

Oops, We Did It Again!  
or The Amazing Growing Government and How You're Paying for Its Mistakes  
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Note: This is a work in progress! Editing is ongoing, and comments are welcome.  
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## **Introduction**

The more I read about government policies, the more I realize their true cause: the effects of other government policies. So, naturally, I wonder: What was the original government policy? and What was its cause?

Before I move on to studying this question, I'll first delve a little into the nature of government.

First a simple definition: government is that institution which substitutes the will of one for the will of another. Many would consider this definition biased, however, it is the only acceptable definition. For what is the nature of government? Government may "protect the rights" of the people. There are two objections to this definition. First, it does not define what "rights" are. Can we really know whether an organization is a government if we don't know what the rights that they protect are? Second, it would deny the existence of governments that do not protect these rights. Webster's definition agrees with mine in that government is: "authoritative direction or control". (My definition stresses control: for what is the point of a government that merely gives "direction"? Couldn't that qualify friends who give advice as a government?)

Now that we have established a definition we can now move on to the question at hand: how does authoritative government arise and how does it grow to where we see it today.

## **Chapter 1 – The Anarchical Society**

It is a common belief that without government, society would fall apart, however this is not necessarily the case. There is nothing in human nature (which, in fact, includes our social nature) that would prevent society from forming without a government. Many in my traditional Christian tradition would disagree and state that man is sinful and therefore needs a government, however, we must remember that government will also be run by man and, therefore, the only thing that government accomplishes is giving one group of sinful men power over another group of sinful man. As for Biblical passages that seem to support the government, I would contend that they are merely arguments against revolt, and not philosophical arguments for government (can we really apply many of these arguments to Hitler's Germany, for example?).

So, now that I have established that man need not be governed from without, we must examine what society would look like without a coercive government.

### *Protective Organizations*

A problem that is almost always brought up when discussing the anarchical society is the question of police protection. How can sinful man be kept from victimizing his fellow man when there is no authority over him? The answer is simple: man will protect himself. As an example: states with high police spending and more restrictive gun laws tend, in fact, to have higher crime rates than states with less police spending and less restrictive gun laws. This is no accidental correlation. For, when a potential criminal knows that his would-be victim could very easily be carrying a lethal weapon, he is much less likely to attempt a crime. However, restrictive gun laws and large police forces tend only to increase the incidents of police brutality and corruption.

So, in an anarchical society, how will man protect himself? He will form privately funded protective organizations, much like modern security agencies. Without a government guarantee of payment, these security agencies would rent out their services, and if they fail to provide good services, they will be driven out of business by more effective protective organizations.

Of course, the question will now arise: what is to prevent these protective organizations from becoming street gangs, and carrying on gang wars and the like? Here, once again, the unrestricted market will eliminate these gangs from existence, for clients would not want their protective organizations carrying on continuous wars with others when they should be guarding the clients' person and property. So, those that insist on fighting these gang wars will soon find that their funding is gone, and without funding it would be impossible to obtain ammunition, more weapons, more gang members, etc.

### *Arbiters*

Another common question is: how can an anarchical society ensure that justice is done? The question of a police force is answered above, now we can answer the question of a judicial system.

Since we have already answered the question of policing, we can ignore the criminal justice side of the judicial system, as policing would make having a large criminal justice system inefficient, as so few "crimes" would be committed. Turning, then, to the civil side of the justice system, how would contracts be enforced (since that is the majority of civil law)? The answer is simple: arbitration. Arbitration is already an option in our modern court system, and there is absolutely no reason why arbitration could not be the primary option. When a contract would be formed, included would be an arbitration clause, naming an arbitrator and method of enforcement (both chosen by the contractors, and therefore, no one's will is being substituted for). The arbiters would be paid a fee for their services in deciding a case. This system would ensure that arbiters are fair (for contractors will not choose an unfair arbiter more than once), and therefore, would ensure that the decisions that are made are good ones.

### *Economy*

The anarchical economy is rather easy to describe. It is based upon free market voluntary exchanges without force or fraud. Protective organizations would prevent force, and arbiters would prevent fraudulent contracts. This would ensure that the only exchanges that are made are to the benefit of both involved.

The only system in the anarchical society that would seem odd to those of us in the modern United States would be the monetary system because our monetary system is so heavily regulated. However, in the anarchical society, money would exist most likely as gold and/or silver coin, and would be measured in terms of actual weight. The supply of money would be determined by the amount of mining that took place (which would be determined by profitability, which reflects consumer demand).

However, carrying large quantities of gold and silver coin would be inconvenient, so banks would arise that would store money, and issue a (probably paper) money substitute, that is 100% redeemable for the monetary metal. 100% redeemability is essential. In our modern system, money substitutes (personal checks, for example) are only 10% (or so) redeemable. This is because the bank takes the other 90% of your

money and lends it out. So, if you attempt to redeem more than 10% of your money, the bank has to pull from other people's accounts. (In short, the bank is betting that customers aren't all going to simultaneously demand over 10% of their money, also known as a "bank run".) In a free market, people would demand that all their money be kept at the bank for redemption purposes, or they would contract with the bank that the bank is allowed to loan out a certain portion, that they will not attempt to redeem for a given time. Neither of these would cause any problem at all. The first is simply normal 100% reserve banking. The second would be where the bank simply functions as a middle man between savers and debtors. Both of these functions can be served in the anarchical society. However, banks would not be allowed to loan out money that was intended to be banked rather than lent, for fear of arbitration.

