasonable assumption since any given employee, if they are the only employee working a given task, should be able to at least manage themselves. Because when we speak of management we’re really talking about someone who specializes in tasks that are a distraction for the other workers. It isn’t that the worker can’t, for example, manage their own time, the issue is that once a task becomes complicated enough, the productivity of the “line” workers presumably should increase if someone acts in the role of their manager, thus allowing them to focus on their specialty.

j. But clearly, with 10 employees the total financial productivity improvement attributable to the manager alone cannot be less than p since, if that were the case, it would make better business sense if the manager were working on the line with the rest of the workers instead of managing. To assign an Individual to a manager role when the productivity gain that it provides is less than the gain of simply putting them on the worker’s line is not a best use of labor or capital. And similarly, the manager, once again speaking only from a sensible business perspective, cannot be contributing a total productivity to the team’s work of anything equal to or greater than 2 * p. For, if he or she were then it would make better business sense to hire another manager, rather than hire an 11th line worker.

k. But in order to fully characterize this relation we’d like to break this down into a more fundamental application of general equity. We assume that a manager’s role is to increase the productivity of each individual line worker by some amount over and above what it would be without a manager. This occurs when the manager facilitates, by whatever means, an increased degree of cooperation between two or more line workers. By improving cooperation the productivity is magnified as factors operating from each employee to every other employee. In other words, a gain in productivity for one worker works to improve the gain for each and every other line worker precisely because it is a cooperative, team effort. Otherwise, no management would be needed. As we noted previously, the upper bound for any mean productivity of a line worker would be 1/n = β, where n is the total number of line workers. This being said, once a worker cooperates with another, we cannot guarantee that the benefactor of that cooperation will benefit by the same ratio. Therefore, in that case, we will denote it x/n = Φ = ℓ_{wt} – 1 (the fraction associated with management of the inhered labor fraction per widget per line worker). Thus, we can start by characterizing this basic situation thusly:
\[ \eta_k = \beta_k \cdot \varphi_k + \beta_k \cdot \varphi_{k+1} + \beta_k \cdot \varphi_{k+2} + \ldots + \beta_k \cdot \varphi_n \]

\[ \eta_{k_1} = \beta_{k_1} \cdot \varphi_k + \beta_{k_1} \cdot \varphi_{k+1} + \beta_{k_1} \cdot \varphi_{k+2} + \ldots + \beta_{k_1} \cdot \varphi_n \]

\[ \eta_{k_2} = \beta_{k_2} \cdot \varphi_k + \beta_{k_2} \cdot \varphi_{k+1} + \beta_{k_2} \cdot \varphi_{k+2} + \ldots + \beta_{k_2} \cdot \varphi_n \]

\[ \ldots \]

\[ \eta_{n-1} = \beta_{n-1} \cdot \varphi_k + \beta_{n-1} \cdot \varphi_{k+1} + \beta_{n-1} \cdot \varphi_{k+2} + \ldots + \beta_{n-1} \cdot \varphi_n \]

\[ \eta = \eta_{k_n} + \eta_{k_{n+1}} + \eta_{k_{n+2}} + \ldots + \eta_{n-1} + \eta_n \]

[equation 8.0]

Or, equivalently, letting

\[ \eta_r = \beta_k \cdot (\varphi_k + \varphi_{k+1} + \varphi_{k+2} + \ldots + \varphi_n) \]

\[ \times \beta_{k_1} \cdot (\varphi_k + \varphi_{k+1} + \varphi_{k+2} + \ldots + \varphi_n) \]

\[ \times \beta_{k_2} \cdot (\varphi_k + \varphi_{k+1} + \varphi_{k+2} + \ldots + \varphi_n) \]

\[ \ldots \]

\[ \times \beta_{n-1} \cdot (\varphi_k + \varphi_{k+1} + \varphi_{k+2} + \ldots + \varphi_n) \]

\[ \times \beta_n \cdot (\varphi_k + \varphi_{k+1} + \varphi_{k+2} + \ldots + \varphi_n) \]

[equation 9.0]

With \( \varphi^n = (\varphi_k + \varphi_{k+1} + \varphi_{k+2} + \ldots + \varphi_n)^n \)

\[ \Rightarrow \eta_r = \varphi^n \cdot (\beta_k \cdot \beta_{k_1} \cdot \beta_{k_2} \cdot \ldots \cdot \beta_{n-1} \cdot \beta_n) \]

\[ \Rightarrow \eta = [\varphi^n \cdot (\beta_k \cdot \beta_{k_1} \cdot \beta_{k_2} \cdot \ldots \cdot \beta_{n-1} \cdot \beta_n)]^k \]

\[ + [\varphi^n \cdot (\beta_k \cdot \beta_{k_1} \cdot \beta_{k_2} \cdot \ldots \cdot \beta_{n-1} \cdot \beta_n)]^{k+1} \]

\[ + [\varphi^n \cdot (\beta_k \cdot \beta_{k_1} \cdot \beta_{k_2} \cdot \ldots \cdot \beta_{n-1} \cdot \beta_n)]^{k+2} \]

\[ + \ldots \]

\[ + [\varphi^n \cdot (\beta_k \cdot \beta_{k_1} \cdot \beta_{k_2} \cdot \ldots \cdot \beta_{n-1} \cdot \beta_n)]^{n-l} \]

\[ + [\varphi^n \cdot (\beta_k \cdot \beta_{k_1} \cdot \beta_{k_2} \cdot \ldots \cdot \beta_{n-1} \cdot \beta_n)]^n \]

[equation 10.0]

and by substitution

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η = n \times (1 + x/n)^n \times [(1 + 1/n)_k \\
\times (1 + 1/n)_{k+1} \\
\times (1 + 1/n)_{k+2} \\
\times \ldots, \\
\times (1 + 1/n)_{n-1} \\
\times (1 + 1/n)_n]

\Rightarrow \eta = n \times (1 + x/n)^n \times (1 + 1/n)^n
\Rightarrow \eta / (1 + 1/n)^n = [(1 + x/n)^n_k \\
+ (1 + x/n)^n_{k+1} \\
+ (1 + x/n)^n_{k+2} \\
+ \ldots, \\
+ (1 + x/n)^n_{n-1} + \\
+ (1 + x/n)^n_n]

[equation 11.0]

This yields an equation that is a matrix with symmetric properties and η is the total productivity fraction of the entire team including management. We have thus far allowed that

\Phi_r = \Phi_s \quad \text{and}

\beta_i = \beta_j \quad \forall \ r, s, i \text{ and } j \in \{1, 2, 3, \ldots, n\} \quad [\text{Equation 12.0}]

But the value of x might be more rigorously expressed as the range of some function, call it q_n(y_n) = x_n, and we have, in this illustration, assumed that q_n is linear; that is, that q_n is merely a function defined as q_n = c_nx_n. But this need not be the case. So, it may be that we have a set of functions to consider, call them Q = \{q_0, q_1, q_2, \ldots, q_n\}. Thus, wherever any q takes on some other, nonlinear form, we can appeal to general equity again not in fundamental law but in practice by allowing the House of the Fiduciary to determine by law how such a function q, and thus the set Q, is to be derived. The House of the Fiduciary would not set Q, it would only describe the equitable process by which q in any given case should be determined. And it is important that wherever such a nonlinear
conditions shall exist that as a matter of Rule of Law \( Q \) be determined through some uniform process which will thence be applied in the same way to all cases of \( n \) to generate each \( q_n \). Thus, our final, canonical relationship used as a foundation for any further detail and equity that might need to be applied, can be represented by letting:

\[
\Omega = \{\omega_k(y_k), \omega_{k+1}(y_{k+1}), \omega_{k+2}(y_{k+2}), \ldots, \omega_{n-1}(y_{n-1}), \omega_n(y_n)\}
\]

\[
\Rightarrow \eta / (1 + 1/n)^n = [(1 + \omega(y_k)/n)^{\omega_k} \\
+ (1 + \omega(y_{k+1})/n)^{\omega_{k+1}} \\
+ (1 + \omega(y_{k+2})/n)^{\omega_{k+2}} \\
+ \ldots, \\
+ (1 + \omega(y_{n-1})/n)^{\omega_{n-1}} + \\
+ (1 + \omega(y_n)/n)^{\omega_n}] \\
\forall k \in \{1, 2, 3, \ldots, n\} \quad [\text{Equation 13.0}]
\]

requiring an explicit calculation of equation 8. However, since we are seeking a canonical representation, we will proceed by assuming that \( x \) is in fact derived of some constant and is linear. And as stated, the House of the Fiduciary will provide a means for finding any \( Q \) needed, so the expression in this form will not be canonical or specified in fundamental law as such. Therefore, continuing with [equation 11.0], we need to pause for further explanation of our next steps. We wish to create a canonical relation for the maximum possible productivity of a team and its manager. In this illustration we are holding the number of managers constant and changing the value of the number of line workers, which we called, \( n \). So, we are trying to figure out what happens to a network of modes of cooperation between line workers when we increase \( n \). By modes of cooperation we’re simply referring to the fact that each line worker can, in principle, cooperate with each of one’s fellow workers presumably enhancing their productivity through that relationship. And that enhancement is presumably due to the efforts of management. So, each of those relationships can be thought of as a path on a network connecting each employee to all his or her co-workers, producing ten lines from each employee out to all their co-workers. In other words, what we seek is analogous to the fraction we intuitively identified at the start; that is, the fraction 1/10, because we could see that summing all these fractions for each line worker would yield 1 and that it would not make business sense for a manager to contribute more than twice the
productivity of a line worker. So, 1+1=2 would be the upper limit. But what we in reality have here is a network of cooperation in which line workers contribute to each other’s productivity through their cooperation via all the different possible networked ways in which they can interact. So, we are going to sum these productivity gains according to the number of all possible paths of cooperation between all line workers and the fraction will not be 1/10 but something quite smaller. When constructed as a network we can more clearly see what is going on as the number of employees per manager increases: increasing a manager’s number of line workers presumably improves the manager’s ability to enhance overall productivity because the number of networked relationships increases. However, at the same time, doing so also reduces the impact of each networked, cooperative link because the management burden becomes greater as n increases. Thus, what we need to know is, “what is the net effect of increasing the number of line workers?” Whenever we have a situation where two functions numerically work against each other as some variable, like n, varies, we can use limit laws to figure out where the result will fall; that is, the net effect of running both functions. So, we need to pass a limit on this equation with the fraction of productivity for each line worker expressed as x/n, only requiring that x > 0, because the fraction we need is the ratio of the line worker productivity mean (defined to be 1) plus the productivity contributed by management to n.

\[
\lim_{n\to\infty} \left[ \eta \left/ (1 + 1/n)^n \right. \right] = \lim_{n\to\infty} \left[ n \left/ (1 + x/n)^0 \right. \right]
\]

\[
\Rightarrow \eta / \left[ \lim_{n\to\infty} (1 + 1/n)^n \right] = \lim_{n\to\infty} \left[ (1 + x/n)^0 \right.
\]

\[
+ (1 + x/n)^0_{k+1}
\]

\[
+ (1 + x/n)^0_{k+2}
\]

\[
+ \ldots,
\]

\[
+ (1 + x/n)^0_{n-1}
\]

\[
+ (1 + x/n)^0_n
\]

\[
\Rightarrow \eta / e = e^x_k + e^x_{k+1} + e^x_{k+2} + \ldots + e^x_{n-1} + e^x_n
\]

\[
\Rightarrow \ln(\eta / e) = \ln[e^x_k + e^x_{k+1} + e^x_{k+2} + \ldots + e^x_{n-1} + e^x_n]
\]

\[
\Rightarrow \ln(\eta / e) = \ln[e^x_k * e^x_{k+1} * e^x_{k+2} * \ldots * e^x_{n-1} * e^x_n]
\]

\[
\Rightarrow \ln(\eta / e) = \ln(e^{nx})
\]

\[
\Rightarrow \ln(\eta / e) = nx
\]

