Preventing Failures of Democracy

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Summary: The following paper will explain why it is naïve to expect to get good government for free, how imbalances in profits create failures for democracy, and why the PoliticalSheepdog.com market approach is necessary to revive our failing politico-economic system and create better government.

Consider the following assumptions:

- If a system fails, failures will continue to occur until the underlying causes of the failures are corrected.
- If some people in a system can make vast fortunes doing "bad" and other people can not make any money doing "good," the system will bias toward "bad."
- If anyone and everyone can profit, while improving a system, a public policy, or a government; the result will probably be a better system, a better public policy, or a better government.

The following paper will explain why it is absurdly naïve to expect to get good government for free, because the existing politico-economic system system allows profits for bad government, but prohibits profits for good government, biasing the existing politico-economic system toward failures. These imbalances caused or contributed to the current politico-economic calamities in which the United States, Greece, and other countries find themselves. Inadequate profits will also result in future calamities, unless these countries correct the asymmetries in profits, which caused these calamities and will cause future calamities. To correct these asymmetries, countries must pay for good government. If countries are going to pay for good government, then they will need markets to determine the minimum amount to pay for good government. The only market that can determine the minimum amount to pay for good government and can reverse ubiquitous biases towards failure is PoliticalSheepdog.com. As a result, PoliticalSheepdog.com could be a vital tool to protect democracy.

PoliticalSheepdog.com has received positive comments from Norman Ornstein of the American Enterprise Institute, Elizabeth Warren of Harvard Law, and Jon Levin, chair of the Department of Economics at Stanford. Since PoliticalSheepdog.com is the only feasible system that can reverse the asymmetries of profits resulting in bad government, the United States and other countries must embrace it immediately or face a vicious cycle of worsening politico-economic failures. Fortunately, PoliticalSheepdog.com is available, Constitutional, and easily implementable.

Preventing Corruption with PoliticalSheepdog.com

Let us start with the corruption of legislatures through political campaign contributions. Political campaigns cost money and corrupting special interest groups make contributions to candidates in order to influence legislation. In addition, policy research and development, including testing, will cost time and money. Overwhelming corrupt or obsolete political inertia will cost money. As a result, the failure to provide money or profits and provide the mechanisms for political insiders to prevent corruption, when they see it, biases the system toward corruption and wastes the talent, insight, and innovation of these political insiders. In addition, corruption prevention is a nonexclusive good, because, if no government intervention occurs, those who fail to financially support efforts to improve government could still receive their benefits for free. As a result, the funding to prevent corruption and the likelihood for better governance will diminish. Thus, government intervention and government financial support for good government are necessary to obtain the optimal amount of corruption prevention and to avoid the problem of free riders, who enjoy the benefits of corruption prevention, but don't pay to fight corruption. The failure to make good government profitable through appropriate markets and through an appropriate intellectual property system biases against consumers, because smaller, easily organized groups manipulate government in order to extract profits as described by Dylan Ratigan in his book *Greedy Bastards*, while large poorly organizable consumers are burdened with free riders. In addition, these biases toward profits from legal extraction, instead of efficiency, productivity, and innovation, could initiate a vicious cycle, which could concentrate wealth and power in increasingly small extractive groups, who could threaten democracy (see *Why Nations Fail* by Acemoglu and Robinson), pluralism, and confidence in democracy.

Thus, it is delusional for anyone to expect to obtain good government for free. There is a need for the public to pay people, who fight corruption and who improve governance in order to avoid the waste of their insights and their innovations. In addition, it is necessary for the public to reward people, who make enough contributions to candidates, when those candidates fight corruption, to ensure corruption prevention. While government intervention and financial support are necessary, all citizens should have incentives to fight corruption, because the politicians might be participating in corruption and should not have total oversight over the prevention of corruption as they do now. To prevent corrupt politicians from controlling government efforts to fight corruption, there is a need to provide incentives to encourage any citizen, including political insiders, to initiate efforts to fight corruption. To encourage all citizens to fight corruption sustainably, an anti corruption institution must give only enough incentives to fight corruption successfully, but no more than enough, because excessive expenditures to fight corruption would probably be corrupting. Since intellectual property, designed for policies that prevent corruption, would give any citizen the incentive to fight corruption and since markets would be necessary to determine the minimum amount of monetary incentives for governments to pay to fight corruption successfully, markets and specially designed intellectual property in a well designed system like PoliticalSheepdog.com could give the most accurate profits signals to determine the optimal and minimal funding to prevent corruption of legislatures.