This anarchical banking system would be much more stable than our current one, for no longer would a bank run be disastrous to a bank. For, those that are doing banking there would receive all of their money without a problem, and those that are saving there would have a contractual obligation to keep their money there. So, a bank run would no longer require the bank to go bankrupt, but merely to abandon one of its functions for a time.

### *Military*

One final area that must be dealt with is the military. Many governmentalsists would claim that private industry cannot provide a military. Under current law that's true precisely because private industry is legally *forbidden* from forming a military! Also, it must be noted that private industry produces essentially all of our military hardware. So, why then couldn't a privately funded industry (much like the above protective organizations) provide military services? In reality there is no good reason why it cannot. The arguments against this occurrence are essentially identical to those above, and therefore, the same arguments can be used against them.

## **Chapter 2 – The Formation of Government**

We have now established that government is not absolutely necessary, as the free market with its information flow would ensure quality, protection, and whatever services are actually necessary. So, what could possibly happen to cause a government to arise? There is only one answer: a malcontent. For, though the free market will ensure that resources are optimally allocated, there will be someone who is not allocated something they want (this is because we have unlimited wants, but limited resources to fulfill them). So, someone will decide that "something must be done" to "correct" this "injustice". So, several malcontents meet and decide that they need some sort of organization that will coerce people into giving them what they want. However, such an organization would not be tolerated in an anarchical society, as protective organizations would prevent them from fulfilling their goal. So, this group of malcontents needs a *guise of legitimacy*. They must look like they have a right to do what they are going to do.

Living in a contractual society, they figure the best way to do this would be to form a sort of "social contract", where everyone in the society signs away some of their autonomy to some sort of governing body. So, to form this social contract, they need to get all the societal members together to formulate and adopt this social contract.

Now they are struck with a quandary: how can we, the malcontents, get the rest of society to agree to this scheme? The answer they come up with is simple: they don't. Rather, they develop an idea called "suffrage requirements". In other words, you have to meet certain requirements to have a voice in society. The malcontents, because they are the only ones at the original meeting, get to decide what these requirements are. It doesn't take a brilliant person to realize that these malcontents are going to do the best they can to be certain that they are the representatives at the contractual meeting. Therefore, they will create arbitrary requirements to ensure that they have the majority at the contractual meeting. Generally, they will justify these requirements with some sort of cultural fact. ("People under 21 aren't rational enough to make decisions." "Women shouldn't be bothered with politics, they need to raise children." "Only landowners actually have a vested interest in helping society.")

The day for the "big meeting" arrives, and, sure enough, the malcontents have the majority that they guaranteed themselves, so they form a government. The exact functions of government that are decided at this time are uncertain and irrelevant, but one thing is sure: there will be provision made for the government being able to "adapt to new situations as necessary" (read "expand its power by its own decision").

### *The U.S. Constitution: A Case Study*

A splendid example of the above process is the formation of the United States Constitution. Though it is a wonderful document, it has the seeds of government growth and tyranny in it. True, it did not arise out of anarchy, however, its formation provides an example of the formation of a government.

First: the formation. Delegate for the Continental Congress and Constitutional Convention we chosen as I said before. The fact is, Revolutionaries were merely a vocal minority in the Colonies. However, they found ways (often violent) of silencing the Loyalists. (By the way, the Loyalists were poorly protected by the government troops, and were restricted from protecting themselves properly.) This allowed for the malcontents to have a guaranteed majority at any government forming meeting (plus suffrage requirements including gender, race, age, property ownership, etc.). So, what did they do? They imposed the U.S. Constitution on the people of the Colonies (renamed the "United States"). At first, it seemed well intentioned enough, protecting liberties, promoting general welfare, etc. etc. (I'll get to legitimate government, which I believe does exist, in a later chapter.) However, there were two huge flaws in the document. The first is the open ended authority of the legislature (able to pass all laws "necessary and proper" and "regulate commerce", both extremely broad job descriptions). This meant that Congress could really do anything that it pleased, as long as it felt it to be "necessary and proper" or as long as it was business related! Of course, this may not have been as big a problem if the Constitution had specified precisely the breadth of its terms. Instead, it leaves interpretive authority up to the Supreme Court, a government body! (Let's remember, it's this authority that allowed the First Amendment "Right to Free Speech" to mean a right to abortion! A stretch of definitions if there ever was one!)

Under the Constitution, the government decides its own authority, and this is the primary flaw in it.

