

Federalism 2.0

Simplicity, Agility & Results
A Path Forward to 21st Century, CIVIL Governance!

By Tom Lewellen

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A Note from the Author

Upon his exit from politics, President Washington warned of the dangers of the newly formed political parties, the Federalists and Anti-Federalists. During his Farewell Address he stated that the parties were more focused on their continued existence rather than on the problems of the nation. His concerns were on target then and prescient today. The Democrats' and Republicans' animus and selfish-interests are so broad and so loud, the Federalists and Anti-Federalists verbal collisions look civil discourse by comparison. The fact remains, today's politics are out of control and so is our government.

As a young man, Washington produced the 'Rules of Civility & Decent Behavior in Company and Conversation.' The hand-written list contains 110 rules of good behavior, are good read for anyone and, given the verbal fusillades in Washington, should be on the reading list for our political and intellectual elites.

Given the electorate's displeasure for the political class, the opportunity to change the culture in Washington is great and a *Civil Movement*, not Red, nor Blue, something Purple, may be a great beginning point for the creation of a new political party, or two or three. The current parties have reached their expiration date and appear like dinosaurs, heavily laden with piles of money bags, marching slowly to the tar pits. The objective of this book is to lay a new path for the rest of America, so we are not unwillingly dragged by the dinosaurs to our demise.

Introduction

How's the circus in Washington working for you? Proud to me an American? It gets so bad some days, I just turn off the TV or Radio or skip over an article. The hate, the anger, the name-calling and insinuations: the level of noise is so high it is unbearable. It hasn't always been this way. I started paying attention to politics in 1964, as a ninth-grader in Civics class. My elder peers may remember the LBJ advertisement with Daisy and the nuclear bomb detonating, suggesting the Goldwater would use the bomb. For the younger generation you can Google 'Daisy Girl.' Pretty vicious stuff. But as incendiary as that commercial was, one commercial is just a trickle compared to our non-stop partisanship today. Verbal firebombs are the fare du jour. From all directions, and non-stop.

President Washington was correct about politics; the rising self-importance of political parties had given rise to the conceit that the parties were more important than solving problems for the people. Today, the Democrats are from Venus and the Republicans from Mars, and neither planet has much to do with Earth. Lacking ideas or vision or a roadmap back to sanity, the shelf date for the political parties has expired. Each day the odor of tar increases.

In 2009, about 100 days into the presidency, the Obama administration crafted its economic and political path. That path, as espied from my humble and economically inexperienced viewpoint from outside the Washington beltway, would not fix the economy and would hurt it. I wasn't sure why, but borrowing a boatload of money to be spent on a bunch of dubious programs, grants and an occasional infrastructure project didn't have the feel of success. Nor did a carbon tax, nor his first policy statements about healthcare. I tend to write when I am having difficulty understanding a situation, and with each new, centrally-planned proposal, a successful path forward seemed to dim significantly, so I wrote. Revving up word-processor, I wrote *It's the Spending, Stupid*. The book's conclusion was straightforward: Were I President, I would spend pretty much anything if it had a payback. The president's proposals, however, like most of what had come out of Washington, weren't programs that had results in mind, but spending for the sake of spending: resultless government. The object seemed to be about spending to get votes and that all spending would lead to a better America, except it doesn't.

My political problem-solving juices ventilated my political aspirations, so I set I set out across my congressional district to get a feel of the territory. I had run and lost a competition for the Arizona State House as a Republican during my youthful thirties, during the Reagan years, so my return to politics seemed naturally predicated on running as a Republican. I attended a few Republican district precinct meetings asking for time to speak as a prospective candidate for Congress, but each meeting left me feeling somewhat empty. I had been a Republican since

