

2009

Economic Optimalism

Marxism or Capitalism?
I say Optimalism.

Economic optimalism represents the hope for a prosperous and just society.

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March 21, 2009



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Economic Optimalism

An operational research approach to government

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Preface

This booklet explains as simply as possible, the concept of Economic Optimalism (herein simply called Optimalism), a new approach to government, not to the right or the left, but based on facts, science, logic, experience and truth, for the optimal benefit of the governed.

Science and technology have profoundly affected the way we live, but governments have remained so far immune to progress. Political discourse continues to live in the past, in an unreal world of speeches disregarding facts, rhetoric without substance, ideology without logic and promises without truth; a constructed world where actors without particular education or experience are elected to lead the rest of us; a world where perception and feelings are overrated and conceal the real avenues leading to prosperity for all.

Governing needs to become evidence based.

One important area of government is budgeting. Optimalism does not re-invent budgeting, but proposes good budgeting. Most politicians know that their economic choices (such as budgeting) are far from optimum for the country and are in fact at the limit of (as bad as) the country can bear.

Optimalism can also be applied to other important areas of government, such as taxation, with the objective of maximizing government revenue, while at the same time reducing the cost of submission and collection of taxes.

I do not claim to have identified here all the areas where optimalism can be applied, but there are enough concepts in this booklet to prompt a second renaissance by improving the way we govern ourselves. The success of this approach, corroborated by evidence, will prompt in the future the application of the same approach to other areas of government.

An optimalist approach deals not only with a specific field, but also with the complete picture; it takes into account not only the short-term effects, but also the long-term implications.

National and international economics is not something that the average voter is an expert on, or even understands. Politicians continue to pass damaging budgets because of populism (i.e. increasing their chances of re-election), when the country desperately needs regulation stability, economic prosperity and a steady source of government revenue to implement the best possible social services.

Politicians continue to push destructive policies because of the false understanding of “compassion”, and the false definition of Common Good which is stretched to justify partisan policies instead of promoting opportunity for all.

Optimalism represents the hope for a more informed, resourceful, reality-controlled and efficient government to allow for a prosperous and just society.

It can help reduce the struggle between “left” and “right” by stabilizing and optimizing budget figures.

- For the “left”, optimalism guarantees the highest possible funding for social programs and a required level of investment in government.
- For the “right”, optimalism guarantees the lowest possible taxation level and a limit to the growth of government.

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Introduction

Optimalism is more of an approach to government than a political platform. It does not replace current political parties, but it may profoundly influence the way governments are conducted and improve the standard of living for all in a free society. This booklet is **not** a dissertation on a particular political point of view.

Optimalism allows for a society to reach its full potential economically, environmentally and socially. These are not just vague objectives, but real, achievable goals, because the *main idea* of Optimalism is to achieve a way of governing that is based on facts, science, technology and truth for the benefit of all citizen. In essence Optimalism is based on reality, not political posturing, perception or promises. It is a form of governing that strives to deliver the optimal return for the investment in government by the people, without infringing on their fundamental freedoms. The main concepts (or ideas) of Optimalism are listed in the next section.

Currently, governments tend to allocate taxpayers' resources almost erratically, by following ideologies of the left or of the right. This often runs down society (because of lack of services) or runs down the economy (because of high taxation, red tape and instability).

Societies are very resilient and the effects of "bad governments" may manifest themselves to the people only after many years, when the relations between causes and effects are forgotten in the mind of average citizens. Dictatorial regimes, for example, typically last many years, before the country experiences an economic and/or political collapse.

Governments and politicians are often elected on the basis of spending promises that are soon forgotten and the same imperfect (or even corrupt) politicians may be elected over and over again.

Governments seem to create new Agencies, Authorities, Boards, Commissions and Tribunals, which continuously increase government bureaucracy and budget requirements, thus reducing the money for services to the people.

Considering how long western societies have operated in this mode, it is surprising that our economies have survived several periods of high government deficit and their viability is now in question.

Optimalism proposes a reality-based course of action. By maintaining government revenues and spending close to the optimum point, we can release a wide range of usually untapped resources in the private sector, freeing it to generate more wealth, and we can increase government revenue that can be used for the benefit of society.

The maximum potential can be achieved in individual creativity, in the prosperity and strength of families, in the education system, in government revenue, in the provision of health care, in social programs, in individual productivity, in corporate productivity, in individual and corporate profit, in the stewardship of the environment, in peace and prosperity.

The compound effect of an optimal use of resources, year after year, will propel society to new levels of economic progress, individual achievements, prosperity and higher standards of living (e.g. less time spent at work and more time with the family or for recreation).

Optimalism presupposes a more technocratic than a populist approach to government. A more “technocratic” government means a more scientific, business-like and logical form of government,

based on experience and Truth, producing clear and simple laws and regulations.

Optimalism also redefines political discourse in a way that is more “parametric”, allowing certain decisions regarding fiscal matters, social programs and taxation to be maintained unchanged (in their ratios) for a longer term, thus contributing to ease of long term planning.

A “parametric” approach to government strives to express questions of money (expenses, taxes, remuneration, etc.) in terms of parameters and not explicit figures. Examples are in [Prioritization of Government Programs](#) (Chapter 8) and [Remuneration of Government Officials](#) (Chapter 11).

If an “optimum” government (i.e. with the optimum size of investment in government and the optimum percentage of revenue spent in its various programs) were to be found, then the duties of legislators would be reduced to fine-tuning. Generally Optimatism reduces the need for new laws and allows governments to remain close to its optimum efficiency.

In addition, optimalism will add stability in society. With the current political systems successive governments often invert the direction of the previous government, compounding the problem of long-term planning and stability in the marketplace.

Optimalism proposes the separation of the budgeting and taxation functions of government (the econometric aspect) from the prioritization of government programs (the political aspect). Successive governments would operate with essentially the same budget and taxation rules (determined through econometrics), but they could change the priority of government programs. This is explained below in [The Optimalist Budget](#) (Chapter 3), [Maximizing Government Revenues](#) (Chapter 3.3) and [Prioritization of](#)

[Government Programs](#) (Chapter 8). For example, econometric models of government determine the total investment in government, with respect to Gross National Product (GNP).

The chapter on [Competent Government](#) (Chapter 12), uses optimalist concepts on areas that generally are considered **non-partisan**. These areas include the legal aspects of society, the burdening nature of monopolies, and the use of private resources for government to provide public services.

1. Main Concepts of Optimatism

Optimatism is based on the following main concepts:

- The idea of splitting the econometric function of budgeting (amount of government, taxation rate, revenue) from the political part (prioritization of programs). This allows for an **operational research approach to budgeting, taxation and governing** for an optimized economy.
- The idea of maintaining the total amount invested in government close to the optimum point, as calculated by economists. This allows for the **maximization of government revenue**.
- The idea that such a maximization can happen year after year, **independently from the political direction of the day** and **automatically reacting to the changes in productivity of the country**. This will produce a **compound effect** allowing society to prosper very quickly and at the same time producing greater revenues for government.
- The idea of reducing the number of ways government collects taxes to **only one tax**: the Value Added Tax on product and services. This simplification reduces bureaucracy on the collection side, and expenses on the provision side, thus redirecting these resources towards productive activities and government revenues.
- The idea that **monopolies** hold back progress, **discourage the optimum use of resources** and deter the maximum return for investment of both private or public funds.

Optimatism further introduces the following:

- The idea of simplification and ***clarification of all government laws and regulations.***
- The idea of ***expressing budget requirements for political programs as a percentage of the budget*** and not in absolute amounts, thus visibly avoiding deficit financing.
- The idea of introducing ***more technocratic governments,*** basing their political platforms on facts, science, technology, logic, experience and truth (i.e. reality) versus vague promises, political correctness, political posturing, personalities and perceptions (i.e. ideologies and image).
- The idea of purchasing only assets that produce a positive return on investment.
- The idea of striving towards ***the real Common Good*** and not discriminating in favour of, or against, a particular class or group.
- The idea of ***expecting an ethical conduct*** from politicians and government officials, maintaining open books and allocating resources for a continuous review of government officials and government activities, to avoid waste and corruption. For this purpose a greater budget share is proposed for the office of the Ombudsman (or Comptroller), in addition to policing.

2. The Role of Government

The role of government (including an optimalist government) is to protect the life and freedoms of its citizens according to the country's Constitution and the rule of Law¹.

A famous booklet: "The Law" by Frederic Bastiat, written at the beginning of the 19th century, describes the role of government, as Bastiat thought, at the time of the French revolution. The present Libertarian political philosophy is based on his ideas.

However, other political currents maintain that the role of government must include much more. For example, the communist idea of government makes government pervasive to all aspects of society.

Optimalism, does not directly propose a particular government role. Rather, it strives towards the optimum ratio of investment in government with respect to the wealth produced by the nation. It allows, by definition, for government to have more resources than any other system and would avoid the pitfalls of government deficit and accumulation of debt (left to be paid by future generations).

Because Optimatism will maximize government revenues, it will have a staggering amount of money at its disposal in a politically stable and wealth producing economy. This is scary, as money may be a source of power and corruption. It is thus imperative for Optimatism to propose a well-defined role for government, a prioritization of rules of ethical conduct and a mechanism for continuous government review. This is explained in [Government Review](#) (Chapter 13).

The role of government in today's society pertaining to the following areas: national defence, policing, legislative power, judicial power, budgeting (as explained in [The Optimalist Budget](#), Chapter 3 below),

government review, public works (i.e. Roads and transportation networks), social support for people who cannot support themselves, providing money supply (central bank) and standardization (including technology standards, communication standards, environmental standards, employment and safety standards and industry standards for insurance, food production, drug production, health care delivery, etc.).

However we recognize that different political factions will continue to disagree on this subject. Such political discussions will continue to take place at all levels of government by the people's representatives, when government programs need to be prioritized and funded (see [Prioritization of Government Programs](#), Chapter 8).

The people who are getting involved in politics in North America are more interested in an easy route to power or fame than on contributing new ideas to allow society to prosper. To be a politician these days you need to have connections, not necessarily an education. You need to climb the ladder of voluntary organizations, which is easier than climbing the corporate ladder. As a result, there is a scarcity of politicians coming from an engineering background, with their feet deeply rooted in the real world, and there is an abundance of politicians who are good at talking, but have no understanding of how things work, of the economy, of business, technology, research, science and medicine. An optimalist government will need more people of integrity, understanding, knowledge and experience, more people who are keen on seeking the truth, before seeking personal gratification.