Many Constitutionalsists will bring up that wonderful phrase "checks and balances" and say "yes, *but*, the different *branches of government...*" At this point I

would rudely interrupt and say “So what?” The fact is that the Constitution merely gives the different branches a definite incentive to work together in furthering the power of the Federal Government. If the Supreme Court decides that it wants to limit Federal power (which would, historically, be unusual), then Congress can impeach the members of the Supreme Court, and the President replace them with more willing accomplices. If Congress decides not to expand its power, then the President can use executive orders to expand the powers of the Federal Government. If the President attempts to limit the power of Congress by using his all too forgotten veto (which tends to only be used when the President wants *more* than what Congress is giving him), Congress can merely override him. The only thing that checks and balances do is create a method for two branches to team up on the other, and beat it into submission.

In fact, in order for the Federal Government to actually decrease its power, all three branches have to work together! (As opposed to the two that are needed for expansion). Let’s say that Congress decides to repeal a law. Then, the President must sign the repeal, and the Supreme Court must accept the repeal as Constitutional. Now, let’s say that Congress wants to expand power and pass a law. First, the President vetoes it, so Congress overrides him. Then, the Supreme Court declares it unconstitutional, so Congress is forced to override that, and get a certain number of states to declare it a Constitutional Amendment. One may claim that now it is up to “the people” as to whether or not the Amendment will pass. But, this is untrue: appointed conventions can pass the amendment, and these conventions can easily be filled with supporters.

Of course, some would object. “Lucas, if this is the case, why aren’t there more amendments?” The answer is that the process is often rendered unnecessary. Congress passes a law that expands government authority, the President signs it, the Supreme Court accepts it. The process described is unnecessary.

Now, let’s assume that the President alone wants to expand authority. So, he signs an executive order doing whatever he likes. So Congress decides to try and impeach him. He is impeached by the House of Representatives, but now the Senate must convict him with a 2/3 vote! The odds of being convicted are slim at best. Or, let’s say that the Supreme Court declares the order unconstitutional. The President can then simply have the military perform whatever he wanted, and he is allowed to as Head of the Armed Forces.

In short, our system is designed in the way any system designed by malcontents would be: the government is given authority over its own power.

But, once again, I hear an objection. Someone in the back is yelling “*Elections!! Elections!! The power is with the people through elections!*” Ahh... How I wish it were true. But, is it at all rational to believe that a system where the people have a voice every 2-6 years (depending on the office) can actually reflect the will of the people consistently? Not to mention that the number of viable candidates is normally two or three (and their beliefs are remarkably similar...)! There is nothing more absurd than to say that the majority belief on every issue (especially consider the majority on one issue is not the majority on another issue) will be reflected in a system where voters have 2 choices as to the candidates that they will select!

For example, let’s say that there are 2 candidates: D and R, and 3 issues A,B, and C. Here’s how the “majority” feels on the issues that D and R stand for.

	D	R
A	Agree	Disagree
B	Disagree	Agree
C	Agree	Agree

Who will win? The answer is: we really don't know! Will more people vote for D because they agree with him on issue A, or will more people vote for R because they agree with him on issue B? But there is one thing that we DO know: the majority's voice will not be perfectly heard "on the Hill". Why? If D is elected, he will speak against the majority on issue B. But, if R is elected he will speak against the majority on issue A. If such is the case in our simple system with three issues, what happens when we start dealing with over one hundred issues? Of course, this argument ignores the inherent information problem, which is that knowing what a candidate believes on every issue is essentially impossible, considering that the candidate normally doesn't divulge so much information and that the candidate, if he did, could very easily lie, and have little chance of being caught, as most people do not bother to keep up with everything their Congressman does. And, even if they did, they are often too ignorant of the intricacies of the law to know exactly how a particular action will change policy (or affect society for that matter)!

So, coming to our rather dismal conclusion: the US Constitution, like any other government founding document formulated by a malcontented minority (read: like any other government founding document), though well-intentioned, contained the seeds of power, that would later blossom into a Government that have grown out of control of the people, regardless of their meaningless vote.

(By the way, I will be suggesting a repaired "Constitution" when I get to the chapter on legitimate government.)

### **Chapter 3 – The First Steps (Coercion and Its Funding)**

A malcontented government has now formed. I have already stated that we don't know what they will do initially. Perhaps they will institute a police force, a justice system, a military, etc. etc. But, we know that whatever the first policy is, it will run into enforcement problems. If the first policy is anything besides instituting an enforcement mechanism, it will be unenforceable. If the first policy is instituting an enforcement mechanism (police, judiciary, military), then there is an immediate need for something to enforce (an increase in government control). So, in short order, we will have an enforcement mechanism in place as well as something to enforce.

#### *A Hypothetical Enforcement Mechanism*

Let's examine a hypothetical enforcement mechanism: what would it require? First, it would require means of discovery. Before a policy can be enforced, a violation of the policy must be detected. So, a detective power is given to the enforcement system.

Of course, a mere detective power is insufficient in enforcing a government policy, there must also be a police power. Many people tie detective and police power together, and often they are, for convenience sake. However, the power to seek out and detect crimes, and the power to detain violators are two separate powers that must both be present in an enforcement mechanism. As is true in most societies, the police force (and its various branches) will probably perform both functions because often the detection of a crime is separated from the discovery of the criminal. Therefore, the detective force doesn't just watch for a crime to happen (which would lead to immediate definite arrests), but tends to stumble upon crimes, and then try to "solve" them. (In reality, the need for investigation is a sign of deficiency in the detecting duty of the police).