Approximately, eleven years ago I had breakfast with Norman Ornstein of the American Enterprise Institute. When he came to the table, he gave me an irritated look as though to say that he expected that I would waste his time. After I explained PoliticalSheepdog.com to him, he became increasing warm and congenial. I could tell from the change in his demeanor that I had convinced him that PoliticalSheepdog.com could prevent corruption through clean profit incentives for campaign contributions and thus make corruption prevention profitable. He had, however, told me that he could not support it, because it was not proven. Well, this is a chicken and the egg problem, because I will not have a chance to prove it without his support.

Campaign Finance Reform was eventually passed into law, which it made it difficult for me to gain support for PoliticalSheepdog.com. Recently, however, the Supreme Court with United Citizen found the Campaign Finance Reform law to be unconstitutional, because it suppresses expression of speech through limitations of money for speech. Politicalsheepdog.com, however, would probably be Constitutional, because it works through profits, not prohibitions, and because government funding would only occur after the enactment of legislation that protected compelling interests like preventing corruption or preventing financial collapses and not during campaigns. As a result, it would not interfere with elections.

In addition to the above requirements for an institution designed to fight corruption, there would be a need for the institution to have a definition of corruption. The dictionary points to dishonesty and to a lack of loyalty at two major characteristics of corruption, but a politician, who lies to protect her constituents, may not necessarily be considered corrupt, while a politician, who is disloyal to his constituents, will always be considered corrupt. As a result, the definition of corruption should emphasize disloyalty to constituents and the corruption preventing institution should encourage loyalty from politicians to their constituents. Since contributions of any size from non-constituents may encourage disloyalty, an institution designed to prevent corruption should only funnel contributions from constituents to candidates, because contributions from non-constituents should be considered corrupting. Since corruption creates costs for consumers, a system like PoliticalSheepdog.com, designed to provide net long term efficiencies or savings for consumers, would also have a mission that could identify and fight corruption.

PoliticalSheepdog could also provide the only clean, for-profit incentives for constituents to contribute to the campaigns of candidates from the constituents of the candidates' own districts, thereby reducing the dependence of candidates for moneyed special interest groups and reducing the power of the moneyed, non-constituent, special interest groups, with one of its auction sets. This set of auctions would consist of two stages auctions with one stage held prior to elections to attract constituent contributions, to identify constituent contributors, and to encourage them to contribute more. The second stage would occur during the general legislative sessions to support legislation that protects consumers. These auctions would provide clean incentives, because they are competitive and constituent driven, and because no one would profits unless consumers save money or save health.

PoliticalSheepdog.com could be successful for two reasons. First, these profit incentives for campaign contributions would induce all candidates to educate their constituents about PoliticalSheepdog.com in order to encourage their constituents to make contributions to be able to take advantage of the potential clean profits from their contributions. These profits would be possible with PoliticalSheepdog.com, when the constituent's candidate was elected, when the candidate supported long term savings for consumers, and when the constituent lobbied for those protections. This process would increase constituent participation and thus increasing transparency in governance. Second, PoliticalSheepdog.com could frequently use the corrupt revenues of the corrupting special interest groups to pay to fight corruption, while many corrupting special interest groups would have to pay for their corruption out of their profits from corruption. Since revenues are usually greater than profits, PoliticalSheepdog and its supporters would have access to greater assets in order to prevent corruption, shifting the balance of power toward consumers and creating a powerful disincentive for corruption.

Furthermore, the PoliticalSheepdog.com system is self-correcting, because policy innovators and political insiders, who identify corruption through PoliticalSheepdog.com can profit reducing the new form of corruption. Self-correction could be enhanced, if the intellectual property portion of PoliticalSheepdog.com was split into competing entities, which could compete for new self-correcting proposals and/or which used different parameters like long term savings for consumers or net consumer and producer surpluses to monetize "good." PoliticalSheepdog.com is also, as noted above, Constitutional. As a result to my knowledge, PoliticalSheepdog.com is the only available Constitutional system to prevent corruption during campaigns in the United States after the Citizens United precedent. It would be far superior to a Constitutional amendment to overcome Citizens United, because it would be more thorough and because it would increase plurality, while a Constitutional amendment would reduce the debate with restrictions on the rich and no incentives for others.