Reagan, the party, though, didn't feel like home. I met with a young, Republican community organizer that had helped the local Tea Party bulk up for the 2010 election. I asked if he thought the group might become a political party. He didn't think so – it would be better as a political influencer. That seemed right, but the thought of a new party tantalized me. Later that spring I meet with a leader at the Goldwater Institute. He had little interest in a new party. During the summer and fall I meet with a Congressman I worked for during the 1982 campaign and attended another community event hosted by a second Congressman. Great people, but both left me flat. In both cases, I recommended some ideas of resolving the funding issues for our retirement system: social security and Medicare. In both cases, I had asked how they would resolve the likely bump in life expectancy in the 21st century, bump the one that occurred the first 35 years of the 20th century. In both cases, they asked *what bump!* Side note: Life expectancy jumped 20 years in the first four decades of the 20th century and increased 29 years for the century. It struck me as odd that the two of America leaders who had worked on social security reform didn't have this important detail in the quiver of challenges. Both men were incredulous. What bump? I wondered how America can successfully fund a retirement system if the players don't understand the changing demographics of retirees. Anyway, when two very intelligent men that I respect eminently do not know something very basic and essential to solving the funding issue, then something in the problem-solving regimen in DC was off. Perhaps more average Joe's like me need to provide input and few lobbyists. Three hundred million of us may have a much better shot at creative problem solving than the status quo leaders we have hired to lead this nation. The people inside the beltway are inside echo chambers so deeply inclusive, so remote from reality, that they can't hear good ideas because of the noise on the network.

Which fueled the fire for writing, trying to discover why perfectly fine men and women were stuck with problem solving solutions that may have worked in the '30s, '40s and '50s, but didn't have the punch, agility and simplicity required for the 21st century. Over the next six years I wrote *Irreconcilable Differences*, *Conservations with a Leftist*, *Just Right*, *Killing Goldilocks*, and *Beating China in the 21st Century* - one unresolved issue haunted each book: the two political parties had no ability to extract themselves from the huge power/money magnet that tied them to the status quo, to assuring America was stuck at zero, going nowhere in an increasing toxic political environment. Were a great leader to come along and clean up part of the DC mess, the next leader undid the last president's success. It also worked in reverse, a change in parties could undo the former administration's foibles. Forward-reverse, reverse-forward, back and forth and nowhere we went.

For seventeen years we have gone exactly nowhere. We are now bogged down in a vast, unmanageable government with no plan to achieve to success, no vision for the future past the next election cycle, and no path that can transform our status quo institutions into governing bodies that produced success, increased our pursuit of happiness.

America's \$4 trillion government is the most complex, confusing, expensive, difficult, self-indulgent organization in the world. Were our government a nation, it would have the fourth largest GDP in the world. There are over 4000 federal laws, which Matt Vespa, writing in Town Hall, says we break, on average, three per day. Our confusing and very lengthy tax code (70000+ pages) is the perfect example of how not to administrate taxes, and the poster child for the rest of the administration's regulatory state from banking to travel to Obamacare to just about everything, which accumulate into tens of thousands of Federal Register pages for which citizens and businesses are required to comply. And every year our government gets bigger and more complex and adds more pages to the Federal Register and every year the tab for this sloppy mess increases. The tab for compliance according to the Competitive Enterprise Institute stands at \$2 trillion.

Add to the bigness problem, the two parties do not share a common culture of governance. The Left likes big, sometimes gigantic, micro-managed government monopolies to dispense the government largess. Conservatives trend toward federalism though they never actually achieve the goal of a federalist government. The result of the conflict between the parties is irreconcilable differences about the role of government, and, without common belief in how to govern, change is almost impossible.

The result: increasing intensity of verbal firebombs - to the point that saying anything produces return fusillade of name calling, insinuations, band-wagoning and glittering generalities slung around in tantalizing sound bites. Washington has become of mosh pit of propaganda, artfully designed to assure each parties' status quo, to the exclusion of the governed. Government for the sake of government, by the government elites, for the benefit of government power brokers. Washington exists for Washington.