Once criminals are caught, it is necessary that they be tried, to ensure that they did actually violate policy. So, a judicial system of some sort is developed, which will measure the evidence against policy, and determine the guilt or innocence of the accused.

If an accused is convicted, the convict must be punished, and therefore, a punitive system arises. (Without punishment, policy also loses its enforceability.) This system is sometimes rolled in with the judicial system (specifically, when fines are collected), but that is an empirical question, and it need not be the case.

So, we have already determined 5 powers that government must draw to itself. First, there must be legislative power. Then, there must be a detective power, a police power, a judicial power, and a punitive power.

### *First Laws*

As I have stated before, what, specifically, a government will choose as its first policy is uncertain. However, odds are that it will (at first) pass generally accepted laws to prove its legitimacy (until it is so engrained in society that it is assumed to be legitimate). So, the first laws will probably be anti-murder, anti-theft laws, "protecting the person and property rights of the citizenry". Odds are that in a general election, these laws would win an overwhelming majority, so they are a wonderful place to start for the government to prove its legitimacy. But, these laws subtly give the government two other powers: power over person and property. Now the legislators have the power to define what theft is and what murder is! And, therefore, they determine who gets what, and who is allowed to live! Of course, no government will tell you that. They would all claim that these laws are simply there to protect the person and property "rights" of the citizens... But, even if that is the case, then they are admitting that the government defines what is a right and what isn't!

Of course, *at first*, the government will not take this power to the extreme. Doing so would make the government appear illegitimate, and at this point, the government is not strong enough to afford a revolution (read: coerce the citizenry to its will).

### *The First Tax*

Up until now, we have allowed the government to merely "protect the rights of the people" (accepting that as best we can). Now, we come to the central point where government runs into a major problem. Government was formed with the intent of protecting (though not necessarily protecting everyone...), and has been forced to be constrained in its power by a need to prove legitimacy. However, now we run into a problem: how do we convince those who are employed in private industry in our

anarchical society to start working in the government? How do we acquire the equipment for running the government? Of course, because it is the government, it could try to coerce people into it. As easy as this would be now-a-days, it would be extremely difficult at the beginning. For, the government has no means of coercion yet. It's stuck into competing with the free market. So, now the government must hire people to work in the system (or offer them salaries for winning elections, whatever the case may be), and must purchase equipment (land included in this category) to run the system.

But, where will the government get the money? The government then (and now), is faced with four options: gifts, debt, money production, and taxation. We'll examine each of these in turn.

As far as gifts are concerned, we must remember that the free market was not providing government because people *didn't want it* originally. If they weren't willing to pay for its services then, there's no reason why suddenly enough money to run a government would just be given to those in charge. Also, this option depends entirely on the willingness of others, so the government is not assured anything.

What are the odds that a government with no hope of revenue will be able to secure loans from the people? That's right, zero. For, what rational person would lend money with no hope of it being returned? Such an action is equivalent to a gift, and therefore, the above analysis applies. However, people may be willing to lend to a government or potential government if there is a hope of a return on principle. Of course, this can only occur if the government finds a way to raise continual revenue. They must turn to the other two options.

We are coming of an age of gold/silver standards, so for the government to produce money, it must take over mining operations. At early stages this would be highly unlikely, as the government would not be able to raise the money to buy productive resources without some other form of revenue. Of course, the other option is to create a new money that is cheaper to produce. However, for the money to be worth anything, it has to be accepted by the public, and the public would not be rational if it accepted a worthless money instead of a metallic backed money. If it really wanted to, the government could make the metallic standard illegal. But, overthrowing an entire monetary system would definitely look like illegitimacy at this point, so that is also unlikely.

So, the government is stuck. It has to levy taxes. But, how will the government do this? Once again, we can't say for sure. However, the most likely avenue is to charge an import tax (or tariff). This has the benefit that the people within the society are not keenly aware of the burden of the tax (as they are with income, property, or sales taxes). Also, there is the rhetoric that a tariff helps "support domestic industry". So, the government can now raise revenue, and can therefore run its enforcement agencies, and also borrow money as needed.

### *The Military*

However, the tariffs do have definite effects on someone else... Those being tariffed! Needless to say, the tariffed nations will be unhappy with this state of affairs, so they will now attempt to do something about them. They will threaten a war of conquest on the tariffer. This gives rise to a new need that our society has to solve: an invasion

from outside. (By the way, the threat of invasion would be there with or without the trade restrictions.)