[equation 14.0]
And \( nx \) is the manager’s total productivity fraction. And from this we can calculate the line worker pay fraction

\[
\mathbf{p}_L = (\eta - nx)/n
\]  
[equation 15.0]

From equation 7 and by rewriting equation 1 we determine the pay in currency per individual worker using the relation:

\[
\mathbf{a}_0 = f_0(t_o / t_o) \times g_0(X_0) \times m_\xi - h_0(d_{0w}) \times m_\xi
\]

deprecated

\[
\Rightarrow \mathbf{R}_{cw} = m_v \times \mathbf{a}_0 \times \mathbf{p}_L
\]  
[equation 16.0]

Where \( \mathbf{R} \) is the remuneration in currency per widget for the line worker. The Manager’s remuneration can be calculated similarly:

\[
\mathbf{R}_{mw} = m_v \times \mathbf{a}_0 \times nx
\]  
[equation 17.0]

END OF VIDEO DOCUMENTARY SERIES PART 6 OF 8

XI. A Fiducial Economy takes the approach of exposing the least amount of economic activity necessary to expose the economy to rule of law. That is the basic program of Fiducial Economics. As we saw above, applying valuable consideration as a tool of exposure, we found that one is already exposed in any economy already using currency. But the other two, generally speaking, are not.

XII. The application of valuable consideration now gives us a straightforward formula: a Fiduciary economy is one in which the global community (a global constituency having equal suffrage) decides what it wants to produce from the natural resources it shares and how much of that to produce. They then assign or reach an agreement amongst themselves and candidates on who will be the Fiduciary responsible for the best use of those natural resources; the capital utilized at the first step of the production chain. In this sense the Fiduciary becomes an Intrapreneur who may stand to profit but who still acts on behalf of the community and therefore does not own the capital. He or she merely makes the best use of it. They are entrusted with the capital to do so.
XIII. Once this decision is made, the community leaves the rest in the hands of the Fiduciaries. So, no, there is no Soviet style economics going on here. Factories buy goods from other factories through normal valuable consideration using currency. Consumers do the same and there is no price fixing.

XIV. Labour, on the other end, as a “Junior” Fiduciary, must in a just manner be afforded the same rights and privileges of the Fiduciary in terms of their relationship to this process. Therefore, all remuneration, when exposed by valuable consideration to Rule of Law, is payable on the basis of the individual labourer’s financial productivity; that is, on the basis of their performance in the role of a Fiduciary.

XV. There is another matter to take up here having to do with the difference between time and labour. Anyone acting as a Fiduciary is due compensation for the time they provide in acting as such, regardless of whether or not a best use (or any use) is in fact achieved. Therefore, in a Fiducial Economy remuneration for all economic activity is by the sum of a “minimum wage” (paid for time given) and individual, financial productivity. Regardless of how such a scheme may strike us, this is the only just way to compensate anyone. We’ll look at features that can be established to eliminate some of the more common concerns heard when speaking of productivity and pay.

XVI. In General Federalism, the calibration of this productivity pay scale is up to the House of the Fiduciary to determine since, for one thing, it must set the minimum wage. Ultimately, the exact connection between productivity and “dollars” is driven by valuable consideration.

XVII. Because General Federalism seeks to apply general equity throughout society, matters of economics are treated of equal import to those of law and General Federalism calls for the creation of two “legislative” bodies; a House of the Legislator and a House of the Fiduciary. One legislates law and the latter “legislates” in the limited economic realm the Constitution provides (what and how much to produce). Taken together they are called a “Parliament”, which is also interchangeably referred to as a “branch” of government.

XVIII. Because the decision to produce is a community decision, there is no need for traditional, fractional reserve banking. This was how Zero-Zero banking came up. What this means is that anyone can make application to start a business and if they and they’re proposal are sound, newly minted General Federation currency up to the amount of the resulting capital value of the enterprise funds the start-up. To understand why this is actuarially sound, please see the website. There is no interest payment obligation, no principal repayment, etc. It will produce an explosive economy that never faces inflation or deflation. Should the market value of the resultant enterprise (total capital worth) be less than that needed to
fund the start-up, a more complex actuarial approach can be used to overcome this.

XIX. All resources, and in fact all commercial assets, are not owned by any one single person. They are owned by everyone collectively. In a representative government this is best achieved through a Public Trust where the House of the Fiduciary is named as one of its Fiduciaries. So, the Public Trust is not the government. It is independent of the government. Its existence and form is, however, backed by the full and faith and credit of that government’s rule of law.

XX. Of course, all this begs the question hinted at when we began our numerical analysis of general equity, “what would one do in an industry where numeric values for financial productivity, or where the managerial relationships are not as clear cut or are naturally inescrutable or impractical to calculate or track?” First, we point out that the vast majority of roles in a modern economy already have metrics in place for measuring Individual financial productivity, even if not cast in that language. This is because businesses are keen on finding areas in which to “cut the fat” and want to know where their weak links are. But not all roles fall into that category, so, the answer to the first part is that we allow, wherever not feasible, a peer-based assessment of performance not unlike what goes on in most workplaces now. For the second part, we contend that if the managerial relations are not clear-cut then it is not a good business practice and shouldn’t exist; for any organization that is responsibly using community resources there must be some defined way of understanding why and how anyone other than a direct producer can justify their job (since a direct producer’s productivity, at least in the presumptive sense, is self-evident). As a case in point, we can take the proverbial university professor. How is his or her Individual financial productivity to be assessed? In this case, they don’t even have “line workers”. The answer is that it would have to rely on more traditional means of assessing performance such as student evaluations, evaluations by their immediate supervisors (Department Chairs, for example), evaluations from their respective academic peer organizations and evaluations from their colleagues. Each organization would have to define in some meaningful way what it means to be financially productive. And it is a necessary fact that all roles in society that exist under Capitalist systems must, in some way, provide financially productive results else the markets would eliminate them from the economy. Even in the case of publicly funded institutions, as in our university example, a solid case can be made for the financial productivity these organizations provide to society, even if only abstract. As stated, in those cases it would be up to the organizations to provide these definitions and arguments and establish such connections concretely, and the House of the Fiduciary, or its agents, would have

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the power to consult and review on these matters, ensuring that every organization is able to make this connection in a meaningful way.

XXI. In a Fiducial Economy the Public Trust is a non-governmental legal entity whose Grantor is the Citizens as a bloc and its beneficiaries are all Citizens of the General Federation. The Trustees are numerous. The most visible of that bunch are the Trustees that are elected to each of the seats of the House of the Fiduciary, the Fiduciaries. And it is these Fiduciaries who are initially specified in the Constitution. But once such a Public Trust starts operating, every intrapreneur the House of the Fiduciary names is also a Trustee. This is why the Constitution grants a limited Power of Appointment to the Trustees of the House of the Fiduciary (but this power is non-transferable – maintains separation of powers and keeps Public Trust out of government); so that they can name intrapreneurs as Trustees over the portions of the Trust for which they are clearly responsible.

XXII. Contract Law and the Problem of Intellectual Property. Suppose a musician composes, performs and records a song which he or she would like to sell in valuable consideration in the marketplace. When the final product is recorded it constitutes a very long string of 0’s and 1’s in a defined order. These strings of 0’s and 1’s are called bits. A song of typical length and quality will compress to a bit length of about 40 million bits. Due to the sheer size of the bit string one could easily “bit shift”, or flip a handful of bits and change their value from either a 0 to a 1 or from a 1 to a 0. And the result would not be detectable to the human ear if the bits altered were just a handful, say, 100 or so. In contract law when one sells a product or service for which the transaction is, by definition, contractual, the terms of the contract must define the object of the contract. In other words, when selling by contract I must show that valuable consideration has occurred by not only showing that currency and a product or service were both considered but, in order to establish that, I must adequately define the items proffered for consideration. Currency is well defined in law so that isn’t an issue. But the object over which one is contracting must also be well defined sufficient to guarantee a Court’s unique identification of thing being contracted. This problem can be overlooked for the most part at the point of sale since the party receiving the product, say, a song, can simply accept that what is being received is, by definition, the object contracted. So, the musician selling this song on the open market presents no difficulty or issue. In fact, one does not even need a written contract since the terms and definitions are implied. But suppose the musician would like to sell the song but with a contractual condition: the party receiving the song must, if they expose the bit sequence to any other individual or legal entity, pay the musician a set fee per such
transaction. This is usually called a royalty. In this way, the musician can continue to profit from the artistic contribution he or she has made. There is good reason in fundamental law to support contracts of this nature, implied or explicit. By doing so, the government is encouraging artistic and technological innovation of all kinds as it places a profit incentive behind that work. But the question put before General Federalists is; “is a contract of this kind meaningful and legally enforceable in a system of genuine Rule of Law?” Rule of Law, as we’ve seen in its definition, requires that laws be uniform and predictable such that one can predict with clarity, for example, when and if they are in violation of law. In the case of the musician making the single, point of sale transaction, both parties to the exchange can know with clarity what to expect in terms of their legal rights since, by the act of transacting, the object is self-defined. But, in the latter example this clarity is lost. Suppose, for example, that the buyer signs this contract and then proceeds to start “bit shifting”, flipping bits in say, 12 cases out of 40 million. Is he or she thence bound to the contract signed? Generally, a contract over a musical score would simply identify and define the score by musician name and the title of the piece. So, the question stands, if we “bit shift” twelve digits what does this mean? Of course, we are inclined to quickly assert that, “come on, it’s the same song, right?” We can simply just assert this as a practical matter and move on. Perhaps. But suppose in response to that objection the buyer then flips 100 bits of data. Suppose we line up hundreds of witnesses who are allowed to listen to both versions of the song as many times as they like and we ask them to identify which is which. Suppose they cannot? What then? Still the same song? Suppose the buyer flips 1000 bits of data and we repeat. What now? The problem we’re attempting to illustrate here is not that these bit flips constitute a different object not defined by the original contract regardless of the number of bits flipped. Quite the contrary. What concerns General Federalists about this is the issue of Rule of Law. In other words, it is not that we can be sure that the buyer has created a new object from an old one which is thus not subject to the terms of the contract he or she signed. The problem is that it is inherently ambiguous and we don’t know at what point to assert that a new product exists. This odd condition exists only because the content over which we are contracting is itself nebulous, at least in any objectively measurable sense. It is by definition subjective material. In fact, all intellectual property fits this pattern. There simply is no way to uniquely identify intellectual property for use in contract law. Sure, we can make reasonable assumptions and simply allow for this imprecision as a practical matter. But that’s not our point here. The point is that ambiguity in contract law is unpredictability in Rule of Law and we reject it. Of course, many might react to this with some surprise, but
keep in mind that we are, as a society, conditioned to accept this notion of royalty payment for subjective material for one simple, artificial reason. Prior to the widespread introduction of computers in society and the internetwork almost all subjective material was intrinsically bound to a physical medium. This meant that contract law could operate with predictability by de facto contracting over the physical media upon which subjective material was inhered. And as far as radio stations were concerned, there simply weren’t enough of them to create sufficient ambiguity in this regard. In fact, that begs another point. If the buyer of the song in our example flips 100 bits then it will take a wider distribution of the song into the control of individuals in society than it would if he or she flipped 1000 bits in order to introduce unpredictability in Rule of Law. This is why we are able to usually dismiss this subtlety in intellectual property law. Usually it isn’t an issue because the distribution into the hands of controllers isn’t that extensive. Or, at least it wasn’t until the information age. At this point, the subjective material was “freed” from its physical media and “lived” solely in the abstract realm of subjectivity. Rule of Law was suborned by technological deregulation once again because existing law unwittingly presumes by dint of the presence of physical media that one can contract over a nullity. Thus, the equitable solution to the dilemma and the one that guarantees consistency with Rule of Law is to render any point to point exchange in valuable consideration of intellectual property enforceable under the law. However, one cannot treat any contract for royalty, or any scheme as here described, as an enforceable form of valuable consideration. The only objection we’ve heard to this (no one seems able to challenge it thus far, which is odd) is that a medium always exists, even if it’s the copper wire over which the song was transmitted. The problem with this argument however, is that contract law once again is ambiguous because the song now truly lives in the abstract since it can be transferred by the end user onto any number of impossible to exhaustively identify media; perhaps bearing a bit flip modification of 1000’s of bits. Finally, we must ask under a Fiducial Economy how one promotes innovation if the government will not back traditional copyright and patent law. The answer to this is, once again due to paradigms inhered by generations of conditioning, much simpler than it appears at first. If royalties are outlawed but single sales are not, then the valuable consideration of the point to point sale is fundamentally altered. Now, the “speculative” value of the thing being exchanged experiences an inflection point. For if the value of the thing considered is real; that is, is a real form of wealth, it will have value if in the possession of the right person or entity that can put it to best use. But lets be clear. This isn’t really speculation either. It is in fact a genuine valuable consideration for the wealth of a set of abstract ideas generated from a human
beings brain we call intellectual property today. In other words, the currency (wealth) considered at the initial transaction for the abstract ideas offered and rendered legally enforceable under General Federalism will, if it be successful, be orders of magnitude greater than it would have been with royalties. This might be more evident in the realm of patent law. The running of IP “chop-shops” is a booming industry in the United States and consists of investors buying up patents and inhering additional wealth into them by a required process (in the United States) called reduction to practice. For if a patent isn’t “reduced to practice” or, in other words, if it isn’t actually used, tested and proven in the market, then it could lose its value or be less valuable to those trading in IP. So, organizations form for the sole purpose of purchasing IP rights and reducing them to practice, then selling the IP rights to another buyer at a much increased price. The actual process is much more complicated than that. It involves teams of patent attorneys who, by filing lawsuits against already existing infringers upon the IP rights held, can compel the industry to take notice of the IP rights and begin respecting them. This is because even if one applies for and is granted a patent it is almost always violated unless attorneys go to court and sue. This further drives the value of the IP up. In any case, the moral hazards inherent in this IP matter are self-evident. Wasteful effort is expended for establishing “reduction to practice” (which in almost all cases is just abandoned after reduction to practice is approved). Entire corporations are created, wasting millions of dollars in each case, simply to go through a bureaucratic hurdle to enhance the value of the IP held. Then everyone is laid off and the company disappears. No one, of course, is told about this in advance. And this faux reduction to practice does nothing to actually advance the technology invented. The practice is rampant in the United States today.