Preventing Banking Collapses and Other Disasters with PoliticalSheepdog.com

Now, let us consider the banking collapses of 2008. While some consider greed as the driving factor in the 2008 banking collapse, the problem with the greed thesis is that greed, profits, and wages (which are the profits for labor) are simply vital tools, which provide the best available signals to guide and to encourage people to produce what consumers need.

The wages of workers are driven by the revenues of their employers. The revenues are driven by the number of products produced by those workers multiplied by the price of the products sold to consumers. Each additional worker provides less and less revenue, because the extra production satisfies and reduces demand and prices, while extra workers add overhead. This extra revenue with each additional worker is called the marginal revenue product by economists. If the marginal revenue product decreases to zero, the employers will no longer be able to profit from the products produced by more workers and hiring will stop. Since the last hired worker with a skill set is theoretically equal to and thus replaceable by all other workers with that skill set, the wage of the last worker becomes the standard of fairness for wages for all other workers with that skill set in a market economy, when the marginal revenue product for the last worker equals zero. Since the wages of the last hired worker equals the wages of all workers with the same skill set, the marginal revenue product sets the standard of fairness for compensation in a market economy, when the marginal revenue product of the last hired worker is zero.

The marginal revenue product-wage relationship as a standard of fairness balances between the value of what a person receives from society with value of what a person provides to society, while it also signals what to produce. As a result, the marginal revenue product is a much more robust definition of fair compensation than material equality, because material equality only reflects what people have and because material equality fails to signal what to produce!!

The marginal revenue product-wage relationship worker is the most important, least understood concept in the United States and probably the world, because it identifies the standard of fairness for markets. The relationship between wages, the marginal revenue product, and fairness is fundamental to any comprehension of markets and to any understanding of the existing political economy. People are not truly educated unless they have an intuitive understanding of the relationship between wages and the marginal revenue product, as well as understand the strengths and weaknesses of this relationship, and understand how to manipulate the relationship to provide more accurate production signals. Unfortunately, our educational system has failed to educate the public about the marginal revenue product-wage relationship, when its understanding should be second nature.

Failing to understand the marginal revenue product-wage relationship as a standard of fairness and blaming greed is dangerous, because it prevents deeper investigation into the true systemic causes of banking collapse and prevents the development of systemic solutions that would prevent disasters like future collapses. Furthermore, government policies of both political parties, especially in the form of Fanny Mae and Freddie Mac, had a clear role in the banking collapse. Since Wall Street and since both political parties were primary causes in the 2008 banking collapse, the bank collapse had systemic origins and the prevention of banking collapses requires a systemic solution.

The systemic origins of the banking collapse were a combination of nonexclusive goods, probability, a flaw in current democratic models, and asymmetries of insight, power, and profit incentives, which squandered the insights and the potential innovation of financial specialists, who could have prevented the banking collapse. Since banking collapses can affect many people and since some people would be unwilling to pay to prevention collapses, if payments for prevention were voluntary; the prevention of banking collapses is a nonexclusive good like defense and corruption prevention from which free riders could not be excluded without government intervention. As a result, government intervention would be necessary to set the rules for the banking industry and to avoid free riders in order to optimize the prevention of banking collapses. In addition, since ordinary people will probably not be able to predict the severity of the impact of a banking collapse upon themselves as individuals before the collapse due to the subtle interconnections in our economy and due to personal ignorance, it would be difficult for individuals to predict the extent of the repercussions of a banking collapse on them. As a result, the public must depend on the government to act like an insurance company.