Now, the government is stuck again. It can't drop the tariffs, or it would lose its source of revenue. It can't replace this source with another yet, or it would lose legitimacy, which it can't yet afford. Therefore, the government must prepare to fight the foreign enemies: a military must be raised. So, the government now assumes another power: military power. This military may end up being used in a war, or it may not. Perhaps the mere raising of a military will cause the enemy to rethink its strategy. Perhaps the enemy will defeat our society (which really just means that the two societies are merged). Or perhaps, our military will win the war. In any case, there is now proven a need for a standing military. So, the government is going to have to find another source of revenue... more tariffs or a new tax. At this point, the government, however, has cemented its legitimacy. Why is this the case? Because the government has the ultimate excuse: "We saved your lives! If we didn't raise a military you would have been attacked and killed!" The people now will rally behind the government and it can now begin expanding its power. But, what if the people don't rally behind it? Simple, now that the government has both a police force and a military, it can stomp out any rebellions, even massive ones.

Well, we have walked through the beginning stages of our government. We have seen how the government has now achieved a list of ten powers:

Legislative

Detective

Police

Judicial

Punitive

Personal

Property

Determination of Rights

Taxation

Military

#### **Chapter 4 – The Joys of Legitimacy**

Now that the government has achieved a level of legitimacy, it can now increase its powers largely unabated. At this point, a government truly becomes a government in the classic sense of the term: it can now substitute its will for the will of others. So, now that the government has achieved legitimacy, what will it do? Once again, we can't say for certain, but two things are certain: those in power will attempt to stay there, and they will use their power for their own benefit.

Let's say that they decide to increase their salaries (not an unusual act, really...). Of course, now the government has to derive more revenue. Rather than increase tariffs (which are already quite high), it decides to tax its own people. Perhaps it taxes their property and says it is "attacking the landed gentry". Maybe it taxes income or "the wealthy". Maybe it taxes sales so encourage "saving and investment". There are a plethora of options for the taxer. But, the moment it raises taxes people begin to grumble... They need new government, government that won't tax the bejeebers out of

them. So, the government acts quickly... It has to provide a service, and fast! So, it creates some wonderful program to pacify the people. Here are some potential options that governments love.

### *Minimum Wage*

Now people are happy, they are guaranteed a minimum wage, and their government is a saint. Of course, minimum wages increase unemployment...

So, there is now a new problem... Unemployed people are stalking the streets looking for work, which they can't find. Many businesses would be willing to hire them for below minimum wage, but that isn't legal... So, they're stuck... Well, people are stricken by guilt that people are unemployed now, so they begin grumbling again... We need a government that will get these bums off the street. So the government hops in again, ready to oblige as always. The government now does one of two things, but they have a similar effect. Either it hires up all the unemployed (or a large number of them), and puts them to work doing... nothing. They plant trees, they cut trees down... But, that's okay. The purpose of the program is to provide jobs, not increase production. The government might even increase the size of the military or police force... Or the government can take a less active role. Rather than finding something for the unemployed people to do, it just gives them money to live on, so they can get off the streets.

Of course, either of these options requires more money, and more taxes... The people are grumbling...

### *Capital Market Protections*

Wow, I never realized the danger I was in... Those corporations may have been lying to me all the time. Now, because of the loads of paper work they file with the government to prove their legitimacy as a business operation, I can invest in them with confidence.

Of course, capital market protections (read: restrictions) make it more difficult for newcomers to enter a capital intensive market. But, that's okay, the tax burden has just increased, there is continuous unemployment (though it doesn't cause poverty), so the economy really doesn't seem to be going anywhere... The people are grumbling...

### *Patents and Copyrights*

The government was right... The real trick to having enough money is having a growing economy (half-true), and the trick to a growing economy is innovation (also half-true). So, now the government has created two new methods of encouraging innovation. One is a copyright, it protects an author from direct copying. Interesting note: if two people develop the exact same thing independently, they both have copyrights. The other is a patent, which gives exclusive right to an innovation to the one that develops it first. This form of intellectual property is nothing more than a monopoly license.

So, what happens in an industry that is granted a patent? A single producer, run by the innovator, starts small producing the product. As he earns profits, he then expands his outfit. Generally, as the size of an outfit increases, the average cost of production decreases. So, over the time of the patent, the monopolist develops a sizable operation,

operating at low cost, but able to charge a monopoly price. Now the patent time runs out, and others are anxious to get in on the profits. But, by this time, to be competitive, the newcomers will have to expand to a large size immediately, which is difficult to say the least. Of course, getting to that large size just requires a huge influx of capital. Of course, getting that influx is difficult, since the capital markets are now restricted. So, many will just give up rather than trying to wade through the paperwork that would be necessary to compete... But, we should we give up, we have friends that can do something about it: enter the government. Aware of the grumbling of would-be competitors, the government creates a new policy: anti-trust! Monopolies are hereby declared illegal (except, of course, if you have a current patent or other government license), and will be “busted”. Of course, that means that they will either be broken up into smaller, higher cost parts (which can be competed with), or that they will have to pay heavy fines, driving their costs up (so that they are no competable, rather than competitive). Prices are going up (to keep up with costs), but wages are not... Working conditions are getting worse (as firms try to off-set government costs)... The people are grumbling...