XXIII. In Summary: General Federalism, in terms of its economic aspects, includes a “legislative” body for the determination of what and how much is produced, which sets the productivity pay scales, which regulates how productivity is defined and which is a governmental body. Outside government it calls for a Public Trust made durable by rule of law in which ownership of all commercial assets lies. This Trust belongs to everyone equally and is modified only by Fiduciaries. A General Federation utilizes Zero-Zero banking and its only banks are those that print and distribute currency: there are no regular banks in the sense of a normal bank.

XXIV. Zero-Zero banking is a novel means of managing currency in circulation and for influencing the creation of wealth.

END OF VIDEO DOCUMENTARY SERIES PART 7 OF 8

E. A Generalized Form of Strong Federalism

Last modified by V. Van Houten 2/11/2013 Healdsburg, CA. See more at http://kirkomrik.wordpress.com
A second and equally daunting challenge for any global governance proposition is how does one formulate such a scheme, with all the constraints discussed in this larger work, such that disparate nations insisting on their own sovereignty will ratify and abide such an agreement? This question is also non-trivial and until now never solved. Framed another way, we are asking how does one transform a special Federalist system (one in one way or another predicated on some kind of ideology, limited to national application and unique to a society or culture) into a truly general program tolerant and inclusive of any ideology, among many other things. This discussion necessarily begins with the problem of “sovereignty” and how a general solution can render a Union immune to the same and remove “sovereignty” as a means of denial of Union. This approach, the General Federalist approach, is referred to by academics as constitutional pluralism.

I. In order to answer this question it might be helpful to better understand what role sovereignty plays here:

In particular situations of competition and interdependence are relevant because they potentially threaten state survival. In these two types of situations, seven uses of sovereignty are distinguished. Sovereignty is probably best understood as political power that originated from a fairly geographically homogeneous distribution of power. Over time, due to competition, this power accreted both in strength and geography to power centers. As those power centers grew they eventually came into contact with other power centers. At times these power centers would go to war, but in all cases it was an accretion of power, or an attempt to do so, on the basis of competition for resources. Eventually, since technology itself didn’t really allow global accretion of power, these power centers reached the largest geographic extents technology would support and the global distribution of power geographically settled into a near perfectly heterogeneous state with power centers dotted relatively equal distances across the landscape. What we see today is the remnants of that system. Thus, sovereignty in this view is understood to be a product of competition and is likely still used as a tool to maintain competitive advantages.

I will describe the attributes of sovereignty and why it is so desirable both to state actors and domestic populations by painting a broad brush; meaning that I will be describing sovereignty as it has appeared globally. Any one nation may or may not exhibit all of these characteristics.

a. States use sovereignty to control information, particularly information to their own people. The purpose of this control is to protect and further their ability
and capacity to operate outside rule of law whilst giving the appearance, in some cases (esp. in the West), of being its trustworthy exponent.

i. Promoting the us vs. them or the familiar vs. the unfamiliar; something reinforced by geographic boundaries established on the basis of sovereignty which tends to ensure that the majority of the domestic population cannot or does not witness the other side of the dichotomy first hand.

ii. Promoting religious adherence; something reinforced by geographic boundaries established on the basis of sovereignty which tends to ensure that the majority of the domestic population cannot or does not witness the other side of the dichotomy first hand.

iii. Promoting a particular, desirable view of foreign policy; something reinforced by geographic boundaries established on the basis of sovereignty which tends to ensure that the majority of the domestic population cannot or does not witness the other side of the dichotomy first hand.

iv. By appealing to nationalism, national security or any other pretext, states can use their supreme sovereignty to explicitly ban the dissemination of information (such as by classifying it as a national secret).

v. By utilizing their sovereign domestic powers in any combination of creative ways to compel a desirable presentation in the public media, especially in the popular press.

vi. By utilizing their sovereign domestic powers in any combination of creative ways to compel business and commerce into supporting the restriction of the free flow of information.

Thus, with just the first characteristic of sovereignty we can see how much it can be valued by a state; for to control information is to control reality. In a global governance scheme in which Rule of Law is so strongly embedded into the system, this will present a considerable hurdle to ratification.

b. Second, sovereignty allows a state to balkanize an economy and control the flow of capital, wealth and labor. In foreign policy magazine Richard N. Haas, President of CFR, wrote in “Sovereignty” that:

*Nation-states will not disappear, but they will share power with a larger number of powerful non-sovereign actors than ever before, including corporations, non-governmental organizations, terrorist groups, drug cartels, regional and global institutions, and banks and private equity funds. Sovereignty will fall victim to the powerful and accelerating flow of people,*
ideas, greenhouse gases, goods, dollars, drugs, viruses, e-mails, and weapons within and across borders. All of this traffic challenges one of the fundamentals of sovereignty: the ability to control what crosses borders. Sovereign states will increasingly measure their vulnerability not to one another but to forces of globalization beyond their control.

Here, Haas was observing an upper layer of a deeper phenomenon. We’ve discussed it here in the Triffin Dilemma article and various economic discussions about one of the few things Karl Marx got right, such as capital accumulation. But, basically, sovereignty gives States the power to prevent, for example:

a. Removal of capital or wealth from a sovereign’s borders, after which point they will potentially lose that wealth permanently. This can happen deceptively when “another” state purchases that wealth in a reserve currency the state holds. If continued *ad infinitum* the reserve currency state floods the globe with their currency but eventually depletes the world of all its wealth, accreting all of it within its own sovereign, geographic or even abstract jurisdiction. For this reason, this sovereign power is critical in the face of such deceptive, but clearly hostile action. Any global governance scheme must ensure no Nation of the General Federation can do this (the incidental removal of the need for a reserve currency is a start). Thus, the ratification challenge here lies with convincing the reserve currency nation, which is only one or if considered more broadly, 3 or 4. This impediment to ratification won’t be present for the remainder of the world’s governments.

b. The actual, physical relocation of persons into an area consequent to the removal of sovereign borders in which the local population holds the newcomer in disdain. This can take on innumerable forms and have just as many causes but is a fundamental roadblock in some cases.

c. Security threats that come from “other”, or the “unfamiliar”, even though security risks always exist in any jurisdiction, this has a significant psychological impact in some areas.

c. Third, in situations of internal competition states use sovereignty for competitive advantage.
a. In cases factional infighting within a Nation, the state can exercise sovereign, absolute authority to silence or direct this infighting even if to do so is clearly a breach of the most basic, obvious human rights.

b. In cases of factional war (civil war) within a Nation, the state can exercise, sovereign, absolute authority to silence its opponent at any cost it is willing to pay, even if that state is clearly illegitimate.

c. In cases of equity in law, courts can render clearly unjust decisions between factions and “conceal” the gravamen of the matter within the legal profession. In this case sovereignty is applied in an overtly corrupt manner to compel judge’s to rule in a certain manner, either by use of overt bribery or by much more sophisticated, subtle influence.

d. As regards culture, states use this to consolidate culture and belief. Any scheme that allows religious and cultural norms or laws to be influenced by “other” would be considered undesirable in almost any Nation.

d. Fourth, in cases of external competition states use sovereignty to temporarily subordinate the interests of citizens to those of the state (using national security for a power grab).

a. This one is classic. When an external threat is proffered as a new reality, whether true or not, sovereignty gives the state the ability to respond to this threat by subordinating the interests of those subject to its jurisdiction. States greatly value this benefit.

e. Fifth, sovereignty is used to merge sovereignty and interdependence (by getting some concessions through the use of their sovereignty in other ways and areas as a commodity they can barter). Yet this is only effective when a world-state is created.

a. Hypothetically, at least, a state can grant a loss of sovereignty in exchange for an increase in sovereignty to which they would not otherwise be entitled. This has occurred in the European Union but won’t be observed with much frequency until large-scale cooperation becomes a reality. For our purposes, if General Federalism competes with “disaggregated states” and multilateralism, which it will increasingly do, this reality must be taken into account.
f. Sixth, in situations of interdependence some states use sovereignty to reduce it (by asserting sovereignty in ways that sets the rules for interdependence with other nations). However, in a globalizing world this becomes less feasible.

a. In recent history we’ve seen this tactic used by the more powerful sovereign actors who simply assert what is and what is not negotiable before discussions begin. The idea here is, as always in the case of sovereign powers, a purely selfish desire to protect one’s own interests and gain some cooperation or concession from the other party or parties without having to concede your most important or valued sovereign rights (or in order to violate the sovereign rights of others). The more powerful actors will present these characteristics in their dealings with “other” and they are sufficiently rare that they can be ignored in the early stages of ratification (at least in terms of the ratification itself).

g. Seven, states use sovereignty to manage interdependence. Enter the idea of “disaggregated states”. Here, states can use their sovereignty in a kind of international intercourse that is already occurring today to better their position. Having said that, it’s a little ironic that one would need to use their sovereignty in concert with a process that undermines their sovereignty, but the very act of asserting sovereignty makes a state’s participation in such an intercourse something other stakeholders can take much more seriously than otherwise. It is the mere stature one holds as a sovereign that aids in the intercourse and a state’s ability to get a good outcome from it. Regarding this odd irony, Erwin van Veen wrote in *The Valuable Tool of Sovereignty: Its Use in Situations of Competition and Interdependence*, that:

> Paradoxically, using sovereignty as a tool to enter into such further-reaching integration projects potentially self-destructs the concept in its classic state-definition.