If the government is going to act like an insurance company, which it frequently does, it must reduce the risks of disasters like the banking crisis or the Katrina disaster, if it is going to minimize costs and pain for the public. Unfortunately, democracies (and probably other forms of governance) are poor at prevention of disasters, because democracies require large amounts of pain to act. Since there is little pain before the disaster, functioning democracy models are poor at disaster prevention, which is another systemic failure in our current democratic politico-economic model. In order to ensure that governments will act to prevent disasters like Katrina, there is a need to provide the appropriate incentive in type and in size at any time before any possible disaster. Such incentives could be provided by appropriately designed intellectual property systems, appropriately designed markets, including prediction markets.

If governments are going to prevent future banking collapses and financial disasters, governments will need to recruit the insight of the most astute, the best, and the brightest from the front lines of the financial system in order to prevent banking collapses. For example, poorly publicized asymmetries in profits incentives, which failed to make risk reduction and make prevention of banking collapses profitable, appear to have contributed to the 2008 banking collapse. The first of these asymmetries started in 2000, eight years prior to the 2008 banking collapse, when Josh Rosner and Charles Kindleburger had the insight that the banking collapse would occur, but they did not have the incentives for themselves and others to prevent the collapse. Steve Eisener also had the insight at a later time and went to the SEC, but did not have the incentives to prevent the collapse, while individuals on Wall Street had enormous incentives for individuals and institutions to create mayhem. Since Wall Street could only make money when they sold short and hoped for a collapse - instead of preventing the collapse, our politico-economic system perversely perpetuates the reoccurrence of financial disasters. Congress had the power, but did not have the insight or adequate incentives. In addition, the poorly informed, ignorant, and stingy legislatures would be unable to identify the most appropriate price to pay in order to obtain the optimal reduction in recessions and banking collapses for the least money and would not be able to do so without markets. As a result, there was inadequate funding to prevent the banking collapse and the politico-economic system wasted the insights and the innovation of financial specialists, who could have prevented the banking collapse. With inadequate profits to prevent mayhem and enormous profits to create mayhem, the politico-economic system drove toward mayhem. The result was a race to the bottom.

In addition, inadequate profits to prevent mayhem and enormous profits to create mayhem allowed the financial institutions to buy more lobbyists to obtain much more influence in Congress than those, who might have been able to prevent the 2008 banking collapse. Since there was a great deal of money to be made creating financial mayhem and almost no profits from prevention of collapses, the bureaucrats and any preventing groups were hopelessly outclassed by the lobbyists for mayhem from the financial industry. The result of this asymmetry of power, insight, and profit incentives was a vicious cycle and a mixed government/market failure to prevent the 2008 banking collapse.

To recruit most astute from Wall Street and to avoid wasting their insight and their innovation, governments will need to compensate them. If governments are going to find the lowest prices for the best approaches to prevent banking collapses, then governments will need markets. In addition, while current markets may be unable to monetize the value of prevention of banking collapses and other disasters to the penny, economists can frequently find surrogate parameters to estimate the value of many things including disaster prevention. Failure to place a valuation on these goods and services, even if these valuations are only estimates and not accurate to the penny, can have disastrous consequences as the banking collapse, Katrina, the HIV epidemic, etc. show.

The asymmetry of profits that contributed to the 2008 banking disaster could have been prevented with adequate profits for prevention. To determine adequate, but the minimal necessary, profit levels; one would need a market and the only market that might have prevented the collapse is PoliticalSheepdog.com. PoliticalSheepdog.com would have provided the best probability to have prevented the 2008 banking collapse, because the repair of the financial system without PoliticalSheepdog.com cost consumers and tax payers trillions of dollars. To avoid these costs, the PoliticalSheepdog.com with its unique intellectual property system for public policy could offer a share of those trillions to financial innovators and establish the minimum fair compensation equal to their zero marginal revenue product of the last available existing innovator with the best preventive policies. Since the rewards for the prevention might have been several billions of dollars of risk adjusted profit incentives to prevent the banking collapse, there would be enormous incentives and competition to prevent banking collapses and to ensure that risk reducing policies were legislated at the lowest costs. The risk adjustment could be provided by prediction markets or mediation. In addition, since the earliest bankers to identify costs to consumers from bad practices in the financial industry would destroy the chances for profits from bad practices, these earliest bankers, who became whistle blowers, would be only ones to profit. As a result, there would be a continual race to be the first to destroy bad practices. This competition would lower the costs to prevent financial collapses. Thus, PoliticalSheepdog and its market approaches for good governance could have increased the chances that the 2008 banking collapse could have been prevented and could increase the chances that future banking collapses and subsequent poverty and death from these collapses could be prevented. Furthermore, disaster prevention costs would be far lower, than rehabilitating the country after the collapse.