Optimalism, more than any other system, will allow for government representatives to have at their disposal the resources, the budget and thus the opportunity to run a government that defends human lives, allows for growth, helps society prosper and can afford

attention and respect for individuals and families, without burdening future generations with debt, or environmental disaster.

3. The Optimalist Budget

Operational Research Approach to Budgeting

If Optimatism were to be adopted, the amount of investment in government would NOT be decided through the political process, but by the rules of economics. The (potential) amount of government revenue is maximized, in function of the economic parameters (the economic model of society and its econometric parameters).

Ideally this work is done only **once** and is done by economists, not politicians. This task should be approached in the same way other technology projects are open by government for bid. The task is specified in a Request for Quotation and firms operating in the field of Operational Research and Econometrics are evaluated on purely technical merits.

The winning party should provide an economic model showing the optimum amount of investment in government, with respect to GNP. Previous research should be quoted, discussed and applied.

Reduction of Bias

The task of modeling the economy of the country is not easy, but research on this subject has been going on since the early seventies (e.g. Research at the IBM Scientific Center, Pisa, 1973-1978 and other private and public research institutions).

Determining the optimum amount of investment in government is a critical task, which can save considerable sums of money in

budgeting and increase considerable sums in government revenue. Thus, particular attention has to be given to the credibility of the results.

To reduce the bias (or possible “infiltration” of one firm by ideological interests), the same task would be assigned to three different firms. The results would be public. In this way, possible errors or biases by one firm would more likely be exposed. For example, peer firms, eager to be chosen for possible future (private or public) contract work, would be able to review and point out faults in the models, thus disqualifying or confirming the results of the three bid winners.

As Optimatism will become applied in different countries, the result of similar work in other countries will also be available for comparison and confirmation.

Optimum Point Percentage

Once the econometric parameters have been worked out, and published, then we will know that the total investment in government should be a certain optimum, expressed as a percentage of the Gross National Product (e.g. Total investment in government should be 27.5% of the GNP in this particular model of society). We call this the Optimum Point Percentage (OPP). This is explained in this chapter, in the sections below.

Not only will such a process of optimization produce immediate results, by increasing government revenues and disposable earnings of citizens, as the country’s productivity to its maximum potential for that year, but also such a parametric approach will guarantee an automatic adjustment to this maximum year after year.

Automatic Adjustment

This automatic adjustment is *independent from the political priorities* of the day (discussed and approved by the legislative bodies) and is also *independent from the market fluctuation of the economy* for that year. If the economic indicators improve, then the percentage will represent a greater amount of money. If the economic indicators get worse, then the percentage will represent a lower amount of money.

Thus Optimalism entails a fair (equalitarian) readjustment of all government services for that year to the actual condition of the country.

The next sections will fully explain the reason why such optimum exists and the relevance of engaging a large amount of resources in understanding these economic facts and establishing an optimum percentage of government with respect to the ability of the country to generate wealth.

Advantages of Establishing an Optimum Point Percentage

This Optimum Point Percentage (OPP) (i.e. the optimum size of government as a percentage of the total generated wealth) will represent the best effort, the best approximation to the optimum, based on the current understanding of economics.

Even if the actual number could diverge from the optimum by one or two percentage points, it will create much better results than with the current “political” budgets, which are many percentage points away from the optimum, as they are created for political, demagogical and ideological reasons, to “impress” the public, reward special groups or gain popularity with the electorate.

The compound effect of maximization of government revenues year after year will create an abundance of government funds within a short period of time. Conversely, current governments operate almost continuously at the limits of economic disaster.

The Year's Expected Revenue

This Optimum Point Percentage (OPP), together with previous years' economic indicators, is then used to determine a corresponding rate of taxation (see [Government Revenue and Taxation](#), Chapter 7) and, at the same time, the expected revenue for the year.

This Year's Expected Revenue (YER) is used in this year's budget as the total available revenue for government programs (i.e. the budget's "bottom line"). No other government revenue is available. No deficit financing is necessary.

Further Implications

The current accumulated debt should be treated as a liability (as a family treats a mortgage) and a monthly repayment plan should be laid out and executed, until the government continuously operates in surplus mode.

The total amount of government surplus (i.e. budgeted money not spent) should remain unused (technically returned to the central bank). This means that less money has been printed (borrowed from the central bank) for that year, producing effects such as lowering costs, lower inflation, currency re-evaluation, a higher percentage of private investments and more/better jobs.

The total revenue available for government programs (i.e. the total revenue forecast for the year) does not change the **political**

framework (i.e. how government money and resources are allocated). This is because political discussions (and decisions) among politicians deal in terms of **percentages** of total budget (see [Prioritization of Government Programs](#), Chapter 8).

3.1 Society's Investment in Government

In a modern democracy, the people choose to "invest" a portion of their national treasure, resources and individual earnings in "government" because they recognize that:

In some cases government may be more effective than individuals in **planning** or **setting standards**. In certain areas (i.e. the **Military**, the **Police** and the administration of **Justice**) only the government has the ability to defend the life and freedom of all members of society.

This section tackles the issue of "how much" should society invest in government. In a 1999 article (published in the FCP IMPACT Newsletter) I showed that as we invest more and more in government, the return on investment is not linear (i.e. further increments of investments produce less and less results).

By looking at the conditions at the extremes (i.e. a society without government and a society where government is in charge of everything), we can see that at both extremes society deteriorates.

Society however thrives when people delegate some responsibilities to government. It follows that **this curve has a maximum point** somewhere in between.

The existence of this optimum point has a very important implication: After this point, any increase in government (e.g. extra programs)

will produce a lower government revenue (the opposite effect of what is intuitively expected).

Those who advocate more government programs at all times often do not understand this implication. When **extra programs** are implemented (after the optimum point has been reached), they actually perform against the ability of government to deliver social programs and against the interests of the poor, leading society in a spiral of economic failure.

Optimalism works towards maximizing government revenue and responsible spending, in order to maintain the best welfare and assistance programs we possibly can, to help the needy.

In many cases instead, politicians are more concerned about being **perceived** as compassionate, than actually achieving real results. Political leaders and candidates want "to win" at all costs, including the cost of deception.

3.2 The Optimum Point

In the previous section we established that **there is** an optimum amount of investment in government. The following curve (Society's Total Investment in Government, or STING) shows the relation between this optimum and the size of government:

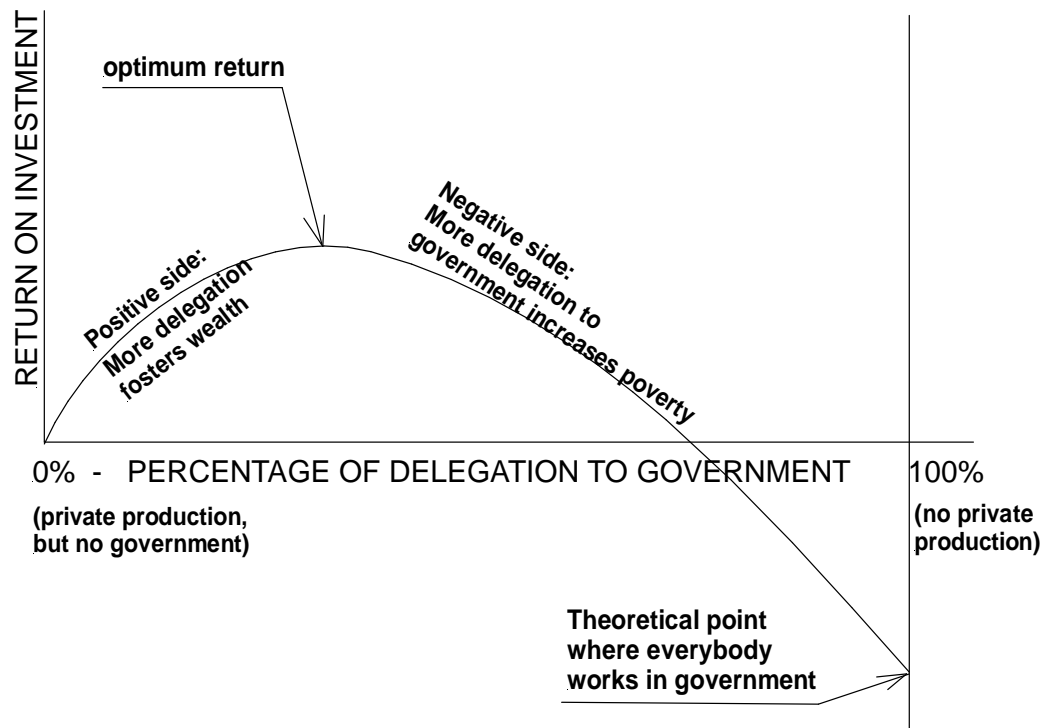


DIAGRAM 1. – The STING curve

The optimum point is the point producing the **maximum return on investment**, when government has the most revenue and, because of it, can implement the most (and possibly best) programs and services.

This happens when the country's produced wealth or Gross National Product (GNP) is highest (in absolute value), when more people are working and are more satisfied, more productive and have higher disposable income, which is reintroduced into the cycle.

Government revenue is maximized when the optimum balance is reached between the production of wealth and taxation; between the size of the private sector and the size of the public sector; namely, at the optimum point, when the total amount invested in government returns the maximum value to its citizens.

The exact quantification of the optimum point is not easy and, as suggested previously, can be investigated as a special project by Econometric firms engaged by government in an open bid.

The bulk of the existing research seeks to measure the relationship between the size of government and economic performance. This scholarship shows that economic growth suffers as government expands².

The effect of government spending on economic performance has been studied, for example, by looking at government consumption with respect to Gross Domestic Product (GDP): An article in *Economic Inquiry* reported: "The optimal government size is 23 percent (+/-2 percent) for the average country. This number, however, masks important differences across regions: estimated optimal sizes range from 14 percent (+/-4 percent) for the average OECD country, 16 percent (+/-6 percent) in North America and 33 percent in South America."³

Another study analyzed "government size"⁴ in African countries and found that the optimum was 20% (+/-3 percent) of GDP⁵.