Pretty much. Because this kind of multilateral approach is already well under way it represents both the biggest challenge to open, transparent rule of law and the most dangerous development in world governance thus far. But there is something else salient that we can see from this discussion of sovereignty: a world run by individual, sovereign states is backward and barbaric. It’s a factory of corruption, war, deceit and a kind of mindset that must necessarily be backward.
II. The solution to this dilemma is to use what we know works, at least in terms of executing policy (it is not durable and is dangerous in its present form). What we allude to here are the “disaggregated states” otherwise known as multilateralism. The difference, however, is that we are going to put it under the framework of Rule of Law where it is publicly known, the actors are named and known to the public, it is accountable and it has a Constitutional basis. Not only is the idea to entice ratification, it is designed to improve on durability long-term while not compromising the principles of General Federalism.

III. The tool used is called a “National Codicil to a Social Contract”; known as an “equitable instrument” and an option given to any state that joins the Union but is still uncomfortable with being subjected to its laws. What this instrument does is says that instead of laws of the Federation being immutable and staid, these laws and the laws of the National Codicil can, case by case, be reconciled using principles of equity in law. This turns the whole process, for a sunset period of fifty years from ratification (afterward, the laws of the Federation are final and can be appealed only in the federal system), into a giant process of negotiation, persuasion, influence, etc. This is the same thing that is going on today. The difference however, is that the party doing it is the Federation Civil Corps, not a bunch of nameless, hidden cowboys of various professions and trades whose qualifications are sketchy at best. Over the provisional period of fifty years, the job of the Corps is to “move” the State closer and closer to full compliance with Federation law.

IV. This single provision almost completely wipes out all the objections above because it gives the wary State full access to the law, and a full opportunity to at least compromise the laws about to be enforced in its jurisdiction.

V. Other concerns deal with the substantive rights of Article 7, which is more of an Individual rights issue that might not be well defended by the National Codicil. Therefore, an explicit provision is provided to make it a hurdle, but an easy enough thing to do, to demand the original jurisdiction of the Federation and halt State proceedings if substantive rights are violated.

VI. It aligns itself with the natural evolution already occurring in multilateralism today and merely puts a process and rule of law around it to ensure that it matures as we want and expect it to.

F. Zero-Zero Banking

Saving what is arguably the most important for last, what kind of institutional architecture does one apply to facilitate monetary policy? We examined various systems of monetary policy and found that every one of them was based on some very old, outdated models. Given that this topic is the least well understood amongst
the general public, we will need to start with some background. First, it is important to understand the basic history of banking.

I. Banks began a few hundred years ago and the modern banking systems descend from their predecessors in Europe when capitalists, or those holding sufficient capital, decided that they could loan money to others and profit by requiring repayment of the premium with interest added. In that environment, the political powers that existed enforced this scheme making it a viable business model.

II. Banks began to take deposits of wealth from their customers, in the form of gold, for example, and would write a note that they designed and printed which basically promised and affirmed that the customer had the amount of gold on deposit at the bank that wrote the note. In this way, the customer could carry around notes, which is much easier to transport and use, and exchange it for other forms of wealth, allowing them to buy products and services on the open market. The fundamental shift and change here was that instead of having to exchange or barter wealth for wealth directly, like by trading gold for lumber to build a house, one could use an abstract, general vehicle for exchange in the form of these bank notes. Bank notes would later evolve into modern currency, but the idea is the same.

III. If someone selling lumber to someone bearing and offering bank notes in return, this exchange is called valuable consideration because both parties considered something of value to each of them and agreed to make the exchange. When the person selling the lumber takes the bank notes, he can use them again with someone else or he can visit that bank and demand the gold that it promises.

IV. Another service these deposit holders, these early bankers, could offer was to loan money to customers with, as we said, a requirement to repay with interest. This would be done by printing notes representing the full amount of the loan requested and would, on that banks reputation, faith and credit, represent wealth on deposit (such as in the form of gold) that they actually owned themselves, not someone else’s deposits. And this made sense because it was the bank loaning the money and it is they who should be able to back their own notes.

V. It is key to understand that at that time the likelihood of several note holders coming back to the bank on or about the same time and demanding all of their gold was highly unlikely. In that age technology limited transportation and communication and a bank thirty miles away was a great distance indeed. It took considerable effort to go visit a bank, especially ones well over thirty miles away, and communication with them and the communication of news generally was very slow by modern standards. Additionally, in the case of loans, poverty was so severe and wealth so tight, with the terms of loans so onerous, that the likelihood
of a large number of people paying off their loans at once was also astronomically slim.

VI. These nascent bank owners took advantage of this by realizing a mathematical quirk. Because, for practical intents and purposes, in that day and age, it was essentially impossible for the deposits to all be demanded at once. Thus, the rule regarding backing the loaning money in the form of simply printing extra notes with actual deposits you own on hand could be manipulated and basically, to some degree, ignored. To explain, suppose I hold 1000 dollars-worth of gold on deposit from customers. None of this gold is actually mine and I’ve written notes for all of them promising that I have this on deposit and can honor each of those notes on demand. But suppose I decide that, since it is really impossible for all those notes to be brought up and all gold they represent to be demanded at the same time, I will loan out half of those gold deposits to additional customers. Now, I am writing notes and giving them to the new customers which, like the other notes, promise that I will produce the gold they supposedly represent. But in reality, I am now claiming to be able to pay out 1500 dollars-worth of gold. This I cannot do because I don’t have it. But if I cannot do something that is impossible anyway, what’s the harm? If you can’t make the demand then I don’t need to honor it. It’s a false demand.

VII. Now, let us suppose that someday we no longer use gold or tangible wealth to back these notes and we just use yet more cash as the backing for deposits and loans. Furthermore, lets say that a government comes along and says, this is a great scheme you have going but obviously you can only carry this so far. We’re going to set a limit on how much currency (notes) you can loan out relative to what you actually have on deposit. Suppose they pick a number of around 10%. Thus, in the example given, it would mean that the banker could loan out 10,000 dollars in notes for every 1000 dollars-worth of gold he or she truly, physically had on deposit. Since it is virtually impossible for an instant demand for 10,000 dollars from the bankers reserves to be made, there is really no reason for the banker to guarantee his or her ability to pay that much at once. This will all be true unless and until the technological infrastructure changes and the impediments to transportation, communication and terms of loans become less severe.

VIII. Why would a government, even if the impediments aforementioned were strong, want to allow this kind of leveraged loaning? The answer is simple: an economy that allows this kind of leveraged loaning grows much, much faster. Think about it. If banks can loan out 10000 dollars in currency for only 1000 dollars of reserve, they can enable entrepreneurs and other job creators to do that much more than they could if they only could loan out 1000 dollars of notes.
For this reason, this scheme of monetary policy and banking became popular during the industrial revolution becoming known as Fractional Reserve Banking. It is called fractional because banks are only required to maintain a fraction of reserves for what they loan out. In the United States, in the vast majority of cases, that limit is 10%.

IX. The problem, however, is that this system begins to slip outside any framework of Rule of Law you can place around it when these aforementioned impediments begin to weaken and become less of an issue. Rule of Law comes into play here because any Rule of Law that protects private property and provides remedy for theft can no longer guarantee that, wherever it becomes physically possible to demand these reserves, that those entitled to them will be able to get them. If they cannot, because this system was deliberately constructed this way, it would constitute theft by taking whereby no Rule of Law in that scenario would exist (there is no remedy because the traditional law presumably would not assume that this is theft by taking – there is no law, no rule of law, on the books to deal with this for what it truly is).

X. But this is just a theoretical problem (which is why I didn’t mention it earlier as a failing in Rule of Law). The real, serious problems are still to be exposed. Consider what happens when governments decide that they will start printing these notes. This is a good thing because it standardizes the notes and makes them much more versatile and generally usable. But it does generate a slight problem. If the government prints this currency, how will it get it into circulation? In order to do that it needs banks. But here is where urban legend, public myth and a general void of understanding of economics and finance wreaks havoc on the popular understanding of monetary policy evidenced by the innumerable youtube videos on the subject. It is key and vital to understand at this point that

**Currency and wealth are two completely different things.**

Currency is merely and solely a *metric*, a measuring stick, for measuring actual, real wealth. Wealth is anything that could be considered of value to anyone in the marketplace, regardless of what it is. Thus currency is just a tool used to facilitate the trading of wealth. While many will nod their heads in agreement to this, it is clear they still don’t quite understand the full implication of this when they claim that, for example, the U.S. Federal Reserve prints money out of thin air. This is grossly false. Therefore, we need to clear the air on these public myths before proceeding.

XI. A government that decides to take on the task of printing, or minting, currency for use throughout its jurisdiction must do several things. First, it must enact law that demands, under penalty of legal remedy, that this currency be the only currency and that it be accepted on demand; that it be *legal tender*. If it does not
do this not only can others mint their own money and refuse to acknowledge the “governments” money, it means that if other currencies are circulating sound monetary policy becomes impossible because you cannot influence “extra” legal currencies. But this problem runs yet deeper and a brief aside is needed to explain how. Recalling that currency represents wealth, one can easily grasp economics even at the global scale by understanding and following the mantra that currency chases wealth, not the reverse. Therefore, in a stable, healthy economy, all currency in circulation within a jurisdiction (economists call this M1) should accurately reflect all wealth under the auspices of that jurisdiction. This is absolutely vital to understand. And whether or not it is accurate is based on how the market esteems value, making this calculation very hard to perform. So, if some other currency is out there and no law exists to give the governments currency the full faith and credit of Rule of Law (backed by law) then it means that the “nations” wealth is not fully denominated in the government’s currency. Thus any monetary policy will only have a partial, perhaps balkanized effect on the economy. So, this is unacceptable. Imagine trying to get a country out of a financial crisis when you realize, because of all these currencies, or because not all States recognize the currency as legal tender (this would be the case where a State does not recognize the full authority of federal, or central, law, the problem the European Union is facing), you cannot address the crisis because, basically, you don’t have adequate control over the currency circulating in your “country”. This is a simplified explanation of what is going on, but the reality tracks the ideal quite well. Therefore, Rule of Law backing a single currency with the full faith and credit of the regnant government is absolutely essential for a stable, durable economic system to exist.