Polls show citizens haven't liked the direction of our government for over a decade. Two-thirds uniformly believe we are on the wrong track. Voters also do not believe they are well represented. Over half of voters think neither party represents them. Trust in government is at an all-time low, just under twenty percent. Not only have our elected officials lost their civility, the citizenry is rapidly losing theirs. The edges of our citizenry, the Alt-Left and Alt-Right have weekly street brawls. And the press, what respect and graciousness may have existed in the past is long gone. The press - not only the main stream media but the internet media - has lost the trust of the citizenry as well. America cannot succeed without a healthy Fourth Estate. The result! Cultural incivility. This cannot stand.

As big money and big intelligentsia drives larger and larger wedges between Left and conservative cultures, it is very unlikely our nation will succeed politically. Finding a healthier homeland without some transformational changes is just out of reach. Without finding a common standard for governing, our children's future is dimming. The choices presented to us are the

tyranny you vote for from the left - socialism du jour – or federalism with the big hand of government still in place. Neither approach is enlightened, intelligent, or worthy of our heritage, or our future. Both take us down a road of economic mediocrity, social straight-jackets, and cultural stagnation.

Tom Lewellen Biography: Tom Lewellen grew up in the Midwest but has lived in Arizona since attending the University of Arizona where he graduated with degrees in Math and English. He has been married 29 years to an Arizona native and has two daughters.

Since college, he has had a long career in the high-tech industry working for AT&T, NCR, Sequent and his current position with an international corporation focused on ERP. His positions varied from Territory Account Executive, to VPs of Sales and Marketing, to President of his own business. Politically, Tom worked as Lead Researcher for Kolbe for Congress in the early '80s and ran for State Representative in 1984.

As our America's economy stalled in this century, Tom wrote a series of books to develop his ideas about how to transform our ill-performing government into a 21st century, agile, results-driven government. Books include: Irreconcilable Differences, Just Right, Killing Goldilocks, Beating China in the 21st Century, Conversations with a Leftist, and CIVIL: Government for the 21st Century.

When aging businesses get into financial straits; when prospects dim, they find a way forward, back to success. There is a point when 'sink or swim' decisions must be made. Businesses remake themselves with innovative new solutions that are more attractive for consumers. They pare their organizations of inefficiencies. They streamline and reorganize their supply chains. They understand that consumers have a choice to invest in other products, and will leave aging companies with old ideas to the dust heap. Businesses change so they can live another day. For those organizations that choose not to change, well, they find the short end of the plank. Our government suffers from financial and cultural stasis. Is it likely that our government will change itself? Will the administrative state will find a new path toward regulatory simplicity? Will politicians give up on the ideas erected decades before that are not producing results? Or will politicians, like so many leaders of American big business whose companies fail, simply allow America to go quietly into the night, trading American success for their personal intellectual conceit that their ideas will finally work at some point when enough money is spent.

The incivility and intellectual incompetence is so great that the American people are catching on. They seek something different. Hopefully, you will find this book both something different, but also something effective, with both a new style of governance and a set of policies that will produce a much healthier economy, society and culture.

The State of the State

One might think that the 2016 election could not be further perverted by incivility, but it was. The post-election verbal conflagration elevated incivility to a new high. I am embarrassed. For those on the Left who believe I am only speaking of the Twitter trills of the president, think again. The Democrats continuous bleating about Russia, treason and impeachment; or the Hollywood elites that caretake to a special brand of meanness, or the media whose fake news, near news, and news by opinion have added richly to the mess that already existed in Washington. Republicans fare no better. The daily twitter storms are unfocused at best, annoying and impertinent at worst.

Our nation is in an uncivil, not well lead, culture devoid of new ideas. Politics should be statesmanlike, deliberative with debate, and visionary. It is none of these and dwindling into the sewer. We can do better. So how are we doing? Well, we could be doing much better.

What's the State of the State?