### *Labor Rights*

Corporations are now painted as evil. They have increased prices (of course, we forget that the government increased *costs*), they have held wages steady and laid off workers (of course, they can't afford to pay them *minimum wage*), they have made working conditions deteriorate (of course, they only have one way to cut costs, and stay *in business*). So, now a slew of laws come into effect. Worker safety regulations, worker rights (including the right to unionize), Social Security, and more! But what does this do? Simple, safety regulations further increase the costs of doing business, so bankruptcies (or at least lay offs) are inevitable. Up goes unemployment again, but that's okay. We already have the protective framework in place. Worker rights will also tend to drive up the costs of doing business, and will also cause unemployment. So, the only thing that needs to be done is that the benefits for unemployment and social security must be paid... Taxes must increase... The people are grumbling...

What does the government have power over now?

Legislative

Detective

Police

Judicial

Punitive

Personal

Property

Determination of Rights

Taxation

Military

Wage setting (and therefore, all price setting)

Employer of last resort

Capital Flow

Intellectual Property

Trust-busting  
Safety  
Worker rights

## **Chapter 5 – The Banking System – Our Last Resort**

The people have had enough of tax increases. They are now demanding new government, with lower taxes. Well, the present government is quick to oblige. Taxes drop (for now). But, how then can the government raise revenue, the life-giving blood that courses through its veins? How can the government maintain its necessary legitimacy as well? If things continue as they are, the government will go bankrupt, and no longer be able to protect itself against a hostile populous.

Let's review the government's options with how to secure revenue:

Gifts – definitely out of the question. Not only is the government unable to raise the funds it needs, its basic legitimacy is at stake.

Debt – this option has been taken to its limit. People simply will not lend to the government any more.

Taxes – this option has also reached its limit. Any increase in taxes will cause a mass feeling of illegitimacy toward the government. Anarchists will be elected, and the government will be dismantled.

Money production – this is it. The only option remaining. There must be a way for the government to produce money... but how?

### *Loosening the Restrictions*

First, the government takes to the simple act of regulating the existing banking system. Realizing that the 100% reserve is not completely necessary, it loosens this first. This makes all sorts of credit now available for the public to use (incidentally, making a tax increase easier to swallow). Now whenever someone deposits in their checking account, the bank need only keep, say, 10% of the money in the vaults. The rest can be lent out to people seeking loans.

Also, the government decides to regulate that all the issued money substitutes should be similar, perhaps even identical. This will aid in them being used as uniform money.

### *Insuring Stability (and Instability)*

But, now the banks are in danger... What if there is a bank run? Before, the bank could simply remove the gold or silver from the vaults (as it was actually in the vaults), but now the bank has a problem if a run occurs...

Fortunately, the government is quick to step in. It forms a central bank, that will loan to the daughter banks as needed. Problem solved, right?

Wrong. The central bank has the same problem that the daughter banks do. What if the entire system asks for its money at once? The central bank doesn't have enough reserves to handle that situation...

So, the reserves must increase. But, how? The reserves are determined by how much gold or silver is deposited in the banks (and then in the central bank as reserves). Surely, the amount of gold or silver in the world is limited, and we can't just keep finding more and more of it. In fact, not only is the supply limited, it is downright rare! So, what

do we do? We have to leave the gold standard. There is simply no way around it. Money will no longer have its value tied to some rare metal, but rather, will have its exchange value guaranteed (read: coerced) by the government. The government only accepts its own money for tax purposes, and only pays its bills in government notes. Not accepting government notes as payment for debt is decreed to be an offense, and is illegal. And, who determines the number of government notes? The central bank (or *government...*) of course! Gold and silver are now auctioned off by the banks, as they no longer serve any real purpose, except as decoration.

*The Solution! (and a new problem)*

Now, the government has an agency in place to pay its debts, by printing money to do so! So, the central bank prints a sum of money that the government uses to pay expenses. This money is then taken by those who receive it (government workers, etc.), and spent or placed in banks. Now the bank can loan out 90% of the money the government just spent. So, there is an increase in the supply of credit. This of course, drives the interest rate down. Now that the interest rate is at a lower level, consumers and producers take out more loans. Things seem great. Sure prices are slightly higher (more money chasing the same number of goods), but there are no major problems yet. However, as soon as the government stops injecting new money into the system, a horrible problem develops... Interest rates skyrocket! People are now trying to earn money to pay loans back, not make new ones. Also, many producers who took out loans before find that demand for their products has dried up, as people don't have the money to spend. So, producers are forced out of business. In time of course, the system would stabilize itself... Except for that the government has more bills to pay...

So, we now find that our government money system has a horrible effect. It causes increased loans followed by increased bankruptcies. Of course, there are two possible solutions to this problem (short of undoing the original cause: the issuance of paper currency). First, the central bank can try to hold interest rates up during the spending phase, preventing the excess loans. Of course, doing so would make it difficult for the government to get good interest rates on its debt. Also, the central bank would quickly be accused of "holding the economy back". So, now the central bank must pursue its other option: continuing to increase the money supply during the non-spending phase. Of course, this is possible, but it will soon present a problem. In time, the huge amount of money in existence will make its value be extremely low. And, even if the government attempted to legislate its value, it would only drive much of the economy underground, where money would trade for its true (lower) value, and the government would be unable to find the employees or the equipment that it needed at the price it is willing to pay. So, this process would just cause a continuous inflation, until the limit is reached.