XII. The second thing the government must figure out, as already noted, is how to get this currency in circulation without destabilizing or harming the economy. It will be helpful to first demonstrate how the United States solved this problem. So, we can now return to our discussion of the case of the Federal Reserve System. Here, there are twelve Federal Reserve “banks” scattered about the United States. The Federal Reserve is itself a quasi-private entity to whom Congress has farmed out its minting job. It is accountable to the U.S. Congress and has been audited every year since 1978 (Public Law 95-320). Its relationship to the federal government is essentially identical to the relationship of the United States Postal Service to the federal government. Neither is entirely private since their so-called “Board of Governors” – what they call their company officers – are appointed by the President. So, when the Federal Reserve mints new currency it first deposits it into the Federal Reserve Bank of New York, which is the one Federal Reserve Bank designated for that purpose. Then, the United States
government will offer the Federal Reserve financial instruments that denote
the aggregate wealth of the United States, both at present and as a future,
speculated value. This is done through a select group of intermediary financial
institutions. In exchange, the Federal Reserve pays for this using the newly
minted currency by depositing that newly minted currency from the Federal
Reserve Bank in New York to United States government private bank accounts.
This is called valuable consideration and has nothing to do with printing money
out of thin air. Typically, the instrument sold is a U.S. government bond (but
generally is any USG Security). Whatever the security involved, they are
generally financial instruments that constitute a fractional “metric”, just like
currency, but which include speculative future value metrics of wealth (here also
called debt). In other words, the United States government is selling speculative
national wealth - with the Federal Reserve being its go-between to the private
investor market - and being paid for it in return. This is called monetizing debt.
The payment in newly minted currency mostly pays for the speculative value of
national wealth believed to be imminently created after the print run. Why?
Because that is what the print run is all about. The “monetizing debt” part of
selling USG securities is a red herring that all too many have fallen for. USG has
sold securities to the public for a long time. This is merely the vehicle they are
using, as a secondary purpose, to allow actuarially sound valuable consideration
for newly printed currency. The newly printed currency reflects the new wealth
that this currency itself will soon generate by being loaned out to entrepreneurs
around the country. The Federal Reserve can also sell these securities back into
the open market to reduce M1, or reduce the currency in circulation. But we must
point out that another method of circulating currency not well known to the
public is the so-called discount window, a means of loaning newly minted
currency to an exclusive bank membership at interest. By adjusting that interest
rate, it can influence how much interest banks further down the chain charge.
But it can only reduce the interest rate it charges for these loans to some value
greater than zero, so it is not a tool for pumping large amounts of new currency
into circulation. The irony of this awkward and antiquated system is that USG has
to run a deficit in order to push new currency into circulation (when on the gold
standard it had to acquire more gold). But this requirement means they have to
also go through the full mechanics of establishing a proper paper trail for that
debt; the aforementioned red herring. That is why the securities are sold to the
Federal Reserve in exchange for the new currency minted. And this is why the
phrase “monetizing debt” is used. It’s a backward way of describing what is
actually going on. They are in fact indebting money for no other reason than
the fact that running deficits is the only way to circulate all the new money fast
enough to keep up with their print rate. The discount window isn’t wide enough. And the problem is grossly exacerbated by globalization because the United States Dollar is the reserve currency; meaning the Fed must print money fast enough to denominate vast amounts of new wealth outside the United States as well. And the globalization is driven by capital accumulation. *In other words, the United States is running a grossly antiquated central banking system that is so clumsy they have to run massive annual deficits just to mint and emit currency, one of the most basic jobs of any government. And the Cookie Monster driving it is Capital Accumulation, first cousin of the Triffin Dilemma.*

XIII. Recalling that currency chases wealth, if the aggregate wealth within a jurisdiction increases over some time interval, call it t, then in order for the economy to remain stable and for the total currency in circulation to accurately reflect the markets perception of what that wealth is worth, the total currency in circulation, sometime during t, must increase by a proportionate amount. Let us repeat that: *currency chases wealth.* So, the old wives tale of the impropriety of printing money is nonsense. And it usually begins by fixating on the phrase “monetizing debt” and reflects a complete misunderstanding of what that actually means. And this disinformation is being broadcast all over the internet and it is a disturbingly deep misunderstanding of what is going on. It is such a popular myth that even prominent public figures have come to believe it and spread the falsehood. Persons like Ron Paul, G. Edward Griffith and Pat Buchanan continue to spread this falsehood. What matters is *how much currency* is printed and thus how much debt is monetized; not the mere fact that “debt” is being monetized. Governments must print money because if they don’t, as aggregate wealth increases, which it almost always does in the United States, you will create deflation of the dollar. Let us explain what we mean about how money should be printed.

XIV. Suppose, in this greatly simplified example, the entire currency in circulation in this “country” is just 100 dollars and we begin with a condition in which the market believes (this is better stated as when they engage in exchange in the market their behaviour indicates this belief) that all aggregate wealth in their “country” is worth 100 dollars. Fiscal policy is balanced at this point. Now, suppose the “government” decides to print 100 more dollars. But suppose that the wealth never changed; that is, the same “stuff” is there and nothing new has been created nor did the wealth already there depreciate. This means that we now have 200 dollars acting as the metric for 100 dollars-worth of wealth. This necessarily means that it now takes two dollars to accurately measure the wealth that one dollar used to accurately measure. This is called inflation because the
dollar is now “worth” only half what it was before (it takes twice the money to buy the same thing as before).

XV. Conversely, if we remove fifty dollars from circulation (reduce M1 by 50 dollars) then the wealth once accurately measured by one dollar now requires only fifty cents to accurately measure. Thus, the dollar is now “worth” twice what it was. This is called deflation and it takes only half as much money to buy the same thing as before.

XVI. The holy grail of fiscal policy in the United States since the founding of national banks like the Federal Reserve has been how to know and accurately print the right amount of currency at the right time to match changes in wealth. That is the key to understanding fiscal policy in the United States and in most other countries. Recalling that currency chases wealth, monetary policy is all about figuring out how much money should be in circulation, which, by indirection, is a game of assessing and tracking aggregate wealth. So, the United States solved this problem in its case by creating a private institution that would, in reality, primarily be tasked with advancing the state of the art in tracking wealth, not just in the simple examples we’ve discussed here, but aggregate wealth as found within specific industries, nationally, internationally, by country, etc. After about one-hundred years of doing this, they have honed this art to a science and are very good at it.

XVII. The scheme of printing money and selling speculative “national” wealth (which, by the way, returns to the U.S. government Treasury as Federal Reserve profit) continues by taking the proceeds from that transaction, which end up in private government bank accounts, and pumping it into the economy through the only means a government can move money into the private sector; government budget spending. Now we can more clearly see the connection between government spending and rapid increases in national wealth: as national wealth increases government budgetary expenditures must also increase; that is, the pipe through which currency is being channelled into the private sector has to get fatter. Why is this? Because, recalling that currency chases wealth, whenever the Federal Reserve performs a speculative, large print run, the total currency in circulation will, while it is making its way throughout the economy and reaching its final end point, be disproportionately larger than the aggregate wealth it represents. Therefore, this currency must move quickly into the private sector and quickly be converted into new wealth. That is done by the bank loans aforementioned made to entrepreneurs of other creators of wealth. During the time it takes to circulate this currency, call it t, significant inflationary pressure is felt. But in order for inflation to take hold it takes some time. As long as you can get this currency circulated all the way to the point where it is converted to new

Last modified by V. Van Houten 2/11/2013 Healdsburg, CA. See more at http://kirkomrik.wordpress.com
wealth faster than it takes inflation to take hold, and if the amount you printed is accurately converted to new wealth and reflects all the new wealth created in the immediate past before your print run, you will not see a significant rise in inflation. Currency matches wealth. As you can see, the monetary policy makers are playing a constant game of print, observe, then print again. They print currency and see how far off they were. Then they adjust the next print by taking that into account. Returning to our question, government budget spending in this scheme ultimately becomes unsustainable if the rate at which wealth is being created is too high, because the government spending pipe has to be larger than is financially feasible in order to move large amounts of currency quickly to avoid inflationary catastrophe. Keep in mind that the spending we are talking about here is not from the simple recirculation of revenue, since that is the spending of currency already in circulation. The kind of spending required is deficit spending and that would have been true since the gold standard was removed in the early 70’s. So, this is the real, “secret”, reason that toilet seats cost USG 500 dollars. And it is indeed secret because those that understand this stuff don’t talk about it because so many obvious, unpleasant conclusions will spill out at once. Thus, the unfortunate irony and weakness of this system is that the more prosperous the economy becomes and the bigger it gets, the more government spending is required. And the discount window won’t solve this problem because pumping too much currency through it would require a dropping of interest rates to less than zero. So, the overall system is unsustainable if we purpose to devise an economic system whose growth is unbound.

XVIII. Once again, Rule of Law comes into play. If the federal budget is beholden to an arbitrary (arbitrary from its perspective) mechanism for managing fiscal policy then there is no guarantee that Rule of Law will be followed faithfully when actions are controlled by external economic factors deliberately put in place.

XIX. Finally, we can more clearly see what happens if we remove some very old assumptions. Notice that this particular Fractional Reserve Banking scheme is based on assumptions that are technologically grounded. Three hundred years ago there really was no other way to do this, at least not any way that worked well. Having to use banks as the vehicle to mint currency and distribute it was a necessary evil. Using fractional rules was a necessary evil to make economic engines churn. Meanwhile, bankers made unbelievable profits from this system. Banks are basically institutions skimming off the top of national wealth creation. So, keeping in mind that the point of this operation is to mint and distribute currency such that it matches existing, aggregate wealth as accurately as possible, it is useful now to ask if there is a simpler, more just way of doing this
that does not undermine Rule of Law. And the answer is refreshingly simple and obvious once you digest it.

XX. The same process of assessing how much currency to print based on an assessment of new wealth both recently and about to be generated in the macroscopic style in which it is done can also be done microscopically with much greater effect. But to do this requires modern technology not available to bankers even 50 years ago. The solution is to make these assessments, these measurements of wealth, individually, minting a specific amount of currency to match a specific new wealth generation proposal. Thus, a new enterprise is proposed and, just as one does with a bank, a risk and actuarial analysis is conducted to determine the likelihood of both new wealth generation immediately, and new wealth generation long term. If the risk is market tolerable and if it is rendered actuarially profitable, there is no reason why a minting authority cannot simply print the currency needed to start the enterprise with no need to repay the principal or repay with interest. It, in effect, requires zero reserves and requires zero repayment, making it incredibly aggressive as the kind of economic engine Alexander Hamilton dreamed of when he thought about fractional reserve banking. If there ever were “something they don’t want you to know”, it is this. A multi-billion dollar industry would be totally without justification and exposed as a Ponzi scheme overnight if those that understand this stuff were to talk about this. The solution here provided is a mirrored parallel of what is done in the United States today, the only difference being that the math of monetary policy is done per enterprise, not en masse. We call it Zero-Zero Banking (even though there are really no banks in such a system).