It's a fight in a pig pen trying to move the needle toward greatness. The pigs don't much care about moving the needle, but they love wrestling in the mud. Beyond the endless DC bickering and toxic sound bites, where are we as a nation. Here are a few metrics that have moved from great, to adequate, to sometimes simply poor results over the last 6 decades.

- GDP Growth for last eight years is under 2%, and barely higher for this century. With inflation at about 2%, the value of the precious dollars we spend is stuck at zero. In 2017, America moved up to about 3%. We are moving in the right direction be well short of great.
- Unemployment: According to BLS the unemployment rate is 4.1% (October 2017) labor participation is off about 3% from the norm of about 66% over the last two decades. Those able to work but not seeking employment number about 2 million. Taking this into consideration, the actual employment rate is closer to 7%.
- Family creation is at all time low 60% with many inner-city rates approaching only 20%. In the 1950s., family formation equaled about 95%. When families form, personal economic success follows. When they do not, poverty ensues for most.
- Poverty rate has not varied much since the advent of the LBJ initiated War on Poverty in the 1960s. Since the War began America has invested nearly \$40 trillion to rid America of poverty with literally no effect. We need new policy that focuses on personal success as extensive 'Transfer Payments to Individuals' have no worked.

- Economic Freedom Index is a key measure for any nation's ability to grow the economy, and it is on the decline. The index reflects America's ability to conduct business as well as attract investment, as well as attract immigrant entrepreneurs to America. America has moved away from economic freedom this century and needs to move in the opposite direction.
- According to Thomas Sowell 50% of our students do not receive an education that prepares them for a 21st century job, costing America \$100s of billions in lost human capital. Poor parents have more choice in their children's education and they need it.
- OECD education ranking has the United States falling to 25 among 73 industrialized nations. Only 75% of American students graduate with a diploma. Another 13% gain a diploma via GED.
- America's Debt stands at \$20 trillion. Another \$100 trillion in unfunded mandates have been identified by the Congressional Budget Office and the federal government will likely borrow these shortfalls over the next 30 years. Borrowing - or taxing - to cover this deficit is an economy killer.
- Productivity has historically measured above 2% has, over the last decade, barely risen to 1%.
- According to the Competitive Enterprise Institute the cost of complying to federal laws (the Administrative State) is \$2 trillion annually. These costs are titanic in size and productivity killers the economy.
- Small business formation is off about 25% in the last decade (down to about 370K startups in 2015) a key job creation vector. Future economic growth depends on new business formation. The Chinese economic juggernaut produced over one million new businesses last year.

Our \$4 trillion, Federal Leviathan is not producing results. It is a heavy weight on our economy, a tax on our productivity, and shill to a healthy society and culture. As the titanic size of the government grows, independent sources have tried to generate a list of all programs and agencies that the government runs. It is no easy task to accurately report a moving object. In *We the People*, Charles Murray describes the growing federal state since 1960 to 2012: Budget grew from \$679 billion to \$3.4 trillion in constant dollars. There are approximately 1800 personal subsidy programs. The Federal Register grew from 22,877 to 174,545 pages. The number of federal laws a citizen might break grew past 4500 from only a few at the beginning of the 20th century. Federal Agencies have grown from 13 to 70. But where are the results? Have these agencies increased America's ability to grow and prosper? Good question. The results are simple:

government has made the job of the citizen harder not easier, and shrunk about freedom to pursue happiness.

As government grew, the number of those chasing a piece of the government's \$4 trillion budget has increased dramatically. Lobbying entities that numbered in the hundreds in the 1960s now stretch to nearly 10,000, spending nearly \$3 billion a year. Political Contributions: two-thirds of donations come from large donations, about ½ percent of total eligible voters. The top 100 donors gave \$890,000,000 in 2016 about 1/3 of all political spending. These dollars drive speech during elections and access to power once the election is over. While common people give \$10 to \$20 that pay for political infrastructure, the big money drives speech and law writing. The big donors influence laws and protect wealth and the status quo. Small donors can't buy a vowel and are drug through the mud during elections by BIG speech driven by BIG donations. The rich drive speech and the status quo. The rich do not need our help to be powerful or rich, but 21st century politics is about access to Washington and making the rich richer and the poor poorer. Politics, as President Washington warned, is about power. And an old idea that we all know and understand rises on the charts: power corrupts...well, you know, absolutely.