The Heritage Foundation analyzed government size with respect to total taxation and found that the optimum total individual taxation level in North America would be between 25% and 30%.

The ability to know and maintain the total investment in government close to the optimum point would have enormous positive implications for society.

3.3 Maximizing Government Revenues

As we have shown, the maximization of government revenues does not follow taxation linearly. In fact it increases to an optimum point and then decreases after that. Thus, if we agree that government is necessary, then the maximization of government revenues is not “bad”, but “good” for society. It allows governments to deliver the maximum amount of benefits to society in terms of national defence, public works, social services, environmental protection and whatever other programs the government of the day deems useful (see [Prioritization of Government Programs](#), Chapter 8).

The important notion (see research) is that maximum revenue for government happens at a limited ratio of government investment (ownership, nationalization, bureaucracy, size, etc.) with respect to GNP. In other words, governments have maximum revenues when the economic and social conditions of the country are at their optimum levels of production and when individuals enjoy the highest standard of living, personal security and prosperity⁶.

Optimalism understands that the above goal cannot be achieved without the government’s ability to maintain economic health in the country. When government revenue is maximized, then the maximum amount of first rate social programs can be achieved, limited only by political dialogue.

4. The Money Supply

This chapter does not introduce new optimalist concepts, but is included here to help the reader understand the “environment” to which optimalist concepts apply. An optimalist government would have the confidence of the people and would not need to intervene in the money supply to create an artificial perception of competence. In addition, since the national economy would operate close to its optimum, there would be no periods of recession or depression, which in the past provided a rationale for politicians to “intervene”, generally operating outside their sphere of competence and possibly causing even more damage. If you are not interested in a clarification of this subject, please skip to the next chapter.

The value of money is relative. It depends on a number of factors that are only briefly mentioned here. The unit by which we measure money (e.g. dollars) is a convention established by each country’s government. In some cases, several countries may agree to use the same unit (e.g. Euro). The value of the chosen unit of measure is dependent on government actions.

Money is “created” by the central bank or by the treasury of the country essentially “out of nothing”, as in modern society the amount of gold held as a guarantee against the currency is a minimal percentage of the currency in circulation. What practically “backs” a country’s currency is its (perceived and real) wealth in natural and human resources, and ability to produce products and services.

In the following sections we will see how governments need to maintain stability and create a perception of confidence.

The Gold Standard

In the past, people tried using gold to “certify” the value of a paper currency and limit government borrowing and spending. The idea is that government should not be able to produce money arbitrarily and should first demonstrate its ability to acquire a certain amount of gold (the only international currency in the old times) before substituting that gold with paper notes. Some groups still advocate returning to the “gold standard”.

However good the intent, backing currency with gold does not protect the currency. Once paper money is in circulation, it was soon discovered that:

1. The “value” of the paper currency is still set arbitrarily by government and it is **relative**: One ounce of gold can be set to be worth one dollar or one thousand dollars. In the first case, for each ounce of gold in the federal reserve, the government will print one dollar; in the second case, the government will print one thousand. In both cases the paper currency is backed 100% by gold, but its value is relative. Thus governments can introduce paper currency in circulation (or remove it) at will, even with 100% backing of gold.
2. The “value” of the paper currency is determined by other factors, including the perception of stability of the federal treasury, of the economy, of the availability of natural resources, and the gross national product. Even with gold backing, nobody has any idea of the paper currency actually in circulation. The value of the currency (and the related price of gold) is determined by the market.
3. Governments can “spend” money they do not have, independently of the amount of gold in their treasury.

The decision of western nations, at the beginning of the last century, “to abandon the gold standard” was not the result of some government conspiracy, but the acknowledgment that a certification of the value of paper currency never really existed neither in theoretical, nor in practical terms. The theoretical alternative of eliminating “paper” money using gold coins only, is essentially impossible. Today the creation, transfer and use of “paper” money comes in many forms, especially the “electronic” form.

In the last 100 years, governments got used to creating money without constraints, in some cases creating an unsustainable rate of inflation and causing the collapse of a nation’s monetary system.

Changes in the Rate of Inflation

Newly created money can be accounted as a “debt” of government (i.e. government borrowing from banks or foreign investors with the intention of repaying its debt). In this case it presumably affects the economy with less of an impact on the value of the currency and on people’s trust in government.

Governments can also print money without borrowing it from banks and without accounting it as debt. In this case the government must accept the repercussions of this action (devaluation of the currency, lower trust, lower interest rates, economic slow down, etc.).

What are the effects of “printing” (or creating) money out of nothing?

In a “closed system” (for example if there were only one unit of measure for the whole world) the effect of creating more money would simply change the unit of measure, which implies a change in prices, salaries and everything else. What today we call one dollar could tomorrow be called one thousand dollars. If the currency were backed by gold, this would not prevent a redefinition of the value of the currency. If one ounce of gold were worth \$500, now it would be

worth \$500,000. The world would be no richer or poorer, although such action may have some psychological effect on people.

However, no country today can operate as a closed system. Countries are related to each other by trade and have an active system of foreign currency exchange.

For this reason, a currency devaluation (introducing more money into the country's economy) or the opposite action (removing currency from the economy) causes a series of consequences and opportunities for international trade, currency speculation, etc.

There are also other intangible aspects to be considered, which have to do with perception. If a government, for example, keeps changing the rules of the game, the perception of instability can cause people (investors, entrepreneurs, consumers, etc.) to become more cautious with their money and investments. For a perception of a "stable" economy, government must maintain availability of money to be borrowed at a certain interest rate.

The rate of interest (e.g. prime rate) may be different from country to country depending on the established practice of the country. Country A could feel comfortable with a 2% interest rate, while country B could feel comfortable with 5% interest rate, stable over the years. In both cases people rely on the stability of interest rates to make personal or business decisions (to buy, sell, invest, etc.). The natural laws of the market will do the job of maintaining all the other parameters in the country at a certain relatively stable level (unemployment rates, prices, etc.). Also, as a result of market forces, the currency exchange rate between these two countries will undergo a continuous adjustment, which would average 3% per year (other parameters excluded).

The inflation rate relates to the speed at which the country increases its money supply. In our example, country A chose a speed different

from country B. The people in each country learn, by personal experience and historical data, the behaviour of their government (in many cases also influence the behaviour of the government) and act accordingly.

If the perception of stability in both countries is similar, then both countries may produce jobs and wealth (e.g. grow their GNP) just as successfully.

On the other hand, if one country, for example, keeps changing governments from one extreme to the other, where the money supply is varied without consistency, then these variations (i.e. acceleration or deceleration of the speed of inflation) cause uncertainty, cause people to “hold on” to money and investment plans, and cause possible depressions and a decrease in wealth creation. Thus a country’s monetary policy can cause stability and wealth/job creation or instability and depression, and erratic behaviour of the inflation rate.

The effect of “confidence” in the prosperity of a nation can be illustrated by a traffic example: If a person is driving in a North-American three-lane highway, this person has a certain degree of confidence that the vehicles in front of his will remain in their lane and the person can follow the preceding traffic in his lane with confidence, even when the lanes next to his are moving slower. At the same time, when his lane is slower, he feels obligated not to hinder the traffic in an adjacent lane by switching lanes erratically. As a result, the volume of traffic through the highway (i.e. the traffic throughput) is close to its maximum possible under the circumstances.

By contrast, in an Italian three-lane highway, people do not feel as confident when passing slower traffic in an adjacent lane, because the traffic laws are not as clear and not as respected by motorists, or

because “surprises” are more various and more frequent. As a result the traffic throughput of the highway is slower.

Just as confidence in other people’s behaviour increases the throughput on a highway, confidence in the behaviour of government (according to expectations) increases the GNP of the nation.

Can Government Stimulate the Economy?

In conditions of market stagnation or depression, governments may consider “stimulating” the economy by making more money available and causing an immediate change in the amount of money available to people. We call this a “money supply stimulus”, which merely increases the money supply. This is essentially a small currency devaluation which creates an immediate reduction in interest rates, but also a tendency towards higher prices, higher salaries, higher demands for labour, products and services, higher inflation, higher interest rates, etc. (i.e.: all the signs and the illusion of a thriving economy).

The stimulus itself has no net effect on wealth production. However, if this money supply stimulus is presented by the government with confidence, as a “solution” to the economic problem of the day, it **may** cause people to acquire confidence in the market and return to their normal habits of spending, investing and generating wealth. If instead the government does not succeed in inspiring confidence, the effect of the realignment of the value of money, prices and salaries, has a negative psychological effect, as the nation witnesses a government unable to affect the economy and the government is perceived less effective, creating instability, delaying the recovery, etc. Successive stimuli may further lower people’s confidence in government.

In this sense, there is no “right” or “wrong” money supply stimulus. A money supply stimulus is a political means of painting a new economic picture to the people (who may or may not believe or trust their government and generally do not understand the economic picture in its entirety). The key benefit instead is for government to inspire confidence and stability. People who believe in government solutions, may feel more confident when government “does something”. Other people may feel more confident if government does nothing and lets them, interacting in a changing environment according to natural economic laws, adjust to, and overcome the recession.

Government intervention may work, but it is risky: If the timing, quantity and perception of the “stimulus” are not right, the cure may be worse than the sickness. The results may be a longer recession, or a “stagflation” (a recession with high inflation), or a recovery with a high inflationary period (an artificial bubble) followed by a market collapse and another recession.

Conversely, the natural laws of the economy have always worked in creating a real economic recovery as early as conditions allow.



The theoretical result of a Stimulus



The result of no government action

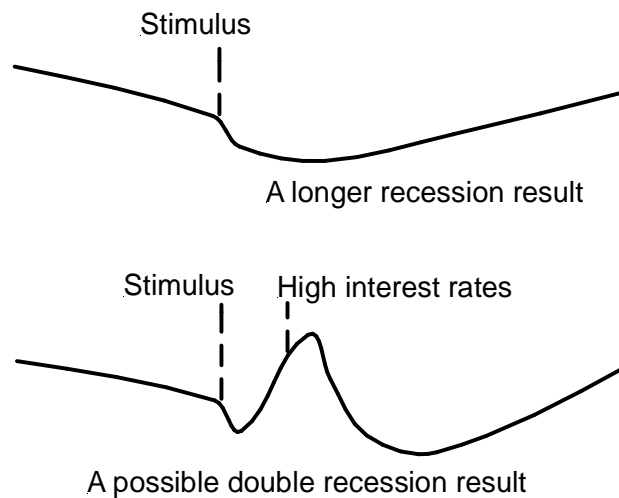


DIAGRAM 2. – The possible effects of a Stimulus
 (In the diagram above, the curve “loosely” represents the behaviour of prices, interest rates and productivity.)