This limit will occur when money as a medium of exchange is now worth less than in other uses. At this point, people will begin burning money for heat, using it as wall paper, collecting rare species of it as collector items, and so on. Money will quickly drop out of exchange, and the government will be unable to function. So, back to taxation we go.

I hear that objection, "Lucas! This hasn't actually happened! So, how can you assert it?" I beg of you now, look at Latin America (most recently Argentina) and tell me

that it hasn't happened. Now you say, "Well, it hasn't happened in the United States!" This much is true, so far. Of course, we give our central bank two goals: economic growth and controlling inflation. (Oddly enough, inflation is automatically under control when there is 100% reserve banking and a metallic money, as money is only supplied when there is sufficient demand for it.) This has allowed our system to move toward this point much much more slowly. And, if our government can turn around and start running surpluses (ha!), then we have the opportunity to actually remove excess money from the system, and maintain the value of our currency. Also, we have benefited from the fall of foreign monetary systems, as their people have often turned to our currency as a medium of exchange, thereby giving it greater value.

Our government:

Supreme Legislator

Public Detective

Grand Police

Trusted Judiciary

Punitive System

Protector of Person

Protector of Property

Determiner of Rights

Source of Taxation

Military

Protective Wage setting (and therefore, all price setting)

Employer of last resort

Restrainer of Capital Flow

Protector of Intellectual Property

Trust-buster

Insurer of Safety

Protector of Worker rights

Friend of Credit Expansion

Inflator of Currency

## **Chapter 6 – Government – The Moralist**

Though we haven't completely examined all the "well intentioned" but poorly analyzed policies that government could undertake, we have looked at a significant portion of them. However, those we have looked at so far have been relatively amoral. Few people would claim the morality or immorality of the minimum wage, or unemployment benefits, or working conditions. These can easily be argued on purely consequentialist rhetoric. But, what happens when a moral majority arises, and wants to make their government not only a "Protector of Rights", but also a "Protector of Right"? We will turn to just a couple examples of what this attitude breeds.

### *Equal Rights*

We have not yet dealt with the fact that old suffrage laws are still in existence. Over time, it is likely that various groups will fight for suffrage based on the moral concept of "equality". They may very easily call upon the history of the society,

claiming that their group was merely “overlooked” at formation (as opposed to being intentionally ignored: as was the case). The government by now, however, has been cemented in place. The malcontented founders no longer have to keep anarchists out, as they have been stamped out of existence by government propaganda. We have reached the point where conservatives and liberals are arguing over how to expand the government rather than whether the government should exist. So, because the new suffrage will probably not endanger political power, and will increase the appearance of legitimacy, the government will concede.

In fact, this is one government policy that I can honestly say does not breed any necessary negative consequences (as the others that have been discussed do), with the exception that now the government has an even greater appearance of legitimacy, and therefore, it is even easier for it to increase its own power.

### *Regulating Sin*

I refuse to claim that sin is okay, as it is clearly not. However, there are great dangers in allowing government to regulate sin (whether it requires licensing, or completely banishes sinful activity):

1. The government becomes God, morally. By allowing the government to determine what sins are to be regulated, we allow the government to determine what is sinful and what is not. Once the government begins making policy and purely moral grounds, there is no end to its expansion of power, as when one morality won't allow it to make the policy that would be most advantageous to its own ends, it will simply turn to another morality.

2. Sin moves underground. I agree with my fellow Christians that sin is inherent in human nature. And, if this is actually the case, it is foolishness to believe that we can possibly “regulate” sin to make it less common. When you try to stomp out surface sins, all you do is force sins to fall under the surface. Many Christians point to the Netherlands as an example of drug legalization gone wrong. But, I must ask, don't we also have drug problems? Rather, they are merely forced underground, where the problem is harder for good people to detect (and thus harder for them to treat).

There are many other reasons why regulating sin is foolish, and, in fact, dangerous. But, the two primary reasons have been dealt with, and I feel that that is sufficient.

## **Chapter 7 – Of Legitimate Government**

I am certain that by now there are many that are feeling quite critical toward what I have said. Many, in contempt, will spit upon me and cry “you anarchist!” Yet, I remind you that, armed with logic, and knowledge of human nature, I have logically exposed that, once government has been started with the attitude that it was started with, there will be nothing to stop the growth of the government, and even those so-called checks and balances will do nothing more than cause the government to bind together in robbing people of their freedom. I have also shown that the representative process makes it impossible for the government to do the will of the people, and therefore, it will do the will of the representatives and bureaucrats.

Yet, I am not radical enough to say that there is no such thing as a legitimate government. So, I will use this chapter to explore the idea of an actually legitimate government.

### *The Role of Government*

If we are to have a legitimate government, we must first define what the role of government is to be precisely. Once we determine the role, we can then determine what powers need to be conferred to the government, and how to keep the government within its role (if that is possible).