The list of power-produced problems is long. The State of our country is not healthy. We are limping along without much vision or leadership. We are in competition with one nation, China, who has a long view of history, and is after our dominate political and economic position in the world. Considering the weight of our challenges and the lack of workable remedies to achieve better results, China will not have to do much to roll us off the financial cliff we have created for ourselves sometime near the middle of the century.

We need Multipliers to run for offices, not geniuses who kill ideas but genius makers, politicians that make us all better, smarter and freer.

How Did We Get Here? The Roadmap to a Complex Government

The 2nd Law of Thermodynamics: Entropy: lack of order or predictability; gradually decline into disorder.

Physicists bring order to an otherwise unruly universe. Over time, according to the 2nd Law of Thermodynamics our universe will become thoroughly disordered. Though mapping physics into theory of government is not the intent here, and could never be completely accurate, it is analogous. With time, most organizations, including government become more complex and disorderly. In business, when an organization, or pieces of it, tend toward disorganization and failure, wiser minds jump in and reorganize. Sometimes the reorg works, sometimes not. The benchmark is simple: if profitability resumes, life goes on. If it does not, the organization either tries and tries again, or the business flops.

In the public sector, there is no easy measure, like profitability, to measure success. Governments age and age and age. Like the law of entropy, time produces more and more disorder. Without a seatbelt to stymie growing complexity, the result is, after more than two centuries of increasing disorder, our federal government and many of our state and local governments are in disarray. Over the course of the last 100 years, the seat belts our Founding Father's installed in our founding documents were removed and accelerated our path to our current situation.

Here's what happened. The short version.

Progressivism Sneaks into Politics

Two revolutionary visions of democracy launched into history the same year, 1776. The underpinning of the American Revolution, of liberal democracy, stated clearly in the Declaration of Independence were, and are, Life, Liberty and the Pursuit of Happiness. The Constitution and Bill of Rights rounded out our rights and responsibilities. These documents produced the Great Experiment the results of which were nothing short of amazing. The American culture of government promoted individual freedom and decentralized government. With great freedom, citizens could and would improve themselves. The government protected individual rights and stay on the sidelines with minimum involvement.

The second revolution in 1776 occurred in France. The founding theory of revolution revolved around the Jean-Jacques Rousseau's General Will. What's the General Will: a collection of revolutionaries hurling rocks and stones from behind the barricades in Paris. These change

agents behind the Parisian barricades lived and breathed the General Will, life was good. They would toss out any and all institutions that existed and form a new government bases on their collective ideas and start from scratch. Their core principles: Liberty, Fraternity and Equality. It sounded good. The implementation however led to the tyranny of the Left. Those not aligning with the thinking of the revolutionaries, may have to be 'forced to be free,' according to Rousseau. Should one be outside the general will, which meant the overthrow of everything of past governments in favor of creating something from scratch, then the guillotine waited. The moniker for the revolution, The Reign of Terror, was apt. From this terrible beginning, these seeds of French revolution can be found in communism, socialism, Progressivism, statism, technocracy and much of the theory of modern leftist government. Though both American political parties imbibe the notions of strong central government promoting the General Will, the Democrats have moved farther and farther to the Left during this century and away for the liberal notion of our Founding Fathers. Over the last couple of elections Progressive branding has returned. Though most media mentions treat the word as progressive with a small 'p' meaning 'making progress toward better conditions,' the capital P version is a theory of strong centrally-planned government with 'disinterested' leaders who are experts at government functions and public policy. In the 1920s' and 1930s', when American socialists made a run at political significance, the word Socialist was not well accepted. Progressive replaced Socialist. When Progressive's aligned with the Eugenics' movement and the brand began to fail, the Progressive's adopted Liberal as their moniker. Liberal, though, has nothing to do with Leftist thinking (they are two mutually exclusive ideological terms.) The name stuck however, and today, Democrats are still called Liberals, if only in the pejorative for Leftist. Progressive is making a comeback, though anyone that uses the word wants the listener to see the speaker as 'making things better' not building a bigger more onerous government. Regardless, their belief is, to perfect our lives, employing big government as an expert, a disinterested leader, will indeed make our lives *perfect*. Big government, however, has not made even a small dent in poverty, improved our education system, nor built a financially sustainable retirement system. Trillions of dollars in big government programs spent of four decades have produced no results.