There is one more consequence to consider: For the government to be seen as impartial and fair when increasing the money supply, it must do so without favouring or “bailing out” particular financial institutions or groups: When the government picks winners (in reality it mainly picks losers), when the government rewards failing business people and takes from those who worked hard and honestly, then the confidence in government integrity and justice drops and with it, the productivity of the nation.

The Effect of a Government Spending Stimulus Package

The above discussion deals with governments affecting the money supply and seems to be pretty simple. Essentially, governments need to create a perception of confidence.

However, today governments do not just create more money supply with their “stimuli”. They include in their “stimulus packages” provisions to **spend** money, that is directing money towards an industry sector, nationalizing private companies, bailing out some companies, creating new infrastructure, hiring more government workers, etc.

This is where our discussion on economic optimalism comes into play. We have already explained how government spending affects the wealth of the nation, the lifestyle of the people and the ability of government to implement its programs.

During a period of economic downturn, it becomes even more crucial for governments to follow an optimalist approach. Since today’s governments do not yet follow an optimalist approach, the investment in government is the result of political guesswork and ideology.

Very briefly, we can say that if the investment in government is too low, then more government spending may stimulate the economy, while if the investment in government is too high (e.g. during the Carter administration in the U.S.A.), then a government reduction accompanied with tax cuts (i.e. Reagonomics) will be beneficial to the economy.

If a country were to follow an optimalist approach, then stability in the economic parameters would be automatically pursued. A money supply stimulus (increasing the money supply) would be possible, but unnecessary, while the amount of government spending would have already been determined (by the optimum percentage) and thus could not be part of a stimulus.

To summarize, we can analyze the effect of a government “stimulus” package in today’s non-optimalist governments by noting the following:

If the “stimulus” is a money supply stimulus it may have an effect on people’s behaviour based on people’s perception of their government’s competence and “timely action”.

If the government “stimulus package” contains spending measures, these would have a positive effect if the total investment in government is below the optimum point in the STING curve, while they would have a negative effect otherwise.

In addition, a government package presented as a “stimulus” may include other goals (redistribution of wealth, change of environmental policies, “earmarks”, social change, etc.), which should be discussed within the political context.

What we can say here is that some government schemes of redirecting money to a particular industry or a particular group are **immoral**. People expect government to be *impartial* and, under that assumption, people work many hours, for many years and sometimes for a lifetime to provide for their family. Any government scheme that arbitrarily changes the balance of values in the market, or changes property values (e.g. for “planning and development” purposes), or discriminates in favour of some to the disadvantage of others is a breach of trust by the very institution created to “protect” its citizen.

5. Rejection of Economic Polarization

This work does not detract from, nor does claim to replace known economic theories.

Many economists have engaged in modeling, studying and formulating theories on macro-economics and micro-economics. However, the theories of the past may have missed one important parameter, which is presented here, namely the ratio of society's investment in government, with respect to the total economic output. We maintain here that some economic theories may or may not apply, or may apply differently to countries which have under-funded or over-funded governments (to the left or to the right of the optimum point in the STING curve). The rules of economics however, continue to apply generally.

There are two main schools of economics, based on their understanding of economics and their choice (cause effect) of what drives the economy: supply or demand.

However, the economy of a nation works with certain rules that are independent of ideology and include both forces of supply and demand. Optimatism seeks to understand these rules, not force one or the other view on society.

Economic polarization is often used as an argument for "ideological identification", to create a "class struggle" where there are no classes. This polarization contributes to the struggle between "left" and "right" in politics. This struggle cannot be avoided when questions of allocation of funds are under discussion. For example, questions may arise such as: Is it more important to build a new highway or to expand a hospital?

However, polarization can be avoided when decisions can be taken solely based on our current understanding of facts, science and the truth, excluding deception and artificially manipulated demands of a “constructed” reality.

6. Value or Stigma Associated to an Occupation

Diversity of Remuneration

Currently an auto worker in North America may have a higher salary, including full benefits, than a research and development Ph.D. graduate. You may argue that the graduate’s work is of a higher value, as his research may be instrumental in maintaining or creating many jobs. This is only a perception. The free market (demand for certain occupation) determines his work’s value and his salary. There is nothing wrong with this. Although errors in evaluation can be made and, in some cases, workers may be exploited, with today’s availability and free exchange of information and job mobility, “unfair” situations are soon corrected, one way (a correction of salary) or the other (a change of job or occupation).

A corporation’s officers and managers cannot keep a person employed at a salary that is much lower than the market demand.

A baseball player may make more money than a corporate executive. The diversity of remuneration in a free, competitive market is not always understandable, but it does not diminish anybody else’s chances of success. In fact, it may increase society’s ability to create opportunity and wealth for everybody.

Once we (as a society) accept that an occupation is legal, the positive or negative stigma attached to that occupation is only a perception. The rules of economics, not perception, drive earnings.

Why are we then somewhat uncomfortable when salaries are extremely high? It is mainly because we are comparing effort with results. An engineer, a driver or a businessperson may work much harder than an artist, or a famous player, for an income that is not comparable to theirs.

That is true. However, do we really envy the life of an artist? How many artists or players failed for the few that succeeded? Again, we cannot answer these questions deterministically, but the market can. More importantly, all the money earned by all people goes back into circulation, including the “excessive” earnings of artists and players: They will create demand for expensive items that need to be produced and they will pay higher taxes on these items.

Minimum Wage Provision

There is a high temptation for politicians to introduce a minimum wage provision. It is compassionate to think in these terms, and the intention is good. However, the minimum wage provision is another ‘guesswork intervention’ by politicians in the economy and it does not deliver the best possible return for the very people it intends to help. The minimum wage provision:

1. Is not “optimalist”, as any other intervention of government in regulating the economy. It would prevent generating maximum government revenue, to deliver social services for the needy.
2. It may benefits unionized workers who already have a job, but damages workers at the bottom of the ladder: Fewer jobs would be available at the entry level. This defeats the intention to help the poorest.

3. It is not an incentive to do better (than minimum wage), prevents people from seeking better education and a better job. It tends to lock people at that level.
4. It is not needed. The actual minimum rate for hiring low-skilled labour can be much more than any agreed minimum wage when job offers are more numerous than the people willing to accept those jobs. Minimum wage has no meaning (no effect) if the economy is growing. If instead the economy is NOT growing, then the minimum wage is actually a hindrance to hiring. Businesses will either **a)** pay the existing labourers for more hours instead of hiring new ones, or **b)** reduce risk, investment, hours of operation, etc. generating more unemployment.

The economic effect of the Minimum Wage shows that it is another of those politically constructed items that have no correspondence in reality. Most notably, it will NOT do what it purports to do: helping people at the entry level in the job market.

Governments must create the conditions for a better economy: conditions where people are considered worthy, where their services are worthy, thus their wealth-creation ability is multiplied to the benefit of all, including those who cannot work. With an optimalist approach, a balance can be obtained which is close to the best possible assistance for low-skilled labour, which is far better than what a government legal provision can do.

High Corporate Profits

There are similar perceptions about corporate earnings. Earnings by a corporation are either distributed in salaries and fees, or are invested in expansion and production. No matter how high or low corporate earnings are, these sums are going back into circulation

for the creation of more wealth (e.g. more jobs) and more government revenue (through taxation).

There is no reason for a “stigma” to be attached to the amount of personal or corporate income.

There is no reason for legislators to try to “correct” salaries. Every (communist) society that has tried to centrally determine the value of jobs, has failed. The reason? In a complex system, such as the economy of a nation, no government office can do the job that is performed by competition. The free market could be compared to a physical system that tends towards a stable equilibrium (e.g. a tumbler toy). It may oscillate back and forth, but it always tends towards the optimum mix of demand and offer, whether one is talking about products, services, salaries or prices.

The Gap Between the Poor and the Rich

One of the concerns of the political left and some well meaning socially involved people is the increasing gap between the poor and the rich.

In today's fast changing information age some people are making fortunes while others are begging on the streets. But is the gap itself a problem? The wealth owned by the rich was probably created by sharing opportunities and work, through which many people supported their families.

Individual wealth should not be a collective concern, because once wealth is created, it generally multiplies and **cannot be destroyed** by any method I can think of:

Squandering it? If a rich person spends his wealth on houses and boats, trips and food, his wealth is re-distributed creating more jobs and opportunities for someone else.

Hoarding it? If the rich keeps his wealth in the bank, the bank invests it in companies creating more wealth and opportunities for others. If the rich keeps his treasure under the mattress, then effectively that amount of cash is removed from circulation, making the currency temporarily more in demand, thus creating a temporary increase in the value of the currency, until the treasure is removed from under the mattress and put in circulation again, and it restarts creating more wealth.

Giving it away? If the rich gives his riches away or if he dies, then someone else will spend it or save it in a bank. In both cases wealth continues being created by the same riches.

Destroying it? Let's suppose that one of these rich magnates was particularly evil and decided to destroy his wealth so that no one else could enjoy it. He could destroy his own property, but not the wealth that has already been produced when he first earned the money to acquire his property. Nor he can stop the production of wealth generated by the money he spent to acquire that same property.

Burn it? He could even burn all of its cash, but then everyone else in the country would become a little bit richer, as the currency becomes a little bit more in demand and acquires value.

The 'gap' is not the enemy of the poor or the jobless. To complain about the gap is a by-product of envy and economic ignorance. Our individual efforts should go towards raising the standard of living of the poor (through our individual generosity or through charitable organizations) and government efforts should go towards encouraging an environment where industry can create more prosperity for all. More prosperity for the generous givers means more prosperity for the needy receivers of other peoples' generosity.

More prosperity for investors, risk takers and entrepreneurs means more opportunity for the employed and for the unemployed.