Other Uses for PoliticalSheepdog.com

Similar asymmetries to the causes for the banking collapse of 2008 and for corruption also result in excessive deficit spending, because candidates can't buy enough votes, if they promote prudent deficits, while candidates "buy" votes, when they promote expenditures and imprudent deficits that politicians pay with someone else's money, because everyone would like something for free. Since that someone else is a small minority of rich people, whose investments might produce greater returns for the public, if their money was not taxed, or since that someone else are future generations, who can't vote, and since everyone would like to have something for free, there is an overwhelming bias toward ruinous spending. This bias would be partially reversed by PoliticalSheepdog.com, because PoliticalSheepdog.com could provide profit incentives to encourage budget experts to identify inappropriate spending and to create better spending policies. PoliticalSheepdog.com could also provide the concentrated political will to encourage more constituents to pressure their legislators toward less ruinous spending.

Similar asymmetries that create deficits and corruption also create inefficiencies through Congressional gridlock, due to the willingness of special interest groups to pay for their form of good government, while the electorate naively expects to get good government for free. Since all political parties could use PoliticalSheepdog.com to finance their campaign, candidates would have less need to solicit contributions from non-constituent extremists and have greater need to protect their constituents and protect consumers to ensure campaign funding. This new source of campaign funding would encourage more similarities, less extremism, and less polarization among legislators.

Similar asymmetries in profits that encourage extractive policies of the left and the right also threaten innovation several ways. First, extractive policies would create incentive signals that would to compete and divert resources away from efforts to create efficiency, productivity, and innovation and toward more extractive public policies. Second, extractive policies would confiscate resources away from innovators, who create wealth from efficiency, productivity, and innovation, reducing the creativity and power of these innovators. Third, extracting special interest groups will be smaller than the entire body of consumers, will be less vulnerable to threats from free riders than consumers. As a result, they will be more likely to succeed and will desire even more exclusive policies in a vicious circle of increasing corruption and extraction. Fourth, innovation threatens powerful extracting forces through creative destruction and would force these extracting forces to try to suppress innovators and innovation in order to maintain their power through the status quo. Fifth, extraction would bias the current model toward instability and toward violence as groups competed for the power to corrupt and to extract. This violence would further crush incentives necessary to create wealth through efficiency, productivity, and innovation (see *Why Nations Fail* by Acemoglu and Robinson for the above analysis). Since PoliticalSheepdog.com would provide profits to protect consumers and since PoliticalSheepdog.com could reverse the balance of power away from extraction and toward plurality, PoliticalSheepdog.com would become a bulwark to protect innovation and democracy.

Similar profit asymmetries allow inefficiencies like the expansion of HIV and like consumer victimization through market failures like asymmetries of information as with credit card contracts, because no one can profit preventing these problems, wasting the insight of those who could prevent similar problem. Similar profit asymmetries also allow inefficiencies like consumer victimization through the use of powerful psychological phenomenon like alcoholism and like operant conditioning, which competition forces businesses to use intentionally and unintentionally to prey on consumer psychological weaknesses and to induce consumers to make choices that they would not make, if they were not under the influence of those phenomena. This asymmetry creates a vicious cycle, which misaligns profits and values from the alignment that might occur without the impact of psychological weaknesses. Similar asymmetries may cause other inefficiencies and waste the insight and innovation of those could prevent these inefficiencies. The above asymmetries and probably many other inefficiencies cause poverty, disease, and death. These inefficiencies create risks for consumers. PoliticalSheepdog.com could reduce these risks and reduce the above inefficiencies before they occurred at a fraction of the risk adjusted costs to clean them up after the inefficiency occurred. PoliticalSheepdog.com could also identify the lowest costs to obtain the maximum risk reduction and the maximum efficiency improvement. In addition, PoliticalSheepdog.com could make risk reduction and subsequent efficiency profitable and thus sustainable.