Pessimism and Perfectibility

There are two schools of thought about man. Well, to be honest, there are probably millions of schools of thought about man. In American politics, though, two visions of man predominate. They summarize to 1) man is getting better all the time, - Adam Smith's view - and 2) man is perfectible but only with the intervention of the state. In America, the Republicans and conservatives trend toward the former and the Democrats and the Left trend to the latter. Finding middle ground is difficult. Political speech seldom dives down to the level of philosophical thought, but the optimism of Adam Smith and the pessimism of Rousseau are the foundation of 21st century politics. At the level of government policy, the optimism of Smith is found in free enterprise and

markets and simply regulated markets. The pessimism from the Left arrives at our doorstep in the form of government social monopolies, very highly regulated industries like banking or airlines, and the propensity to make law every time a problem arises.

Reagan held an optimistic view of American citizens, and he was roundly criticized for his belief and called a dolt. Optimism is a key economic indicator. Markets have an additional bit ofumph when optimism rises. For the nation's leader to display both optimism and a deep trust in the people creates a multiplier effect in economics and culture. Not all Republicans deploy optimism as a tool, nor do all have deep trust in Americans' ability to take care of their lives without much help or insight from the sages of government. Sadly, there are few leaders who are both optimists and faithful to individual freedom and responsibility. At the opposite end of the spectrum, pessimism and trust in government has produced much of the mess in Washington.

Democrats, along with some Republicans, find great purchase with their desire to perfect man via grand government schemes and mandates which show up a free services or debit cards handed out by a very kind Uncle Sam. Who could not be swayed by the genuine desire of government to help the needy, the not so needy, well....and then the middle class and even the rich folks. Warren Buffet and Joe Biden have access to free Medicare and Social Security. Elon Musk gets billions from the government to make electric cars that without incentive rich folks would likely buy anyway. There is a subtle pessimism in the intellectual conceit of the Left. The assumption is that they are a bit smarter than the rest of us, and worse, the we need their help to run our lives and businesses. The pessimism of the Democrat/Left approach is rarely mentioned, but its evidence is widespread. Obama chimed in about America business...'you didn't build that.' The inference...government built America's business with infrastructure and education and money. Gruber Jonathan, an Obamacare architect, let Americans know about their 'stupidity' regarding their lack of understanding of the immensely complex Obamacare. Nobel Laureate Maynard Keynes (economist) let every commoner know that they were to 'ignorant' to understand the ramifications of public policy. These ugly statements pop up in the press infrequently, but the dangerous conceit of the left is built into politics and policy, whether voiced publicly or when sibilantly aired as the crucial underpinning of big government program or policy. The first big government building block arrived nearly 100 years ago, and it launched the asymptotic rise of government power.