The Moral Aspect

From the moral point of view, each person is responsible for what he does with his income. Each rich person may be a saint or a villain, but the wealth he created is benefiting all. If we want to increase the opportunities and the standard of living of the poor, we should sustain incentives to create wealth for everyone. Whether the income is spent on selfish or unselfish ways, or whether that income is shared with others in a number of possible ways (donated to charities, directed towards the creation of jobs, invested or “spent” in other ways). Moral judgement of a person does not relate necessarily to his/her income level or disbursements. Morality is determined by other, higher factors, which politicians are not usually required to judge.

Remuneration diversity is often used as an argument for class struggle, contributing to the struggle between “left” and “right” in politics. As we have seen, this perspective is dangerous and undesirable.

7. Government Revenue and Taxation

A Look at Efficiency

In current systems of government, taxes, fees and charges have increased not only in amount (percentage of disposable income, percentage of GNP), but also in number (variety). This has led to both an inefficient disbursement and an inefficient collection of taxes.

By establishing, for example, two separate collection agencies (separate bureaucracies) for collecting two separate types of taxes (e.g. income and sales taxes), the amount collected from individuals and businesses is the total (addition) of the two amounts due, but the time spent by individuals and businesses is increased because of the duplication of rules. In addition, individuals and businesses have to hire more time from accountants, lawyers etc. to prepare and defend their tax declarations. Finally, the government spends more of its collected revenue to pay for duplicate bureaucracies to guarantee collection of taxes and accountants and lawyers to challenge tax declarations.

In the past century, the type of taxes has not just duplicated, but spread out of control. We have at least several major forms of taxation (individual income, corporate income, sales taxes, corporate taxes, and licences), and hundreds of ways different levels of governments tax individuals and corporations directly or indirectly, from dog licences, to capital gains taxes. The list is available and includes over one hundred types of taxation forms.

This proliferation has caused a profound inefficiency in the way governments acquire revenue and in the time and money spent by businesses and individuals to comply with the laws.

In summary, current taxation systems are inefficient and complicated. In some instances they include hidden taxes or are double-taxing citizen for the same item.

Optimizing the Tax System

Optimalism not only wants to simplify the tax system for the sake of principle, but also wants to maximize government revenue, within the parameters of the budget, by increasing efficiency of tax collection in the public sector and tax disbursement in the private sector.

Optimalism proposes to model all required and agreed upon taxes under **one system of collection**, called the Value Added Tax (VAT). This type of tax matches exactly with the “sales tax” already used in many countries and paid in business transactions when services are provided and when products are sold, from any one entity to any other entity (corporate, public, private or individual).

If the Optimum Point Percentage (OPP) for some reason could not provide the government the optimum level of revenue ⁷, then the VAT taxation rate should be adjusted (up or down), but no new form of taxation would need to be introduced.

Introducing any other form of taxation would go against Optimalist principles, as it would duplicate bureaucracy on both sides (provision and collection), thus reducing potential government revenue.

There are other reasons why a sales tax is preferable to other forms of taxation:

- It is inherently “progressive”, as wealthier people would pay a higher share of taxes (See next section).
- It is less of an imposition, as it can be voluntarily avoided either through choice or through barter⁸. On the other side income taxes could be interpreted as “involuntary servitude”⁹.
- It is inherently fairer, as it allows for an automatic way to trace the chain of production and distribution, thus avoiding involuntary or voluntary tax evasion.

Certain forms of taxation (such as a licence to operate a type of machinery) should either be calculated and included in an existing sales tax scheme (such as the vehicle sales tax, the gas sales tax, etc.) or collected through the same taxation model (the “sale” or auction of a commodity produced by government and useful to individuals/corporations that **freely** pay for it, according to the laws of demand and offer).

The movement in the United States for the “fair tax” (essentially the elimination of personal income tax and the corresponding adjustment and modernization of the sales tax) is a step in the Optimalist direction.

Progressiveness of the Tax System

The Value Added Tax applied to sales of product and services is inherently “progressive”. The term “progressive” is generally used to indicate that “rich” people pay exponentially more tax than the “poor”¹⁰.

The amount of Value Added Tax paid by the rich for “big items”, “fancy” services and “unnecessary” products would be bigger, even if the rate of taxation were the same. In addition, unusual products in

high demand tend to have a much higher price than basic items, such as food and shelter.

The cost of food and shelter in North America is lowest in the areas where people are comparatively poorer.

Once people reach a certain standard of living, they automatically discard anything below their level, from the place they live to the products they used.

All of these effects indicate that government revenue and the economic health of the country, rich and poor, can be improved with only one tax type and very simple rules of tax collection.

Some people may not think that such a tax system would be “fair”. However, instead of trying to defend the progressiveness or fairness of one or another system of taxation, we must emphasize that Optimatism advocates a system that is close to the optimum. These people should realize that when everyone has more than double of what they immediately need for the basic necessities of life, then the argument of perceived fairness or progressiveness becomes much less important: Optimatism will do more for the disadvantaged than any other system could ever do.

A Multi-Step Approach

The transition from hundreds of taxes and thousands of pages of regulations to a single tax may require a multi-step approach:

After a few years of Optimatism, the economy will do so well and government revenues will be so high, that ***the income tax can be eliminated.***

Eliminating the income tax will eliminate an entire department of government bureaucrats, who will have to retrain for more essential

or more productive occupations. It will also force a score of accountants and lawyers to retrain and/or change to a more productive occupation. People will have more disposable income and more time on their hands (i.e. higher satisfaction and standard of living). This will create a higher demand for a whole new set of products and services, which will create a demand for people in all fields (including office workers, accountants and lawyers).

This effect will increase the rate of growth of productivity and accelerate the path towards prosperity, further increasing government revenue.

Soon after the elimination of the income tax, the complete program achieving the objective of only one tax collection system could be completed, reaching the optimum as far as collection and disbursement of taxes. That will mean even higher prosperity, higher government revenue, standard of living and public satisfaction.

A Further Advantage of Tax Simplification

Taxation schemes (especially income taxes) have been used for a number of ideological and often illegal purposes by politicians. They have been used to gain popularity, to reward friendly parties, for bribes, for acquiring popularity and for creating or opposing “class struggle” or redistribution of wealth.

The simplification of the tax system removes the means for politicians to play games with taxpayers’ money and government revenues.

8. Prioritization of Government Programs

Once we accept the principles of simplification of the tax system and maximization of government revenues, then the most important political task is the allocation of these funds to government programs.

This is where the political realm exercises its freedom of opinion and where representative democracy operates.

Each political party, depending on their philosophy and/or ideology can propose different avenues for government: Communism, International Socialism, National Socialism, Liberalism, Conservatism, Libertarianism, etc.

With an optimalist approach, governments play their political roles not by allocating absolute amounts of money towards a certain program (e.g. \$17 Billion will be spent in the next five years for transportation), but by arguing what the percentage of the total budget spent on transportation should be (e.g. is 8.35% too low or too high?). If a party wants to increase this percentage (say to 8.50%), then a corresponding percentage (i.e. - 0.15%) has to be lowered from another government program. This type of “parametric” prioritization of government programs and expenses removes the opportunity for demagogu¹¹.

In addition, the parametric type of prioritization automatically enforces balanced budgets.

If an optimalist approach to government is implemented, then the various political currents will be discussing much more about government priorities and much less about taxation, revenue, nationalization, deficit financing, etc. These subjects are best worked out by experts in econometrics.

8.1 An Example

The following is a simplified example in a hypothetical government, which does not take into account the division of responsibilities between the federal government and lower levels of government. The indicated percentages are **not** part of this proposal and may be far from what will actually be required within the scope of each government.

As an example (see table below), a political current may propose the budget on the left, while another may propose the budget on the right, but both proposals satisfy the budget bottom line.

No matter which proposal is chosen, the government will have at its disposal the maximum amount of money that the country can afford to implement the chosen programs.

At the same time, both proposals are exactly within budget, as they are expressed in terms of percentages of the total amount of revenue, which is itself determined by the rate of taxation:

Ombudsman	8%
National defence	9.5%
Policing	3.5%
Justice	5%
Public works	8%
Transportation	15%
Education	15%
Health care	20%
Arts & culture	5%
Environment	6%
Standardization	2%
Reserve/surplus	<u>3%</u>
Total:	100%

Ombudsman	8%
National defence	8%
Policing	2%
Justice	5%
Public works	9%
Transportation	13%
Education	18%
Health care	22%
Arts & culture	6%
Environment	4%
Standardization	2%
Reserve/surplus	<u>3%</u>
Total:	100%

In this example, the "Reserve" may cover errors in forecasting due to fluctuations in the economy.

9. Avoiding Ideological Pitfalls

The world has (been created with) certain rules. We are still discovering some of the rules. Some of these rules we cannot know. From the scientific and logic point of view, something is either True, False or undeterminable. An optimalist philosophy of government strives to reach an understanding of the truth and govern accordingly for the good of all people (what is normally called “The Common Good” – See the next section).

Ideologies, by contrast, are based on systems of belief, artificial social constructs, or assumptions (e.g. postulating the existence of classes and class struggle) and want to achieve goals for a particular class (e.g. wanting to raise the status of women, lobbying for big corporations, etc.). Ideologies often trample over the truth in order to achieve their goals.

Science has been, since its inception, a movement towards the search of Truth. Political ideologies tend to stifle progress in this direction.

Optimalism strives to maintain the truth as the scientific, social and political primary objective. It happens that moral and religious people also hold the truth as their primary objective.

Future governments, freely elected by the people, will continue to reflect a particular “current” (ideological or philosophical) in their political platforms for action. We hope that soon people will recognize the benefits of Optimatism, will reject governments based on ideology and will choose governments based on facts, science, economy, statistics, logic, truth and ageless values.

9.1 *The Common Good*

The logical, true definition of “Common Good” is: “What improves the standard of living of all”, for example, what increases the Nation’s GNP, increases the average income, reduces unemployment, reduces the national debt and improves other economic and social indicators.

It is our moral responsibility¹² that governments remain impartial and formulate laws that improve, not hinder, the Common Good. It is also everybody’s interest, in the long term, to live in a nation where laws and regulations allow everybody to achieve their goals independently of origin, race, religion, and social status. A person who is rich today could be poor tomorrow, and vice versa. Thus, in the long term, it is everyone’s interest that laws be impartial, and facilitate the real Common Good.