XXI. One potential drawback is that if you create a scheme like this it inevitably means that all enterprises must be publicly owned. For how could you justify the government simply printing currency and giving it away? But this problem runs deeper than that. The wealth generated must be publicly owned in order to have a scheme that does not require repayment of any kind. By not requiring repayment, when the government prints new currency that currency is measuring wealth that the nation as a whole actually owns, which includes all the people and the government … everyone. This addresses the issue we kind of glossed over above: in the regnant Federal Reserve scheme the private entity minting the currency is basically buying up the country, quite literally. This is the very definition of Fascism: the United States government is selling everything of value in its jurisdiction to a private entity such that ultimately, everything of value, including the government itself, in this jurisdiction is privately owned. Thus, the governance of the United States is by Corporate, or private interests. That is why
the Federal Reserve won’t submit to an independent audit. The truth of what is going on is far worse than those left in the dark could have imagined. **This also fully eliminates Rule of Law and cannot be permitted in a durable, global scheme. Rule of Law does not exist at all in the United States, and that is why we call their lauding of Rule of Law hypocritical.**

To be balanced, we must say that the Federal Reserve does not hold all USG bonds, so their ownership is partial. But that partial slice is huge. In any case, wherever the aggregate wealth is owned by all, the government is essentially now buying wealth (that, by virtue of being the executor of the social contract, presumably has the right to barter on behalf of the community) for cash and deeding it back instantaneously (as part of the transaction) to the community as a whole, the general public, *because that is where it got the wealth from.*

Therefore, one must be very deliberate and careful in how they structure this system. For we can now see why the idea of a Public Trust came so naturally: we sought a way to handle the natural consequence of Zero-Zero Banking without entraining all the foibles of socialist and Marxist economies. The Public Trust is not governmental, is an independent legal entity and the government has only limited, specific Trustee powers over that Trust.

XXII. Finally, we need to point out another reason why we project that, given sufficient but foreseeable time, neo-liberal western democracy will fail badly, at least if it maintains any of the existing, traditional economic systems to include both Capitalism and Marxism. To explain this, we first note that two theoretical constructs called “Capital Accumulation” and the “Triffin Dilemma” are in fact two sides of the same coin. Capital accumulation was an idea made popular by Karl Marx and is one of the few things of Marxist flavor that economists generally agree is probably true. The Triffin Dilemma however, appears on the surface to be a completely different idea. Capital accumulation avers that any capitalist system, given sufficient time, will tend to create and accumulate new capital disproportionately into the hands of a minority of capital holders thus denying the majority access to the same. Given sufficient time, the majority ends up with too little to survive and the system will necessarily fail. The Triffin Dilemma, on the other hand, says that if trade becomes too imbalanced for too long, the world’s capital flows will become unnatural and will push all the world’s wealth into the United States, a fatal act to global trade and all economies. What is not obvious on the surface however, is that this is just a recasting of capital accumulation at the global level. What it is showing is that Capitalism tends to cause capital to accrete in the hands of a minority and that this is, ultimately, a fatal trend. The United States has managed to deal with capital accumulation remarkably well. First, it promoted a massive increase in consumption, which serves as a tap to
draw off some of that excess wealth that causes capital accumulation. Once this played out they moved to credit, particularly unsecured credit. And when that played out they began literally killing the consumer in the United States when the machine turned to producing highly disposable products using a concept called planned obsolescence; basically manufacturing goods whose useful life was unnecessarily short. Finally, when everything got about as cheap as it could get, that same machine turned to globalization and the beginning of the Triffin Dilemma; the last great “adjustment” available before the entire Ponzi scheme collapses in which the capital in the rest of the world is similarly sucked dry and accreted into the hands of the capitalists. The capitalist machine keeps adapting but its running out of aces and at some point must fail. This is the 800 pound gorilla in the room that few are talking about but a beast that is going to rule the house at some point in the future.

XXIII. Capital accumulates in the hands of the capitalist investors, a minority of the population, because in order to invest in business one must apply capital. The whole idea behind capitalism is that as a result, when you succeed, you generate more new capital from that enterprise than the amount of capital required to start the enterprise. Thus, capital grows over time. But since the capitalist is the one doing the investing and reaping the profit, all this capital remains in their hands. Ultimately, most capital starts out as natural resources. If we assume that capital is finite, which is not a certainty but is probably practically true, eventually all of the world’s capital will end up in the capitalists hands and everyone else will have none. If non-capitalist have no capital they will die. They will die because you can’t lease everything. Food, for example, cannot be leased or owned by someone else if you eat it. Thus, before reaching this point, the argument goes, capitalism must fail. But even if you could render the majority without any wealth whatsoever, the capitalists would no longer be able to invest as all the capital would be in use. Consequently, the economy would fail. It is certainly true that there are several variables one can play with to make this game last longer. For example, the pay and hours worked by employees can be improved, which just slows down the accretion of capital. You can recycle capital once is depreciates sufficiently (but the return on this is still finite). Or, you can find new markets from which you can siphon and extract yet more capital by doing things such as globalizing the economy (where the newly accessible wealth is also finite). That is what capitalism is doing today to compensate for an over-accretion of capital already present. But Marx’s point was that this system must ultimately fail.

Globalization of the economy, as one compensatory mechanism, is where the Triffin Dilemma enters. If capital accretes by a net trade deficit (bringing in more wealth than you are sending out) at an uncontrollable rate, the Triffin Dilemma
theorists have noted what Marx did: the economies will all collapse because the countries outside the United States cannot participate in trade if they have no wealth and that in turn would bring down the U.S. economy. With no hint of irony, the die-hard capitalists talking about the Triffin Dilemma are just validating Karl Marx. You cannot have a Ponzi scheme that accretes capital without bound.

XXIV. The solution to the above is that any durable, sustainable system must have a means by which the community, through a representative process bound in Rule of Law, can plan an economy to some limited degree, preferably by controlling only what and how much of what is produced, leaving the rest to market forces. By having some deliberate say in what is produced one can control or limit the over-accretion of capital, control consumption rates of energy and natural resources, manage capital already in use, recycle it and ensure that basic needs are met first. If the only thing pursued were basic needs capital accretion would immediately become a non-issue. We’ve touched on this subject in our discussion of the Public Trust, but the key idea here is to minimize interference in natural laws (economics) by taking care to only inject tools minimally sufficient to expose these natural laws to Rule of Law and general equity. Our analysis of the failure of various socialist economies, such as the economy of the USSR, indicated that this was one area of economic planning that had no significant impact on the causes of the collapse. The failure of these systems was overwhelmingly associated with the means of production; that is, governmental control over how capital gets used, businesses are run and valuable consideration occurs. Conversely, the what of production in the USSR, which is what we propose to subject to Rule of Law, outperformed that of the United States. The statistically analysed economic history of the USSR is a tragically schizophrenic story in which in some ways the economy set world records for performance and in other areas set world records for failure. By invoking this more focused and narrow form of centralized planning, we are planning only with respect to what we “dig out of the ground”; we’re concerned only with the best use of the Periodic Table and the various useful minerals Earth has to offer, something academics call “optimum allocation”.

XXV. In summary, and to be perfectly clear, the bonds USG sells to the “Fed” are in turn sold to the public. Then the Fed takes the money it receives from the buyer who paid with money already in circulation and sends it back to the U.S. Treasury. Thus, USG is selling bonds on the open market – to the public – by using the Fed as an intermediary. This increases USG’s revenue however, this payment is based on bonds which are essentially IOUs repaid with interest. So, the citizen is getting bilked from two directions. First, the loan principal and interest repaid is not paid in such a manner as to remove the money from
circulation. Rather, it is paid by the citizen – the laborer – to the private banks that loaned the money. So, the currency loaned, the newly generated currency, continues to reflect increases in the aggregate wealth of the country and remains in circulation. But what has happened is that, due to this repayment of principal and interest, the new wealth that the citizens generated is redistributed to the capitalists who own the banks. On top of that, the citizens will have to pay the taxes over the many years over which the bonds mature in order for the government to make good on its IOUs. But this is also a wealth redistribution scheme because the citizen is transferring their wealth via currency and taxes to the original investors who bought the bonds. And both of these kinds of redistribution are fraudulent because the wealth being redistributed through currency was created by the laborer – the citizen – not the banker.

XXVI. One more thing to note is that the Fed – and most people who benefit from this system – astutely avoid mentioning this wealth-currency connection openly or explicitly and prefer to refer to money as deriving its value from the “confidence” the market has in its integrity. But this is just a vague way of saying that it is based on wealth because “confidence” derives of wealth. In order for money to have value one must be confident that some real wealth as the market perceives it exists out there to back it up. In fact, that’s all gold is, just one specific, narrow form of wealth. It’s pathetic to hear economists talk out of both sides of their mouths when discussing this; noting first that currency is a metric of wealth, then referring to money’s “value” as being derived of market “confidence”. It’s an absurd exercise in semantic calisthenics. The secret of Oz – the secret of how neo-liberal monetary policy works in virtually all countries today – is that currency chases wealth. The minute one understands this the vile depth of the fraud of the system becomes obvious and clear.

XXVII. Finally, I should note that the Fed rule regarding reserves is a bit tricky and misleading at first. It has caused many to get confused over exactly how it works. When a deposit is received at a bank, call it bank A, and the amount is x, then what the Fed rule actually says is that bank A, upon the act of depositing x, is authorized to “flip a switch” and loan out 0.1 * x of that deposit amount. In other words, the actual money deposited in the amount of x is not actually used for the loan, it merely authorizes the creation of 0.1*x dollars to produce a loan in valuable consideration of a promissory note. I won’t call this deliberate but it certainly lends itself brilliantly to misleading those who work in the banking industry into believing the rule as simply requiring that banks are required to set 0.1 * x aside as reserves upon any and every deposit of any value x. This is not what the rule says, however. It isn’t that any deposited money is set aside, it is that the deposited money, by virtue of the fact that it was deposited and has an
amount of \( x \), **authorizes** the crediting of an account by \((1 - 0.1)x\) upon consideration of a promissory note. So, by example, if the Fed deposits 10,000 dollars into an account at bank A, then bank A can prove a promissory note in the amount of \((1 - 0.1) \times 10000 = 9,000\) USD. Should the recipient redeposit this amount, say, in bank B, then bank B can repeat the process. But this time, as the rule stated requires, bank B is **authorized** to credit another account by \(9,000 \times 0.9 = 8100\) upon the proving of yet another promissory note. This process can repeat *ad infinitum* until the bank is unable to loan any remaining fraction. Since banks are for-profit institutions, this will likely be aggressively exhausted. The Fed has to estimate how much actual currency this will create and match that to changes in wealth if it is to avoid disastrous inflation or deflation. And it uses the discount window to speed up or slow down this loaning process (like adding or taking away nitro from a race car). I’ve taken the time to add this clarification because I’ve seen youtube videos of apologists for the system claiming that the scheme only requires that 10% of all deposits be set aside as a reserve. And that is a half-truth. And as I stated, it is brilliant in that it tends to mislead one precisely in that direction.