Despite the potential of PoliticalSheepdog.com to reduce legislative corruption and Congressional gridlock, to reduce subsequent threats to democracy resulting from extractive corruption, to reduce disasters like the banking collapse and Katrina, to reduce budget deficits as easily as possible through pervasive efficiencies, to reduce the risk of future excessive deficits, to reduce diseases like HIV, to reduce consumer victimization though asymmetries of information, to reduce consumer victimization through the use of powerful psychological phenomena like alcoholism, to reduce poverty and disease through reductions of recessions and of corruption, etc., etc.; despite the dire situation of this country; and despite the lack of better alternatives; I am bewildered at my inability to obtain significant traction or media coverage for PoliticalSheepdog.com.

Brief Description of PoliticalSheepdog.com

PoliticalSheepdog.com is a market approach to good government. While it may run counter to the prevailing blind prejudice that assume that money in government will always lead to corruption, I convinced a skeptical Norman Ornstein (as noted earlier) that we could make the fight against legislative corruption profitable. Senator Elizabeth Warren of Massachusetts and of Harvard Law also showed enthusiasm for PoliticalSheepdog.com, even though she is on opposite sides of the political spectrum. When I introduced myself to her at a town hall meeting in the summer of 2011 in Baltimore, she exclaimed to the auditorium “So your PoliticalSheepdog! Everyone, this is PoliticalSheepdog.com!” because we had had prior correspondence years earlier. In addition, Jon Levin Ph.D., chair of the economics department at Stanford, called PoliticalSheepdog.com “reasonable” and wished me success. Finally, John Nash, the Nobel laureate, failed to object to it, when he attended a presentation about the PoliticalSheepdog.com approach at a game theory conference, which also implies that it is reasonable.

PoliticalSheepdog.com is like a combination of a non-partisan MoveOn.org, which protects consumers (buyers) with efficiencies, and an eBay for legislation. PoliticalSheepdog could reverse asymmetries in power, insight, and incentives, which lead to inefficiencies like banking collapses, like Katrina disasters, like corruption, like HIV, etc., etc. PoliticalSheepdog.com is an eBay or internet market and an intellectual property system that would make the creation and adoption of policies that provided **net long term savings to the consumers, including monetized savings in health and lives** profitable for the inventors of those policies and for the constituents, who lobbied in support of those policies. (Rather than the above definition, PoliticalSheepdog.com could use the combined net consumer and producer surplus, some better financial parameter of good governance, or a combination of parameters.) While PoliticalSheepdog.com is currently structured to protect consumers, it could be restructured to protect investors as consumers of financial information. PoliticalSheepdog.com is also rapidly available, extremely versatile, non-partisan, self-correcting, dynamic, 24/7/365, for profit, patented, eBay or internet market and intellectual property system for public policy. In addition, it is highly scalable, so it could be used for federal, state, local governments and even foreign governments. The advantages of profitability are incentives and, thus, sustainability.

Why PoliticalSheepdog.com Could Accomplish Objectives

PoliticalSheepdog.com with its fair intellectual property rights[1] for public policy ensures that innovators would receive more accurate profit signals to produce policies that provide competitive net savings for consumers, including monetized savings in health and life. PoliticalSheepdog.com could also ensure that constituents, who successfully lobby to support those policies, will receive fair and clean compensation.

PoliticalSheepdog could also provide the most painless way to reduce the Federal deficit and increase international competitiveness, because it could make the entire country approximately 10% more efficient through the reduction of foreseeable disasters, of corruption, of consumer victimization, of future inefficiencies and because it could be used to identify the

[1] Fair in this context implies when the wages of the last innovators with a skill set or a set of insights are equal to or equivalent to the marginal revenue product or the marginal benefit for consumers. For example, if only one innovator had an insight and was approximately 5 years ahead of the next innovator, who might have created the policy, that innovator should receive 50-60% of the benefit for consumers for 5 years. After 5 years, patented markets could determine compensation with each additional innovator.

most efficient approaches for deficit reduction. It could also reduce the incentives for excessive expenditures through incentives for savings and through the reduction of some of the causes of poverty like disasters and consumer victimization.