We must not confuse the government moral responsibility to work towards the **Common Good**, with the individual moral responsibility towards **charity**.

The first is a common effort enforced through taxation in proportion to our means; it is involuntary and should be impartial. The second is an expression of love; it is voluntary and it allows us to choose those specific works of charity that we want to help, independently of our economic status, and regardless of what anybody else does.

Most people take the definition of Common Good for granted. However, some ideologies are using this idiom in a restrictive way, to mean what they need to achieve their specific goals, thus, by definition, they are operating in opposition to the real Common Good.

Mostly because of media misinformation, most people have a skewed understanding of “compassion” and favour government

interventions that “help” a particular class, but work against the real Common Good.

Those politicians, who follow the trends in order to be re-elected, introduce destructive policies because people actually vote emotionally, according to their false perception of “compassion”.

The definition of Common Good is stretched to justify partisan policies that favor, for example, class struggle - in the hope of “equalization”, nationalization of industry – to prevent “excessive profits” and centralization of decision-making – in the hope of “fairness”. That is, they support national socialism, a highly destructive form of government, morally and economically against the Common Good, in the unfounded hope for a “better world”.

More specifically, the “liberation theology” groups and the left wing use “common good” to mean those policies that improve the condition of “the poor” or some other specific group.

This is an oxymoron. Either a policy is for the Common Good (i.e.: it improves the condition of all), or it is partial and discriminating in favour of (or against) a particular class or group.

This misconception has been reinforced by the major media and most people fall in the trap of supporting policies that promote discrimination (most often “reverse discrimination”) in the hope of being, or appearing “compassionate”.

In reading this and other books, please keep in mind the “real” Common Good, if you are concerned about the morality aspect of social intervention.

After reading the previous sections, you should recognize that more government, or more taxes, or more programs, or more nationalization, are not necessarily conducive towards the Common Good. In fact, all of the above programs are working against the Common Good when government investment is excessive (to the right of the optimum point in the STING curve).

10. Constitutional Integrity

Governments operate by a set of rules that are based on the country's constitution. By maintaining these rules operational and observed, the country's economic potential and progress can develop faster. Whenever the rules are ignored or misinterpreted by the courts, society seriously suffers.

Optimalism seeks to express laws in a logical, simple, consistent and unequivocal form. Proposals of law should not only be checked by lawyers for consistency with existing laws, but by actuaries, technocrats and scientists for consistency with reality, logic and Truth.

Optimalism adheres to a strict interpretation of the Constitution as originally written and as amended by its own amending formula, and of the Law, thus generally reducing the "power" of appointed justices in interpreting the country's laws and reducing litigation.

11. Remuneration of Government Officials

It would be desirable to introduce a “productivity” element in government work. However, this can easily be misinterpreted. Arguments of “need” could be made to justify more “work” and more budget requirements. Until a better solution is found, we need to rely on government “self-regulation”.

To increase the motivation to serve the public good, government officials, elected or not, should be paid on the basis of a “mill rate” calculated according to the average salary of workers in the free economy of that country or region. For example, the salary of members of parliament could be set to 2.5 times the average (which would be less than their current salary), while the salary of a bureaucrat could be set at 1.2 times the average.

By following this system, government workers’ salaries will remain as stable (or as variable) as the salaries of the workers in the private industry. By setting government salaries in a parametric way, government remunerations will automatically adjust to the changes in the economic prosperity of the country, for which government officials and workers are partly responsible.

They will share with everyone else the good times as well as the tough times, without the need for engaging in confrontation.

12. Competent Government

There are many areas of government where optimalist concepts can be applied. At present, “competent government” seems to be an oxymoron. However, when governments will experience the results of optimalism, they will be more likely to apply the same concepts in the daily management of government affairs, starting from those aspects of government that are considered non-partisan.

12.1 *Responsible Litigation*

People who have lived through a war or through extremely rough times are more likely to be immune from conformism and political correctness. When there is a need, they are more likely to “take charge” and do the right thing, no matter what the consequences may be to them or their reputation. Today’s society seems to be rejecting such behaviour and even punish people who “circumvent the process” to act in a timely and responsible way¹³.

Today’s society has become dependent on litigation and lawyers. Damage amounts requested in lawsuits are often excessive, arbitrary and unrelated to real market values. Excessive rewards contribute to more litigation, as greedy lawyers see the opportunity to increase their own earnings by increasing damage amounts requested. To improve the current litigation-based society, an optimalism approach would:

- Remove all the legislation that is obsolete, undesired or too complex, to reduce litigation requirements.
- Review all legislation that is dealing with more than one specific area and cut out any paragraphs that do not deal with

the subject of the legislation (e.g.: “earmarks”, overlapping regulations, etc.)

- Introduce new legislation only when it is clear, simple and specific.
- Include a “sunset” clause in all legislation, indicating how long the legislation will be in force before it expires.
- Limit the maximum damage amounts for all litigation to their real-market values and eliminate unproven punitive amounts.
- Publish a list of all available lawyers and their qualification.
- Remove all hiring practices and regulations that control the number and qualification of lawyers, or limit any lawyer from any jurisdiction to represent a client, to allow competition and decrease litigation costs.

12.2 *Purchasing Assets*

This section may seem obvious, as many of us have experienced an economic reality: Purchasing assets. For big purchases we use debt, such as a mortgage, to invest in assets. Purchasing an asset makes economic sense if the asset is income-producing, that is it earns a return greater than the cost of borrowing a sum of money equivalent to the cost of the asset. The “income”, in those cases where the asset is our principal residence, then the “income” consists of our savings in the cost of rental.

However, governments seldom worry about this economic reality. They buy assets using deficit financing purportedly “for the greater good” independently of whether these assets produce a return on investment or not.

When government wants to buy assets (e.g. public buildings, infrastructure) it should be required to produce a positive return-on investment analysis.

If this shows a negative income for the foreseeable future, then the investment cannot be “for the common good” and the plan should be scrapped. Such plans actually waste taxpayers’ money that could have been spent on other government programs.

Such an analysis should also be performed on existing office space rented by the government.

For example, a government might consider buying a building for a school or building a new school. If it does so when renting space out of an existing facility would be a better option, it effectively uses budget money to enrich a financial institution.

Conversely, if buying or building a new school is a better option with respect to renting an existing facility, then a capital investment should be pursued. By avoiding such pitfalls, the government can optimize the management of the money it holds in trust from the people.

12.3 Monopolies and Competition

When a company creates a new product, or a person creates a new piece of art, copyright and patents laws provide that person or corporation a “head start” recognizing their initial cost of research and development. For a number of years (generally 50 for a copyright and 18 for a patent) these new products are assured a unique recognition in the marketplace and a legal protection against any copy.

In most cases, this head start is enough for the public to recognize the original brand from a copy that may have been legally introduced

in the market years later. However, in some cases, the initial corporation has “cornered the market” and, for technical reasons or because of the capital investment required to develop a product, it is very difficult or impossible to get a similar product or service from a competitive source.

A monopoly occurs when a product or service is available (essentially and in most part) only from one corporation or institution. For example, until the end of the twentieth century, telephone service was available only from one telephone carrier.

Usually monopolies subsist only for a limited time, until a radical change in demand or a technological advance will “break” the stronghold of the company holding the monopoly.

A monopoly is generally not good for society. It works against the forces of the free market and provides a product or service at a cost higher than strictly necessary, thus the company holding the monopoly is able to attract more wealth than usually would be the case in the free market. Also a monopoly may work against the common good, using information knowledge, personal contacts or provisions of law to maintain its privileged position.

How do we control monopolies? Fortunately, in a free society, there is usually no need to. Companies that hold the monopoly in the marketplace have to maintain themselves efficient; if they do not, and develop some “fat” or fail to recognize a market trend, then they will lose the monopoly simply because other companies will recognize the opportunity. This shift in the marketplace re-establishes the equilibrium and is generally good for the consumer and for society.

Even so, when the size of the corporation becomes uniquely relevant, laws (e.g. anti-trust laws in the United States) have been

set in place to “split” such companies into separate divisions and force them to create an internal competition.

12.4 A Level Playing Field

Most people recognize that the market should be fair. The law should be equal for all. No entity should pick and choose winner or losers.

However, today governments do just that. They pass regulations to help, stimulate, or support research and development in an industry, with the intention of furthering the public good.

Unfortunately these intentions go against the market by their very nature (or otherwise no regulation would be necessary) and often go against common sense.

Governments should not help (or hinder) industries, but allow industries to do what they do best: develop products and services within a level playing field. Copyrights, trade names, logos and patents establish the industry’s scope and guarantee the origin of the products or services to the users. Users then decide which products they want to buy.

An optimalist approach would not interfere with this process by regulating “exceptions”. Each exception conceived by a government official implies more bureaucracy and cost to taxpayers. It may have a temporary effect that is visible, but usually will have far reaching effects that are difficult to quantify. Ultimately such provisions have one thing in common: they complicate the rules of the market, thus add to the expense of introducing products and services into the market making the nation less competitive and increasing the cost of living for the population.

Nationalization¹⁴ of an industry or an industry sector is one of the greatest forms of market intervention. While the intent is always “good” no nationalization scheme has ever worked in the long term. Examples abound all over the world. Thus the exercise of nationalizing an industry and then “selling” it back is futile and costs taxpayers more than the benefit it may give them in the short term.

12.5 Competition in Health Care

A catch phrase representing what I called earlier an “ideological pitfall” is the “two-tear” system of health care. There is no definition of such system, apart from the current reality: people who have enough money to travel for a medical procedure can choose the place (or the country) where they want to be taken care of.

The wording “two tear system” has been used in previous Canadian elections to foment the fears of uninformed or poor people. For example, people may experience the fear of being abandoned to their own means, when sick.

Accordingly, if a “two tear system” is rejected and all people “pay into” the same national health care system and are treated in the same way within the system, then their worries are over.

In Canada, the fear of the “two tear” system, similar to the dreaded gap between the rich and the poor, goes as far as forbidding people from paying extra for private medical services. They essentially would be paying twice, the second time out of their own after tax money. If these people were allowed to find assistance somewhere else, then they would not be using public health services. The result would be that the other people using public health services would have at their disposal a bigger share of these services without paying any more taxes. Thus a two-tier system of this kind should make poor people happier. However this is not so, for the following

reason: The real fear is that if the national health care system is asked to operate in a competitive environment, it would lose its best doctors and eventually it would collapse under its own weight.