Income Tax: The Sixteenth Amendment, 1913

Although Progressive thinking, which will be covered in more depth shortly, may have been part of the driving force for creating an income tax, adding a funding mechanism to smooth government revenues was also at play. Our federal tab for running America had grown, if only minimally by today's standards. Tariffs, the feds largest revenue source, swayed with the

vicissitudes of trade, and the expense of wars played havoc with budgets. One prescient legislator, though, may have seen the future of this new tax accurately. In 1909, From the floor of the House of Representatives during a debate about the proposed income tax. Massachusetts Rep. Samuel McCall argued:

'The character of the argument which had been made leads me to believe that the chief purpose of the tax is not financial, but social. It is not primarily to raise money for the state, but to regulate the citizen and to regenerate the moral nature of man. The individual citizen will be called on to lay bare the inner-most recesses of his soul in affidavits, and with the aid of the Federal inspector, who will supervise his books and papers and business secrets, he may be made to be good, according the notions of virtue at the moment prevailing in Washington.'
(Eddlem, 2013)

Haunting. With the passage of the 16th Amendment in 1913, the keys and purse for the kingdom cast an ever-increasing financial net. During the next hundred years, Congress added 74,607 pages of tax regulation, producing vast arenas of personal, social and business manipulations. During America's first 125 years, government absorbed about 3% of GDP in tax revenues. Even after the passage of the 16th Amendment, when cooler heads prevailed, tax revenues did not exceed 4% until the 1930s. With the Great Depression and Maynard Keynes new thinking about economics and full employment (the government could create jobs by spending borrowed money) revenues grew throughout the Depression and World War II. Some sanity returned after the war, as spending dipped under 4%, then began a long uphill slog from the low teens and then high teens, averaging 18.1% in the latter decades of the twentieth century. In the 21st century spending grew beyond 20% and during the Obama administration peaked at 25% of GDP. As government revenues grew, so too did the complexity and power of government. The small stabs at reducing the size and complexity of government by Ronald Reagan, Bill Clinton and Donald Trump have produced some positive effect, but increased spending always returned. Political elites have repeatedly pushed to spend the American largess on crony capitalism, pet projects and growing entitlements.

In the 1930s a second hit to our fiscal safety came at the expense of the Supreme Court.

Helvering vs. Davis

These two names are not household names but the legal case rocked the foundations of federalism, and not for the betterment of Americans. Davis, a shareholder of the Edison Electric Illuminating Company filed suit that challenged the constitutionality of the Social Security tax passed by the Roosevelt administration. Guy T. Helvering was the Commissioner of Internal

Revenue Service. The challenge? Social Security was not on Congressional list of constitutional duties. Congress is solely responsible for all spending bills, and so, as Social Security was not on the list of spending responsibilities enumerated by the Constitution, the legislation defied both the Constitution and the 10th Amendment which states: *The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people.*

The delegation of authority provided in the tenth amendment – meaning that any other spending would be the responsibility of the states - had been inviolable from the beginning of the nation. The discussion of this constitutional problem did not arise with Social Security. It had been on the minds of the FDR's brain trust as the Constitution and the Bill of Rights were barriers to the erection of their Progressive Agenda and the New Deal. debate got so loud and raucous and the Courts so defiant, that FDR threatened to pack the courts with new Progressive justices. The threat proved effective. *Helvering v. Davis* overturned the meaning of 'the General Welfare' clause that James Madison defined in Federalist 41.

'Some, who have not denied the necessity of the power of taxation, have grounded a very fierce attack against the Constitution, on the language in which it is defined. It has been urged and echoed, that the power "to lay and collect taxes, duties, imposts, and excises, to pay the debts, and provide for the common defense and general welfare of the United States," amounts to an unlimited commission to exercise every power which may be alleged to be necessary for the common defense or general welfare. No stronger proof could be given of the distress under which these writers labor for objections, than their stooping to such a misconstruction. Had no other enumeration or definition of the powers of the Congress been found in the Constitution, than the general expressions just cited, the authors of the objection might have had some color for it; though it would have been difficult to find a reason for so awkward a form of describing an authority to legislate in all possible cases.'

Some of Madison's contemporaries believed that the list of General Welfare spending should be more clearly delineated. Madison thought not. In 1935, Supreme Justice Benjamin Cordozo, writing for a 7-2 majority, ruled otherwise.