XXVIII. We’ll leave this introduction with a simple example. Suppose country X adopts a Constitution for a General Federation. Suppose some time later country Y wants to join the Federation. But suppose that country X is a wealthy country and country Y is a poor country. As in the case of the legal mechanisms we’ve devised for highly diverse legal environments, we will get to see how effective this economic scheme is when dealing with highly diverse economic systems as well. Since country Y has virtually no native wealth starting a business there and creating jobs is a long shot. In addition, over half the country is malnourished. The biggest commodities this country needs right now are basic needs commodities, such as food. But, suppose the most direct, fastest way to build up an infrastructure of adequate food supply (enough to at least keep the grocery stores stocked) is to import the food from country X. Country X has a major export volume of food products and could easily provide the needed food by valuable consideration in the marketplace. Some savvy college grads in country X realize that, though they lack the experience of older company Officers, they have the education and credit rating, as well as a really good business plan, for how they can start an import enterprise in country Y by application for a “considerable bond” (this is what a print run to start a specific enterprise is called). Upon making application, the application is approved partly because, though they are young and inexperienced, country Y being a poor country with little business and lower profit margins, it makes for the perfect starting place for those aspiring to start new businesses whenever their experience is limited but
their business plan is exceptional. It also helped that the applicant applied along with several other candidate Trustees, thereby enhancing corporate credibility.

XXIX. As it turns out, the business plan shows that for a print run of 1 million dollars a small but usable pier can be constructed on purchased land, employees can be paid for two years, ships can be leased for import, and two years of food can be contracted for import as well as the fact that all other necessary expenses can be paid. It further shows that, once the pier is complete, appraisers have examined the property and blueprints and have concluded that its market value will be no less than 1.2 million. The plan is sound, currency is printed to match actual wealth and the risk is managed by sound actuarial planning. The enterprise is titled in the Public Trust but the Intrapreneur that initially applied for the considerable bond is now the CEO of a successful company making what CEO’s typically make here in the United States. Notice how quickly and powerfully this can build out an organic economy where there is none. Once food supplies increase and jobs are had as a result, other things become market viable. Employment increases. And the impediments to starting businesses and creating jobs that strangle third-world countries are totally absent under Fiducial Economics. If the public knew that it really was this simple there would be hell to pay. And this is why people need to know this.

XXX. A final note about Fiducial economies and Zero-Zero banking is that we have exposed something that the astute reader might have already noticed. Start with no economic theory or assumptions at all and assume a technological and industrial infrastructure already exists. Then why couldn’t we just set it up so that everyone could just go to factory x, request that x manufacture a product y and give it to us? Because, after all, when people from factory x come to the factory where I work, say, factory z, I will do the same for them? This would work with two limitations. One, the economy would have a ultimate limit in that it could only honor requests like this up to its capacity to produce the products requested in the time frame desired. This would necessitate a queue into which we must place our request. And if a request made by some random person and maybe a law to go with it was all one had to motivate them, it is not likely they will be very productive. Second, some means of balancing the queue would be needed because otherwise someone who can make more requests faster could get more stuff than anyone else. To make it equitable, we need to “load balance” these queues. But of course, in order to do these two things we might as well introduce currency, which would solve both problems. But alas, this is exactly what Fiducial economics is. Fiducial economics is simply a way of reducing an economy to its simplest possible form, which in turn allows us to eliminate outdated schemes that hugely profit a minority of participants; in other words, banks. Because the
technological capacity to create a Fiducial economy didn’t exist in the past, banks were the only way to do this and the massive profiting of bankers was a necessary evil. But this is the 21st century and these elaborate and complex schemes for minting and emitting currency; speculative instruments, fractional loaning, principal that must be repaid and interest on principal are all unnecessary with today’s technology. All we need is a queue of requests in which laborers are motivated and the queues are balanced equitably and directly with currency.
G. Addenda

We’ve discussed the role of oligarchy quite a bit. But it is important to remember that wherever we apply the term oligarchy, we could just as well substitute the term faction. We’ve only used the term oligarchy because of its relevance in the status quo.

One of the greatest challenges to political philosophers throughout history has been in how to frame the relationship between government and the various factions of interests within the society it presumes to govern. At the top of the list of faction is that which has historically been seen as the 800 pound gorilla: oligarchy. Former U.S. President William Clinton’s mentor and college professor taught that governments that appeal first and foremost to oligarchy are in fact the only responsible forms of governance; regardless of ideology or method. So, even if totalitarian, a government that allies itself with oligarchy is, by definition, responsible. And this has been the standard, traditional view, albeit one less discussed publicly, followed by the so-called “ruling elite” for centuries. Why? The actual reason is that oligarchs controlled economies and thus controlled societies, so they advanced this theory and put it into practice because ... they could. On the other hand, the reason put forth publicly is fairly straightforward and, at first blush, seemingly reasonable: Any government that defies or counters in its policies and acts the underlying, core, organic social power structure is inviting its own overthrow – peaceful or otherwise – by the oligarchy it ignores or otherwise “relegates” to a status of equal standing under law and equity. This, in turn, makes for an unstable system of governance.

We don’t entirely disagree. The problem with this view however, is that it ignores the very real assumption one makes of a certain threshold of organic power existing in definable groups within society sufficient to identify an oligarchy in the first place. In other words, it assumes that society must always be organized around this organic power structure that exists “in the wild”.

Change List

Added this Section to “The Legal Character of General Federalism” on 3 Feb, 2013

Many in the global rule of law camp have suggested a plan that involves, in one form or another, an attempt to rehabilitate the United Nations into a true, global governing body. Of course, almost all of these proponents are ideologically aligned with the neo-liberal, western democracy school of thought which we’ve discussed in the context of the empirical evidence. Naturally, we don’t believe this will work and we believe it will only lead to a magnification of the moral hazards and corruption that exists in neo-liberal western democracies at the nation-level today. General Federalism stresses this point strongly; essentially that all the legal and economic systems tried thus far are failures. Having said this, one interesting proposal was suggested in which the UN would pass an amendment to its Charter to allow for a binding decision-making process for the General Assembly and which was called the
“Binding Triad”. We’ve seen different versions of this idea but it basically suggests that, if a majority consisting of (A) a majority of the total membership States affirming, (B) a majority of the total membership population reflected in the member States affirming and (C) a majority of the total membership dues or revenue reflected in the member States affirming, then the motion is binding on all member States. This reflects a pattern of thinking common in the global government movement in which concern is raised purely as a pragmatic matter that member States that are economically dominant should have a disproportionate representation. And this is advocated out of the pure pragmatism of acknowledging that the wealthiest nations would never agree to a global governance scheme without such an escape hatch. Ironically, General Federalists also addressed this issue but in a way that didn’t undermine the principles of General Federalism. The question this poses is how can one satisfy the ratification concerns of wealthier nations while moderating any disproportionate influence they might have? The answer to that question came in the form of the clever institutional architecture of General Federalism’s representative attributes. General Federalism bases Senatorial representation on population, which is consistent with the first “leg” of the Binding Triad. The second “leg” is also consistent with the Binding Triad in that each State shall have at least 2 Senators, regardless of population. And the third “leg” is consistent with the Binding Triad, not through the Senate, which would indeed undermine the principles of federalism if applied there, but in the power of annulment. For, if annulment is initiated by State petition, a majority of States weighted by wealth shall be sufficient to initiate the annulment process. This gives a disproportionate representation only in the annulment of powers and applies a proportion cleverly constructed so as to de facto “sunset” after enough nations join the Union after what could be several decades. This is because the vote is weighted by choosing the poorest and wealthiest member States and assigning one vote to the poorest and twelve the wealthiest. All other States are assigned votes proportionate to that open interval. In this way, the disproportionate representation of wealthier States fades over time and once there are, say, 100 States in the Union, the advantage of twelve to one is greatly ameliorated.
H. Appendix
The People

All Citizens of the General Federation aged twelve years or older, not declared incompetent, and who are otherwise eligible to vote. Their ultimate role in General Federalism is viewed as the highest authority on the delegation and resuscitation of political power.

The Senate

Senators are elected as equally as possible into twelve classes and anyone who has been a Citizen of the Federation for twelve years or greater can be elected to the Senate. Thus, the minimum age is 24 as it takes 12 years to become a Citizen. An election is held every year so that each Class is elected every twelve years, by the popular vote of their constituency. There is a group no larger than 1/70 of the total General Federation’s population figure. Regardless of population, each state votes at least 3 Senators. The Senate is the official representation of the People’s rights and authority to delegate and revoke political power at their will. Therefore, the Senate is a body of limited specific powers having only to do with this role. It does not make law other than to fulfill its role. It has plenary power to regulate arms and ammunition. It has the power to vote on Right of Conquest and Quasi Orders to surrender a House at the will of the Senate.

The Parliament

- **HOJ** House of the Judiciary
  - Responsible for ensuring that all courts in the jurisdiction of the Federation operate under the Constitutional guidelines.
  - § 3.3.9 Guides on how courts operate, requiring double-blind procedures for evidence handling.
  - The House of the Judiciary has no power to review any laws, but has responsibility to review any laws for constitutional consistency.

- **HOF** House of the Fiduciary
  - All Bills exercising fiduciary power over the Public Trust originate in the House of the Fiduciary. With a simple majority, the bill is then passed to the House of the Legislature for consideration. Should the House of the Fiduciary consent to the Bill by a simple majority, a countdown of ten days before the Bill was signed by the House of the Fiduciary, shall begin. If, during that ten days, the House of the Executive does not dissent and the Senate does not concur with the Bill, the Bill shall become law.

- **HOL** House of the Legislator
  - All Bills not exercising fiduciary powers over the Public Trust originate in the House of the Legislator. With a simple majority, the Bill is then passed to the House of the Fiduciary for consideration. Should the House of the Fiduciary consent to the Bill by a simple majority, a countdown of ten days before the Bill was signed by the House of the Fiduciary, shall begin. If, during that ten days, the House of the Executive does not dissent and the Senate does not concur with the Bill, the Bill shall become law.

- **HOE** House of the Executive
  - The primary role of the House of the Executive is to ensure that no rule of law maintained throughout the Federation.

The Public Trust

A non-governmental entity owned by all Citizens of the General Federation, as an equitable ownership interest. The House of the Fiduciary within the Trust is all commercial assets of the General Federation. All legal tender in the General Federation is also in this Public Trust. The House of the Fiduciary has a limited Power of Appointment meaning that it can appoint people as other Fiduciaries for the specific purpose of, say, helping them to run a new business. An entrepreneur (analogous to an entrepreneur), but these are the only powers it has over the Trust. Which means that it can only influence what and how much is being produced, but not much else (such as means of production).