The opponents of the “two-tier system” know the intrinsic vulnerability and inefficiency of a national healthcare system and, if they want it to survive without reforms, they must protect it from competition, no matter what the cost is to the taxpayers and no matter what catch phrase needs to be invented to generate public fear of a competitive environment.

Competition does not necessarily mean the elimination of “free” healthcare (healthcare paid by government for all). The guarantee of free health care and the freedom to pay for private health care are two different concepts. Government can achieve competition by issuing bids or by using the services of multiple insurance plans. In Canada health insurance is government-run insurance only, and it is a monopoly.

What would change for Canadians if multiple insurance companies would be allowed to compete to provide “free” health care for Canadians in addition or in place of the provincial health insurance? The service would improve and the price (paid by taxes) would go down. This is an economic rule with no escape clause.

Competition would not achieve perfection or the optimum use of resources, but it would come much closer than a system (and a system of this size) operating as a monopoly and operating as a government bureaucracy.

Multiple insurances operating in a competitive environment would tend to provide a better service to the users at a lower cost, according to the natural laws of the market. Were this not the case and an insurance company provided poor service or charged higher premiums, then it would disappear from the market.

An optimalist approach would recognize the government's role in setting minimum standards for health care and require that facilities comply with such standards. Private health insurance companies would compete to provide better and better services at a reasonable cost. At the same time any public health insurance or health facility would automatically participate in the free market process of continuous review, service upgrade and cost reduction.

In such an optimalist scenario, taxes levied for health care would only cover standardization and testing. Governments would make insurance mandatory for all. Users would subscribe with the insurance of their choice using after-tax money (just as in the case of automobile insurance).

Governments would soon realize that they do not need to be in the health business nor in the health insurance business, if these services can be provided by the private sector. However, in an optimalist system, the government may continue to provide a public, competitive health insurance or maintain alternative public health facilities depend on budgetary and political considerations. The degree of government involvement would also depend on how good a job government does in a competitive environment.

Currently health care is a major portion of income taxes levied. In Canada, for example, the cost of health care is approaching one third of provincial budgets, without counting the amount spent on health care by the federal government. Within a competitive environment, the amount of money saved by each family (approximately one third of their income taxes) would more than cover the cost of the mandatory health insurance premiums, with better individual coverage for all.

12.6 Competition in Education

Although the amount of education founding in Canada and in the United States are the highest in the world, the results are far from expected. The level of classical and scientific education provided in many countries in the world is much superior to the level of education provided by North American public schools. Furthermore, the children who score best in public contests are those educated at home or in private schools. It has been established that the amount of money spent in education does not result in better scores essentially because of management overload. That is funding does not always reach the classroom.

In addition to the funding problem, public schools have lost contact with the requirements of the parents. In many cases, the parents are ignored, or excluded from education decisions. Children learn to trust teachers more than their own parents.

The solution is not for government to “fix” the public school system by government means, such as regulation, procedures, funding formulas, teacher testing or similar ideas. If this were possible, it would have worked in the last forty years. We had innumerable and costly commissions on education, which published thousands of recommendations for improving the public school system.

Especially in today's environment, when technology grows and changes exponentially, teachers and curricula need to be versatile and flexible. The government machinery is notoriously too slow to change itself.

An optimalist approach would introduce competition in education by allowing parents to choose the school for their children. Again, as it is the case for health care, we need to distinguish between “free” education (paid by taxes) and private education (paid by individuals with after-tax money).

Governments can introduce competition and parental choice in education and still provide for “free” education, if this is what they want, by channelling the money assigned for each child to the school chosen by the parents.

The result of competition among schools (or school systems) would be a more responsive relation between parents and teachers, with a much higher adaptability of the school to changing requirements.

The major fear of educators is that government would lose control of what school actually teach children. An optimalist approach would recognize that governments must set reasonable minimum standards and publish standardized tests for all to use. However, the loss of “government control” is what would allow schools to improve the level of education, be responsive to parental requirements and adapt to technological and cultural changes in a way that government never could.

As with any other “free” government services, some parents may choose not to use the public education service and “pay twice”, by sending their kids to private schools. Such decision would alleviate the public purse and should be welcomed by taxpayers.

12.7 A “Not to Do” List

A competent government needs a “Not to do” list¹⁵. The following is only a start.

Governments should **NOT** spend public money to promote, facilitate or in any way help activities that are in contradiction with natural law and the fundamental human rights of life, freedom and ownership of property. For example, governments should not spend money or issue laws directed at terminating human life, or curtailing free expression, or expropriating private property. As a further example, governments should not presume consent to the transplant or use of human parts or human cells.

Governments should **NOT** assume, or assign to themselves, powers that are not explicitly specified in the country's Constitution documents.

Governments should **NOT** target individuals or groups through tax legislation. Such policies are against the fundamental human rights expressed in most free countries' constitutions.

Governments should **NOT** introduce programs that discourage, limit or stifle savings. Savings represent the only way for families to raise their condition in life. They are a training field for people to understand the natural laws of economics and manage their own resources. They constitute a base for people to start new businesses. They are the means for further education, bridging between careers and means for the education of future generations. They represent a security for old age. Last but not least, individual savings are used by banks to lend money to businesses and expand wealth creation. The above are some of the reasons why an optimalist approach does not suggest maintaining "property taxes" as it suggests simplifying the government tax system (See [Government Revenue and Taxation](#), Chapter 7 above).

Governments should **NOT** introduce programs that discriminate against one activity, business, group or association with respect to others, unless such activity is recognized as illegal or seriously affecting the life (e.g.: drug dealing), freedom (e.g.: sweat shops) or property (e.g.: polluting industries) of others.

Governments should **NOT** introduce programs that favour (e.g.: with tax exemptions) one activity, business, group, association with respect to others, unless such activity is recognized as of vital importance for national security. Such discriminations are paid by all, but chosen arbitrarily. They contradict the principles of optimalism and, at best, provide only temporary benefits.

Governments should **NOT** limit citizens from acquiring products or services that are legal. For example, government should not limit the ability of a person to pay for special or private education or special or private health care services.

Governments should **NOT** initiate any activity that can be done by a private citizen, an association, a corporation, an organization or a lower level of government (principle of subsidiarity).

Governments should **NOT** decide matters that are of competence of science and technology, but should only set standards and spread information. For example, governments should not “invest” in the use of a particular type of gas (e.g.: offer tax advantages for the production of ethanol without appreciation of side effects) or in a particular type of energy production (e.g.: solar, wind without appreciation of hidden costs). We know by experience that the industry is much more flexible in keeping abreast with science and technology and developing new solutions promptly and abandoning old solutions when required.

Governments should **NOT** promote particular interpretations of statistics, science and technology. For example, governments should not promote a particular method of transportation (e.g.: electric cars) or promote a particular interpretation of science (e.g.: global warming myth, population explosion myth), especially when the scientific community is divided and no proof or conclusion has been reached.

Governments should **NOT** own or interfere with the media, limit access to information from the World Wide Web or try to shape public opinion. Although this seems obvious from the principles of freedom of expression, governments seem to continuously justify investing in “public” media with good intents and purposes. Such media irrevocably spread outdated (or false) information or limit the free flow of information. For example, in Canada there are few media

that are able to broadcast alternative (non politically correct) news and opinions, due to the existence and mandate of the Canadian Radio and Television Commission and “public” broadcasting (such as the CBC) that are financed by public money, but are ideologically driven and can bypass the rules of the free market, competition and real public opinion (as they are financed by government).

Governments should **NOT** spend taxpayers’ money to advertise their own policies (often under the pretence of spreading information). They are managing public resources in trust and must not use these resources for promoting their political ideology.

Governments should **NOT** sue other levels of governments. In such disputes taxpayers pay the price on both sides, thus such disputes are never in their interest. Such disputes must be solved by responsible political decisions and politicians must assume the responsibility for wrong decisions.

13. Government Review

Corruption has been a problem in government probably since the beginning of time. Ambitious people enjoy proposing ideas and acquiring control. They go too far, when the ideas are imposed and control is at the expense of someone else. Selfishness, like ambition, may become a very dangerous quality.

Since politics is the art of governing (i.e. controlling), it is understandable that it provides a fertile field for the expression of the lowest human traits. Optimism, per se, does not claim to solve this problem at the root, as it does not claim to change human nature. However, we observe that when people are offered viable alternatives to express themselves in business, science, art, or any other legal endeavour, when people's talents are recognized, they naturally tend to continue doing what is good and stop doing what is bad. In addition, the personal "character", derived from family and life education and experience, helps people develop their qualities and avoid their weaknesses.

Even so, since certain people fall into corruption, society must defend itself in the best way possible, through continuous review, evaluation and policing. In addition, politicians may become complacent and lazy. Thus they may become tolerant to government waste of resources.

We propose two ways to alleviate these problems: The entrenching of ethical **rules of conduct** in the constitution and a **continuous review and policing** of government officials and government waste.

13.1 A Set of Ethical Rules

We propose the entrenching in the constitution of a set of ethical rules of conduct, given as a minimum requirement for people who want to lead in public life (politicians). These rules will hopefully become an example for others to follow.

Society in the past has assumed such rules as part of the system (e.g. part of everyone's religion), part of nature (Natural Law) or part of human conscience. However, recently society has "emancipated" itself from such models of behaviour.

Nothing prevents people with a selfish or even a criminal intent from obtaining a public responsibility, a job or winning an elected position. However, an effort must be made to make the rules of behaviour clear from the start so that such individuals will be discouraged from seeking positions of authority and responsibility in government.

Review and Clearance of Political Candidates

Currently a person seeking to represent a district in a public election has to collect a number of signatures, go through a nomination process and/or pay an amount of money as a deposit. However, there is no automatic review, for example, of that the person's criminal record.

Each person seeking to be a candidate for public office should go through the same investigation and clearance that a person has to go through when seeking a job in a sensitive government position, such as a job with the police or the military. A system of clearance of candidates for political office also prevents surprises when such people are already elected, or even re-elected, and have created political connections that may be used to continue their possibly illegal activities.