Why Profits are Necessary for Good Government

There is an assumption that people should get good government for free and that profits for good government are unethical, corrupt, and dangerous. Conversely, I would argue that expecting to receive good for free is unethical, self-destructive, near-sighted, wasteful, and delusional. It is unethical, because failing to offer and, if accepted, to provide fair[1] compensation in return for any "good," including good government, is like expecting to take something for free and like the attitude of a shop lifter, because the original insight for a concept that would improve government occurs in someone's mind and is thus a private good. As a result, government confiscation of these private goods is essentially a form of theft. In addition, expectations to obtain good government for free essentially condone theft. While some people might consider policy as a public good, it starts as a private good. As a result, it is unethical to confiscate a private good without fair compensation and unethical to expect to get good government for free. In this view, the moral lapse that resulted in the 2008 banking collapse was not simply greed in Wall Street, but also the failure of our politico-economic system to provide fair compensation for those, who might have prevented the collapse. It reflects moral cheapness and moral myopia in the electorate for which we, the electorate, only have ourselves to blame for the result.

Expecting to obtain good and good government for free is also self-destructive and near-sighted, because failure to pay fair compensation for good government sends the wrong signal to markets. This failure signals that the good government is not important. If the expecting public fails to pay for good government, the public will fail to encourage behaviors and institutions that will protect them in the future, a self-destructive concept.

Expecting to obtain good government for free is wasteful, because it wastes the insight of those, who could protect us and incurs the unnecessary and the potentially much greater costs resulting from subsequent inefficiencies like the Katrina disaster or the 2008 banking collapse.

Expecting to obtain good government for free is delusional, because political campaigns cost money, because proper policy research and development costs time and money, and because overwhelming corrupt or obsolete political inertia will cost money.

Expecting to obtain good government for free is delusional, because special interest groups pay for their form of good government, creating a bias against consumers, if consumers don't pay for their form of good government.

Expecting to obtain good government for free is delusional, because behavioral psychology implies that a system that rewards virtue will probably provide more virtue than a system that ignores virtue or that punishes vice. Failure to compensate virtue or those, who could provide better government, sends a profit signal to everyone that virtue and good government are undesirable, while compensation for virtue sends a signal that virtue is desirable.

Expecting to obtain good government for free is delusional, because that approach failed to prevent the 2008 banking collapse and the Katrina disaster and because current functioning democracy models as noted above are poor at prevention, while markets tend to constantly evaluate the future and thus should provide a superior approach to disaster prevention.

Finally, opposing the initial implementation for a trial run of PoliticalSheepdog.com, because one expects to get good government for free, would probably be unethical, because there are so many potential benefits from PoliticalSheepdog.

The failure to provide fair compensation for good government reminds me of the fairy tale of The Pied Piper of Hamlin. To me the story has two morals. The most commonly recognized moral is that promises made must be kept. The other moral is that people and governments have a moral obligation to pay for good and that failures to compensate those who do good will have disastrous consequences like the 2008 banking disaster. As a result, the PoliticalSheepdog.com motto is “PoliticalSheepdog.com, because you can’t get good government for free!”

Einstein is to have defined insanity as “doing the same thing over and over again and expecting different results.” As a result, expecting protection from disasters from the current politico-economic system, when the system failed spectacularly to prevent disasters and is failing spectacularly with ever expanding deficits, while expecting to obtain good government for free, is insanely delusional. Since the cause of those failures appears to be an asymmetry of profits, which only allows bad to be profitable, we must make “good” profitable. As a result, the public must pay for good government and make good government profitable. If the public is going to pay for good government, then it is necessary to monetize good government with a financially measurable definition or definitions of good government to allow us to measure the “goodness” of a policy. Then, a market like PoliticalSheepdog.com is necessary to obtain the best government for the lowest price.

Furthermore, since we are all consumers, since there are few better, more feasible parameters of public good than net long term savings for consumers including saving of health and lives, since there are no other system of legislative intellectual property and markets that use this definition; the United States really has no other choice and should embrace PoliticalSheepdog.com as soon as possible before it is too late.