Regional Boundaries

The General Federation consists of 51 Regional Authorities consisting of as many as 12 States. The Regional Authority is the authority under which all courts and legal disputes are heard in the region. The Regional Court is the highest court in the region. Appeals of decisions of Regional Courts are heard by the Regional Court. Appeals of decisions of Regional Courts may be heard by the Supreme Court.
General Federalists coined the phrase, tongue in cheek and with a hint of satire, “Final World Order” – the “FWO”, or Finali Ordo Seclorum (somewhat loosely translated) which somewhat implies an everlasting enterprise and which they use to refer to the desired successor to the status quo of multilateralism.
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Figure 1

Average Number of Rights in Constitution
U.S. does not have judicial review (in fundamental law)

Table 2: The Most Popular Constitutional Rights, by Decade

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<tr>
<th></th>
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<td>Freedom of religion</td>
<td>81%</td>
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<td>88%</td>
<td>92%</td>
<td>95%</td>
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<td>2</td>
<td>Freedom of the press and/or expression</td>
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<td>88%</td>
<td>84%</td>
<td>86%</td>
<td>87%</td>
<td>95%</td>
<td>97%</td>
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<td>3</td>
<td>Equality guarantees</td>
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<td>85%</td>
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<td>92%</td>
<td>95%</td>
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<tr>
<td>4</td>
<td>Right to private property</td>
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<td>85%</td>
<td>81%</td>
<td>83%</td>
<td>87%</td>
<td>95%</td>
<td>97%</td>
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<tr>
<td>5</td>
<td>Right to privacy</td>
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<td>83%</td>
<td>78%</td>
<td>81%</td>
<td>83%</td>
<td>94%</td>
<td>95%</td>
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<tr>
<td>6</td>
<td>Prohibition of arbitrary arrest and detention</td>
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<td>81%</td>
<td>79%</td>
<td>81%</td>
<td>92%</td>
<td>94%</td>
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<td>7</td>
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<td>77%</td>
<td>73%</td>
<td>75%</td>
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<td>90%</td>
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<td>69%</td>
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<td>35%</td>
<td>49%</td>
<td>50%</td>
<td>50%</td>
<td>69%</td>
<td>72%</td>
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<td>16%</td>
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<td>56%</td>
<td>44%</td>
<td>38%</td>
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<td>Right to remain silent</td>
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<td>Artistic freedom</td>
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<td>13%</td>
<td>17%</td>
<td>23%</td>
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<td>45%</td>
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<td>Rights for handicapped</td>
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<td>Ombudsman or human rights commission</td>
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<td>32%</td>
<td>35%</td>
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<td>Right to asylum</td>
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<td>18%</td>
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<td>Rights for elderly</td>
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<td>8%</td>
<td>10%</td>
<td>17%</td>
<td>29%</td>
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<td>Natural resources for benefit of all</td>
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<td>7%</td>
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<td>Right to appeal to higher</td>
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<td>8%</td>
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<td>7%</td>
<td>8%</td>
<td>20%</td>
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Constitutions worldwide over time are becoming more libertarian and more comprehensive.
## Appendix I: Comprehensiveness Scores for All Constitutions as of 2006

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<tr>
<th>Country</th>
<th>Comprehensiveness</th>
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Debates about the pros and cons of world government

First, a common mythos is to confuse ideological opinion with global governance. In other words, rather than something being a con of world government, it is really just an ideological opinion because to con quoted has nothing to do with global governance, per se. This seems to be a common logical fallacy.

There is also the misunderstanding about support for world government as it relates to the point just made. When people are asked if they support global rule of law without any leading questions that include ideological beliefs, the support is quite strong. A world government is desirable. More than half of the American nation, according to a Gallup poll, hold this opinion. But most of its advocates think of it as something to be established by friendly negotiation, and shrink from any suggestion of the use of force. In this I think they are mistaken. I am sure that force, or the threat of force, will be necessary. Russell was right that Americans then favored a world government: In March 1951, nearly half (49%) of Americans thought the United Nations should be strengthened to make it a world government with power to control the armed forces of all nations, including the United States, while 36% thought it should not.

Seems they still favored it in 1993:

In a [1993] telephonic survey financed by the WFA, 58% of 1200 adult American citizens polled thought that to have practical law enforcement at home and abroad, a limited, democratic world government would be essential or helpful (with 35%) disagreeing). For effective enforcement of laws, 66% of those questioned felt there should be a world constitution, more than double the number who disagreed. ... 82% of respondents felt the UN Charter should be amended to allow the UN to arrest individuals who commit serious international crimes, and 83% felt that leaders making war on groups within their country should be tried by an International Criminal Court.

Common Objections
I took the liberty of capturing some common objections to world government from blogs, though they were hard to find. Here are some along with my responses:

**Objection:** The more central and consolidated a government is, the less an individual’s voice will be represented. Under a huge, remote and bureaucratically oriented government you can kiss your personal influence on policy good-bye.

**Response:** Did you have any to start with? Should there be “personal influence”? Yes, only to the extent that it is to delegate or revoke power.

**Objection:** Take a look at what is happening now in the European Union. Those poor people are going to find out soon enough all the wonderful benefits of living under the thumb of politically insulated beaurocrats, power mongers, and bankers.

**Response:** Under General Federalism, the “bureaucrats” don’t exist because they are replaced by a disciplined cadre of Civil Corps volunteers. Having said that, the Civil Corps is also not politically insulated but must act in such a manner as to not reflect poorly upon the House that delegated their authority, lest that house be thrown out. Under General Federalism, there are no bankers.

**Objection:** 2) What recourse would citizens or local governments have to fight a tyrannical law?

**Response:** The Senate and their guns

**Objection:** Currently in the United States the Constitution is written so that the federal government is an agent of the States, not the reverse, but the whole trend in recent years is to make the States into agents of the federal government. Do you seriously expect that a World government is going to allow any sovereignty to individual States, Provinces or Countries? If you do, you need to take a hard look at history, and not just the history of the United States.

**Response:** Yes, it would, because in history no one has ever proposed a Codicil based constitution. States would be very unlikely to become servants of the Federation

**Objection:** Centralized government has NEVER worked ultimately for the benefit of the people. It is because of this that the United States was founded on the exact opposing principle: that the federal government is an agent of the States, that government might remain in the peoples’ hands.
Response: I’m not sure I agree with the premise. Centralized government is a necessary evil as there is no other way to manage society. Without managing society it is anarchy and misery for billions.

Objection: You do not seem to understand that the Constitution of the United States is unique among the existing constitutions on this planet, both in the way it structures government, and in the guarantees of liberty and natural rights that it makes to citizens. It in fact is a thorn in the side of the powers seeking to establish a world government, for those very reasons.

Response: It is a thorn in the side of those that promote multilateralism and incrementalism in a vacuum of Rule fo Law, which is what we seek to remedy. Indeed, our Constitution takes much of the U.S. Constitution word for word and is a Federalist design based on it.

Objection: 3) Unwieldy and confusing elections. (Assuming the best, that there will be any elections at all.) Have you looked at the current presidential election process in the United States? The confusion over fundamental issues? The flip-flopping of the candidates? And what, you want to add into that mix the adjunct and — under a NWO — now relevant issues of the sub-states of the EU, SAU, AU, whatever-U?

Response: This has all been addressed above. The election ambiguity we’ve addressed with original solutions never before proposed. The objections to the candidates made here deal mostly with the corrosive effect of special interests. We note again that General Federalism bypasses almost all of this out of the gate simply because it focuses on delegation and revocation of power and avoids direct execution by the public; which is the key fault of the western, neo-liberal democracy design you are implicitly assuming would be used.

Objection: I will re-iterate once more: The bigger and more centralized the State, the less your individual voice will count in the political process,

Response: And to reiterate, this is only true in a direct democracy, which we are not advocating

Objection: and the greater the possibility that you will find yourself under a bureaucrat’s thumb, a banker’s foot, or a tyrant’s whim with no possibility of redress

Response: And to reiterate, there are no bankers and bureaucrats under General Federalism.
Objection: Con: the innocent cannot escape by fleeing jurisdiction.

Response: Which is why we’ve stressed that General Federalism must be unusually and exceptionally durable in order to avoid the need for any “innocent” to escape.

Con: there would be no foreign powers to exert political pressure to prevent injustice

Response: Which is why we’ve stressed that General Federalism must be unusually and exceptionally durable in order to avoid the need for any “innocent” to escape.

Objection: Con: a few industrial areas would be effectively able to kill all competition in developing regions.

Response: Again, this is predicated on the assumption we are talking about conventional Capitalism, which we as General Federalists are not. We are talking about a Public Trust in this case.

Objection: Con: there would be nothing to keep the government from wildly devaluing its currency.

Response: Yes, there would, because Fiducial Economics carefully and strictly controls the matching of currency and wealth at the atomic level. No guesswork involved.

Objection: Con: there are no rights in such multi-national unions, only privileges.

Response: This assumption appears to be arbitrary.

Objection: Con: Most of the world is populated by peoples with no real history of democratic or constitutional forms, due process, the rule of law, or religious or ethnic toleration, and they (or their masters) would hold the lion’s share of the votes.

Response: Which is why you have Codicils that sunset in 50 years with a negative feedback loop of equity in law between state and Federation Civil servants who resolve legal differences.

Objection: Con: all power would rest with entrenched centralized bureaucracies and international financiers ... who are exactly the people promoting One-World-Government so avidly.

Response: Again, there would be no bureaucracies and oligarchy is directly addressed under General Federalism.

Objection: It would not work. Whether there is multiple nations or whether there's one big world government, mindset of ordinary person starts about very simple things: his/her own
life, family, work, education, well-being. This all grows bigger when you are part of community, neighborhood, political party, whatever works for you. City level, country level... but having one world government, what really happens, is exponential growth in bureaucracy, which will have seriously damaging effect on operative effectiveness of such system. And if something doesn't work, changing it would be lots of harder.

Response: While the fear of bureaucracy is understandable, let’s clear up a few simple facts first. General Federalism, firstly, addresses the inefficiency of bureaucracy by constitutionally creating a Federation Civil Corps as a highly disciplined, almost military-style organization that works under the direct delegation of each respective Branch of government. No other “agencies” or bureaucracies are permitted under the Constitution. This forces all of each Branch's business to be handled in one house, which is more efficient and eliminates entirely the mindset of “everything we do must be primarily aimed at justifying our own existence” (there is no other “agency” to compete with and the Corps is constitutionally mandated), which is exactly what multiple agency government does. Secondly, the discipline of the institution makes it less likely to become corrupt or mismanaged. None of that is a panacea, and the concern over bureaucracy is still valid, but the premise of this objection is a bit off. Under a federalist style of government (one that is durable and hasn’t been compromised like the one in the United States) matters that only relate to national affairs are only handled by the Federal government. Matters related to community only are handled at the community level. Wherever you see a global government trying to solve local problems you are probably observing some artifact of neoliberal western “democracy”, which we’ve already shown to be a failure. Once again in this objection we see the mixing of ideological assumptions in the objection rather than an objection to global rule of law, per se.

Objection: On a current level, having multiple countries who interact with each other, in good and bad, is still much more effective and flexible to take account need of their own citizens and need of rest of the world. Global finances needs flexibility as well certain set of boundaries. Finances and economy is not problem only in EU, USA is getting their fair share. China's doing brilliantly at the moment, but they have huge problems in their own country enough as it is. Think about Russia as well. It would be hugely risky for Russia free their market.

Response: This doesn’t appear to be an objection to global rule of law, per se.

Objection: On an ideological (sic) mindset you can always debate that world government would work, the people in order would be brilliant masterminds who would take account all the morals of the world and so... It's an idea, but I don't think it would ever, ever, work in
practice. People hardly ever take account other people in this world. Also no one is ever that smart to see what lies in future?

**Response:** The last statement is true of world governments as well as local, state and federal, so it doesn’t really pertain to the question of world government.

**Objection:** Not to mention one world government would strip off sense of comfort, security and hope. Some find comfort in nationalism, some from religions, some from science. It's relatively same thing, you try to find a constant for your life.

**Response:** Perhaps, but I suppose just as many people find comfort in global order as opposed to global anarchy.

The latest version of this document can be found here: [http://kirkomrik.wordpress.com/2013/01/19/a-gentle-intro-to-general-federalism](http://kirkomrik.wordpress.com/2013/01/19/a-gentle-intro-to-general-federalism)

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