Personal Ethical Rules

The following ethical rules may seem obvious to the majority of people, but seeing what happens in government, we believe it is worth noting and entrenching in the constitution a set of expected minimum rules of personal behaviour for politicians, such as the following examples:

- We expect government officials not to commit murder, or ask, order, legislate or otherwise cause in any way, directly or indirectly the killing of a human being. The most important role of government is protection of the very people it represents, including their families. Apart from obvious cases of self-defence, government officials are required to protect human life.
- We expect government officials not to steal private or public funds, or ask, order, legislate or otherwise cause in any way, directly or indirectly misappropriation of funds or illegal or improper transfer of funds.
- We expect government officials to tell the truth at all times, privately as well as publicly. There may be cases where a government official can withhold the truth temporarily for national security reasons or during a police investigation. However, at the end, society has the right to hear the complete truth from the representatives it elected.
- We expect government officials to conduct themselves impeccably in human relationships, and not enter relationships that are secret, which may be conducive to bribery. Politicians should expect that anything they do or say may be made public at any time.
- We expect government officials not to enter business deals or private deals which, when exposed, could change the public

- perception of this politician. People who voluntarily become representatives of the people must accept living in a “glass house” where their private or public behaviour, if questioned by the police, can be fully disclosed.
- We expect government officials to make their best effort to hear all sides of any issue by allowing all parties a chance to explain their point of view. This is especially crucial within the judiciary.
 - We expect government officials to uphold, as written, the Constitutional fundamental freedoms and the legal rights of individual constituents that they represent. We expect them to do so with perseverance and without prejudice.
 - We expect government officials to act in the interests of the people and not in their self-interest. Thus any time a conflict of interest arises, politicians must publicly acknowledge their conflict of interest and excuse themselves from that public responsibility. This may include resigning from a position in a commission, a cabinet post or resigning from their position altogether.
 - We expect elected government officials to treat election promises as a legal contract with their constituents.
 - We expect government officials to immediately resign their position when they cannot keep, or have infringed, any of the above ethical rules.

13.2 *Review Mechanisms*

Prevention of Corruption and Waste

We propose a guaranteed, independent and continuous mechanism for government review to prevent corruption and avoid waste. While this function creates a form of duplication, it also provides for “double checking” of procedures, behaviours and allocation of resources. It is a price we have to pay for the negative aspects of human nature.

The Ombudsman will engage in a continuous investigation, evaluation and reporting of all areas of government, with respect to issues such as constitutionality, consistency and respect of the law, ethical behaviour and spending of government representatives and bureaucrats, the elimination of useless bureaucracy, the avoidance of duplication of services, the allocation of resources, the elimination of favouritism, etc.

Review of Laws and Regulations

For each new piece of legislation there shall be a sunset date for its public review. This includes legislation establishing new government bodies or bureaucracies, such as “agencies”, “authorities”, “boards”, “commissions”, “tribunals” and the like.

The office of the Ombudsman will also identify and publicize government laws and regulations that are unclear, complicated or unnecessary and suggest their review by the Legislature. The legislature will have a limited time (e.g. one year) to address the legislative problem or the identified law will be declared null and void. The objective is for laws and regulations to be **simple**, **readable**, **logically consistent** across the board, **unequivocal** and **understandable** without the help of a lawyer.

Cooperation with Other Investigative Agencies

The office of the Ombudsman will openly and constructively cooperate with the police and other investigative government agencies at their request.

Funding of the Office of the Ombudsman

To assure funding of this basic function, a set share of the budget (e.g. 8%) should go to the independent office of the Ombudsman for the purpose of government review, as described in this section.

Open Records of the Office Itself

The office of the Ombudsman itself has to publicize its own allocation of funds, its research and its findings as soon as possible and in its yearly reports to the taxpayers.

Terminology of Political Currents

Optimalism:

A political/philosophical system advocating a society where individuals, families, government and society can achieve their maximum potential through a more technocratic and parametric approach to government with full respect of their fundamental freedoms and legal rights.

Optimalism recognizes that government revenues are maximized at the optimum level of society's investment in government. By maintaining government investment close to the optimum, and by a more technocratic approach to government, Optimism intends to release individuals' full creativity and productivity, benefiting society in general.

Economic Personalism:

A school of thought in the centuries-old tradition of Christian reflection on the ethical character of socio-economic life. It is particularly concerned with developing a deeper understanding of the moral dimension of economic, political, and civil activity.

Communism:

The writings by Karl Marx, summarized by the phrase: "from each according to his ability, to each according to his needs" spearheaded the ideology of Communism: putting wealth in a common pool and distributing it according to need. This ideology has repeatedly failed in practice as it does not take into account an individual's motivation for freedom, and it lacks incentives for people to produce wealth.

Invariably this ideology comes with government centralization and restriction of freedom, as Communism recognizes individual freedom as its enemy: All individual freedoms (freedom of religion, freedom of association, free ballots, freedom of choice of employment, etc.) go against the concept of centralization of control and decision-making.

Socialism:

A milder form of Communism, where only some communist ideas are implemented, and only to a lesser extent. Socialism usually allows (or tolerates) a certain amount of individual initiative and individual profit. Socialism is willing to redistribute wealth through laws, regulations and the tax system.

Socialism advocates bigger government, higher taxation, nationalization and centralization.

Populism:

Some reform-type political movements are based on “populism”. They generally advocate a closer control by the people of government affairs, by having elected officials represent the people very closely in all areas of government. Populism includes measures such as referenda and “recall” of elected officials.

Populism works only when the people are well educated on the subject at hand, and when no bias is introduced in the presentation of arguments in a process such as a referendum. The reality is that people do not have the time, nor often the interest, to be educated in all government matters.

Thus populism, in a large country, is often impossible or impracticable, which is why we have a system of representative democracy. Direct democracy (the ideal form of perfect populism) has been rejected throughout the world.

If we do accept representative democracy, then we cannot at the same time advocate populism. Either we trust (and check) our governments, or we have “puppet” government representatives, required NOT to exercise their judgment and with no will of their own.

Liberalism:

In North America pure liberalism has morphed considerably in the last 100 years into the political alliance of the middle ground. It

follows whatever the majority perceives as “good” through the media. Liberalism has lost its defined ideology and acquired the “virtue of the middle ground”, a platform (set of political positions) determined by economic, social and moral relativism (the “good” is what people think is good here and now). As a consequence, in recent years it has had a considerable amount of political success at the voting booths.

Conservatism:

The conservative movement in North America strives to maintain the role of government close to its constitutional roots and it promotes capitalism, free trade, national integrity, lower taxes and lower government. One of its first priorities is to defend individuals’ lives and freedoms. Conservatism is perceived as insensitive to the conditions of the poor as its incentives to capitalism and consumerism seem to have no limits.

Libertarianism:

Libertarians in North America advocate for very limited, or no government. Many purist libertarians consider themselves anarchists. The classic position is for governments to exist only to manage defence, policing and the justice system. In the same way as with populism, the libertarian position does not fully exploit the potential of government or of society.

Anarchism:

Contrary to the populists, who advocate government by direct democracy, anarchists advocate no government. While sometimes this is better than a dictatorship, we believe that government, within its limits, can actually benefit society.

About the Author

Giuseppe Gori is the Leader of the Family Coalition Party of Ontario. He has a Doctorate degree in Computer Science from the University of Pisa (1973). He has held positions in research and development in the computer industry (IBM Scientific Center, Pisa, Italy; IBM Development Lab, Toronto, Ontario; Canada Systems Group, Mississauga, Ontario; GEAC Computers, Markham, Ontario) both as a system analyst and as a communication consultant. He has consulted for Bell Canada, Unitel Canada and the Government of Ontario. He has been Assistant Professor at the University of Pisa, Italy and Visiting Professor at the University of Western Ontario. He has started several businesses and is currently manufacturing automatic feedback swimming treadmills (Riverpool.com).

Giuseppe has participated in track & field competitions in his youth, has written a new method for writing and reading music and is interested in science, technology and in the arts, especially music and painting.

Notes

¹ The rule of Law includes Natural Law, which was implicitly assumed by the nation's founders.

² "The Impact of Government Spending on Economic Growth" Supplemental Appendix, By Daniel J. Mitchell, Ph.D.

³ Georgios Karras, "The Optimal Government Size: Further International Evidence on the Productivity of Government Services," *Economic Inquiry*, Vol. 34, (April 1996), p. 2.

⁴ Here government size is defined as the sum of government consumption expenditures GC plus government investment expenditures GI with respect to GDP, or (GC + GI)/GDP.

⁵ "Empirical evidence on the optimality and productivity of government services in sub-Saharan countries", By Rita Babihuga. The Elgar Companion to Public Economics, Attiat Ottand Richard Cebule - Editors. Edward Elgar Publishing, 2006.

⁶ The willingness of government to maintain a moral dimension in its socio-economic understanding of life is at the base of "economic personalism", a Christian school of thought.

⁷ See section 2.2.

⁸ The sales tax is a form of state supervision and guarantee on a private contract between the buyer and the seller. In many countries, for example, sales have to be recorded on "official government paper" with official "government seals". The ability for citizens to barter allows for private exchange of goods "without a contract or guarantee" and, as such, without the need of government supervision or taxation.

⁹ In the US, for example, in the spirit of US Amendment 13 of 1865, income taxes were thought to be unconstitutional until 1913 and required a special amendment to the Constitution (Amendment 16) to be levied by the federal government.

¹⁰ Poverty, properly defined, is the lack of those means that allow a person to live at a standard comparable to the average person. That is, poverty is a comparative concept. Optimatism will allow all people to afford a higher standard of living.

¹¹ A government has only a limited budget, but the limitations (far less the concept of optimum point) are not clear in the mind of politicians. Current governments and political candidates try to impress the people (with the help of the media) by passing laws allocating large sums of money unrelated to budget limitations. Such allocations, although voted by a democratically elected government, can lead to economic disaster in the longer term.

¹² See "Caritas in Veritate" by Pope Benedict XVI.

¹³ See article "A crisis of responsibility", Giuseppe Gori, IMPACT, March 2009 issue.

¹⁴ I.e.: Government acquiring assets of a private corporation.

¹⁵ In the US, for example, the "Bill of Rights" constitutes a government "Not to do List", which protects the rights of citizen. Other amendments have been added in subsequent years to the US Constitution in the spirit of limiting government powers (e.g.: Amendments 13, 15, 19, 26).