A Proposed Amendment to Overcome United Citizens

A proposed amendment to overcome United Citizens would create colossal lost opportunity, because it would reduce voices in the political discourse and protect leftist demagogues, because it would delude citizens in the assumption that they were being protected, because it would be limited to corruption, and because it would suppress the potential of PoliticalSheepdog.com. PoliticalSheepdog.com would provide a far better alternative, because it could provide a much more thorough defense against corruption through greater citizen vigilance, because it would expand and not decrease political voices and alternatives, and because it could provide many more protections than this proposed Constitutional amendment, which would only attack corruption. As a result, the lost opportunity costs from this proposed Constitutional amendment would be catastrophic.

Critique of the Political Left and the Political Right

While I am skewering sacred cows, my son felt that I should explain to you my views on some of the major failings of the left and the right sides of the political spectrum. For the right, the smaller government mantra is vague and therefore stupid. How small is small? Would a President, one judge and three soldiers be small enough? How absurd! The real question should be one of efficiency and rate of return for citizens, because government is simply a technology to solve larger problems. If governments can provide a greater efficiency or better rate of return for citizens than private businesses, then governments should intervene. If markets can supply greater efficiencies or better rate of return for citizens, then governments should clear obstacles for markets and allow markets to work their magic. Greater efficiencies will be crucial due to our competition with China and crucial to reduce our federal deficits.

The fundamental failure of the left is a failure to grasp the importance of the marginal revenue product-wage relationship and its guide as the standard of fairness for markets. The policies of the left will fail, if they only promote material equality, because material equality does not signal what to produce, while the marginal revenue product through profits and wages can identify the best available signals to determine what to produce and can balance an individual's contribution to consumers with that individual's income or profits. While the profit parameter could be made into a more accurate reflection of consumer needs, the marginal revenue product-wage relationship is still the best available guide to determine the best production signal and is thus an inescapable economic fact. It is like the sun rising in the east. The left is making an enormous mistake when they ignore this fact and they think of capitalism as a competing system, because the marginal revenue product is crucial to any economy.

Instead, the left should think of capitalism as though it were a cow. If farmer had a cow and wanted milk, the farmer would not give the cow thistles to eat and pastures full of fire ants as Franklin Roosevelt did to the business community in the Great Depression. The farmer should give cow an environment that would allow the farmer to obtain the most milk from cow. Like the farmer, the left needs to see capitalism as a cow and give capitalism an environment that will allow governments to extract the optimal balance of benefits in taxes and in production from businesses for the public. As a result, their goal should be to find the optimal balance between material equality and the marginal revenue product-wage relationship.

While the left might feel that the alleviation of poverty through transfer payments without first eliminating the inefficiencies that create poverty is ethical, it is far more ethical and rational to prevent poverty through the elimination of the inefficiencies that create poverty, because wealth redistribution without eliminating the causes of poverty will subsidize and strengthen the inefficiencies that create poverty, creating a vicious cycle.

To extract greater benefits, the left needs to examine the quality of wealth and not simply the quantity of wealth. The left needs to understand how psychology can result in suboptimal choices and thus the quality of wealth. For example, the wealth of Steve Jobs gave people power and massively improved lives. As a result, this country must encourage business people like Jobs to grow their businesses as quickly as possible with minimal taxes. In contrast, the wealth of the Anhauser Bush or the Kennedy families, resulted from alcoholism and victimizing consumers' psychological weaknesses. The Kennedys' wealth also came from victimizing investors. This type of wealth should be hobbled with extra taxes or prohibited. When wealth from victimization enjoys tax parity with other businesses that can't use powerful psychological phenomena and other methods to victimize consumers, the result will be that bad wealth will enjoy a vicious cycle of excess profits, used to promote more advertising and lobbying, used to promote more bad wealth, used to continue the cycle. As a result, profit signals will become inaccurate. Instead, taxes should be based more on how profits were made. Taxes based on how much people made should be a last resort. To adjust taxes appropriately, psychology and economics can provide mechanisms to determine targeted adjustments for taxation.

In addition, the left must either promote legislation that protects consumers from their own psychological weaknesses or ensure that people, who are free to choose, bear the consequences of their choices despite their weaknesses, because resources are limited, because all actions in an economy are interconnected, because redistribution of wealth without eliminating inefficiencies subsidizes inefficiencies, and because every action has consequences (many of which are unforeseen).