As a possible example, let's look at the role defined in the preamble to the Constitution of the United States:

We the People, in order to form a more perfect union, establish justice, ensure domestic tranquility, provide for the common defense, promote the general welfare, and secure the blessings of liberty to ourselves and our posterity, do ordain and establish this Constitution of the United States of America.

To form a more perfect union – The goal of this particular phrase is clear, the Constitutional Convention was seeking to bind the interests of the 13 colonies together. So, in our legitimate government, should unity be a goal? Honestly, I don't see why not. However, we will have to further define how this goal is to be fulfilled, and in fact, what it means!

Establish justice – There are two potential interpretations of this phrase, and both seem to be implied later in the Constitution. First, the government is to establish a justice system to protect the “liberty spheres” of the individual citizens. Second, the government is to establish rules as to what is right and wrong. I firmly believe that the first would be necessary to a legitimate government, but, as I have stated above, the second will inevitably lead to a government that legislates what morality is, and this is clearly not what we want from our government.

Ensure domestic tranquility, provide for the common defense – It is clear that these two are in fact the same type of power (policing and military), and the only difference is where the violence originates. Also, if we are to have a government that protects the autonomous individuals that are its citizenry, then we must have a government that protects their lives. This goal can stand.

Promote the general welfare – This goal is definitely the most vague (and has probably been used to justify many actions that could not be justified on any other grounds). But, the real question we must answer is: Can a legitimate government body provide for the “general welfare” better than the autonomous citizenry can? The answer is clearly “no”. First, the government can't even necessarily know what is in the best interest of the individual citizens. And, if it doesn't know what is in their individual best interest, then it clearly cannot know what is in the best interest of society (which is merely the aggregation of autonomous individuals). So, this one will have to be dropped from our “government purpose list”.

Secure the blessings of liberty – Clearly this is the main goal of our government that is to protect the autonomy of the individual.

It has probably been noticed that in discussing many of the above goals, I have consistently referred to the “autonomous individual”. That is because I believe that government’s primary goal, which must be attained before any other is this: “The government shall protect the right of the autonomous individual to make his own informed decisions.” All law should be limited by this goal, and all law should limit the decisions of the citizenry only in the attainment of this goal.

So, to summarize, let’s look at the necessary powers for our legitimate government to have:

1. Protection of Person (life) – the government must be able to protect autonomous individuals from being killed, either by outsiders or by other citizens. *Military and Detective/Police Powers*
2. Protection of Property – the government must be able to protect autonomous citizens from having their property taken against their will (either by force or fraud) *Detective/Police Powers*
3. *Judicial Powers* – the government must be able to decide against those that kill, injure, or rob an autonomous individual of the society.
4. *Punitive Powers* – the government must be able to punish transgressors
5. *Taxing Powers* – the government must be able to fund the above system.

So, now the question is, how do we create a government that has these powers, and only these powers? And, also, does not abuse these powers?

#### *The Method*

The adoption of laws will be very simple, considering so few will be necessary. Only laws that protect against intentional physical harm and theft by means of force or fraud are necessary. This will greatly decrease the need for a large detective/police force, as so few crimes will need to be reported. The military and police/detective forces, the judiciary, the punitive system, and taxes will then need to be created.

But, how do we create a system that is fair? It is simple. Our government will be a direct democracy, with a very high requirement for legislation to be passed. Say, 95% of those voting must approve of a piece of legislation for it to pass. This high percentage will ensure that only the most necessary legislation will be passed, and that a barely majority will not be able to exploit a barely minority. Also, no legislation that would transfer rule making authority to any other body would be allowed (thereby preventing any bureaucratic rule).

Of course, the question will arise as to how legislation will be placed on the ballot. In today’s high-tech world, it would be possible to build an entirely automated system, where legislation is submitted to some internet portal, and then automatically added to the ballot for voting. One may worry about people tapping into the system. However, we must remember that a 95% vote is required for a measure to pass. Therefore, any modifications to a piece of legislation would have to be approved by a huge group of people.

Government officials (judges/military generals/police captains) would be chosen by ranked vote, assuming that they have certain qualifications. This system allows for the voter to rank the candidates in order of preference. The candidate with the highest

overall ranking wins. This way, all of the voter's preferences are taken into account, rather than just his first one.

### *The Real Check and Balance*

So, what is to prevent our government from abusing its police/detective/judicial powers or its military powers, forming a tyranny that would rule the people? The answer is simple: a populous that is free to arm itself as it pleased. If the few government officials then sought to do something illegitimate, the people could arise and put an end to it. (A major key to our current government tyranny is its monopoly on heavy weaponry.) An election could then be held, where new, non-tyrannical officials could be put in place.

### **Conclusion**

We have come a long way. We have examined how anarchy does not, by necessity, result in chaos. We have examined how government by malcontents will cause a chain of events leading to a bureaucratic monster that stomps on the autonomy of its people. We have also examined how rational government, limited by the will of the people can succeed at fulfilling the only legitimate purpose of government. What the road we choose will be, I do not know. Whether it is possible to change the road we are on, I don't even know. But, one thing is sure, we must continuously check up on our government to slow (and maybe even reverse) the trend to behemoth that it has moved through.