'Congress may spend money in aid of the "general welfare." There have been great statesmen in our history who have stood for other views. We will not resurrect the contest. It is now settled by decision. The conception of the spending power advocated by Hamilton and strongly reinforced by Story has prevailed over that of Madison which has not been lacking in adherents. (Murray, 2015)

True, what is done is seldom undone by the Court. The broadness of the decision, though, is concerning. Were the decision to allow just this specific tax, the constitutional seat belt provided by the founding fathers to keep the government inside its defined lines would have only been slightly loosened. For the court to announce that the government, for the General Welfare, could spend anything it damned-well pleased ripped out the seat belt, the airbags, and the doors, the installed an 800-horsepower engine and finished with a 'good luck boys.' To harangue future courts, Cordozo admonished don't touch this fine piece of work: 'It is now settled by decision,' This creates a conceit beyond the limits of good sense and civility.

If the reader wonders why we can't get spending under control, there are no lines in the sand by which Congress cannot stretch its spending tentacles. Adding Helverling to the passage of the income tax assures Congress has no limits for acquiring money nor for spending. Add *Politics with Romance* to the mix, and spending engines obtain even more horsepower. It entices politicians to spend more, if only to get re-elected. There is literally nothing that Congress is not allowed to spend even when spending is of dubious value.

The very fears the founding fathers had about the power of government are now realized. But it gets worse.

The Tyranny of the Administrative State

Without anything to reign in revenues and no barriers to what our tax dollars are spent on, holding sway on writing rules for policy and program is the last vestige of responsibility the legislative branch holds. For 200 years, Congress did. Rule writing, when sometimes required by legislation, was a smallish job because the tentacles of the federal government were small. As the government grew, so too did the administrative state. Then another constitutional protection was abdicated. Both Congress and the Supreme Court are responsible.

There is an abundance of books which study the administrative state and two hundred years of defining and expanding its boundaries. If a citizen wishes to participate as an employee of the administrative state, he or she can attend one of the plethora of universities to earn a degree in public administration. That degree would be a Bachelor of Science, not a Bachelor of Arts. As the presumption of the degree is that decision making can be relegated to scientific processes and disinterested leaders. Today's Progressives believe deeply that the truth of public policy can be transmitted in scientific terms. Two challenges are tantamount to America's challenge of our growing and out of control administrative state. Call this new division of government the Fourth Branch of Government. These challenges are:

- Most all but the simplest laws passed by Congress need some regulator detail – by which the administrators must act
- Over the course of 240 years, the delegation of this authority has produced an administrative tyranny in which the administrators write the regulation, become the commissars for enforcing the regulation, and then the judge, jury and executioner when conflicts with the law require adjudication.

If the latter feels a bit like a Jean-Paul Sartre novel or even a bit like the trials and tribulations of Winston Smith in *1984*, it should. The balance of power between the three constitutionally created branches is appended by the vast expanse of the Administrative state, which absorbs some of the power of the other three branches. Considering the number of pages in the federal register (174,545) and the cost of compliance (around \$2 trillion) finding a new paradigm would be grand idea. The deep-seated culture of the Administrative state, however, and a willing Congress and President, which are happy to defer power to the Administrative State, make change hard. The Chevron Deference, provided by another Supreme Court ruling and adds another degree of difficulty in getting our federal government under control.

Chevron provides a path for Congress to defer its responsibilities to the administrative state: *“If the [enabling legislation] is silent or ambiguous, Congress has in effect left a gap in the statute for the agency to fill. If the agency filling that gap has interpreted the statute in a reasonable manner, the court will give effect to that judgement, deferring to that agency, then grant Chevron deference.”* (Federal Government, 2017)

What could possibly go wrong? Absolute power could! And Murphy’s Law, and the law of unintended consequences. That these experts should subsume the responsibility of Congress and the Courts is optimism without merit. Overturning this Progressive tenant that experts in the administrative state are better stewards of the general administration of the law would be a better path forward. The Chevron Deference is a Leftist/Progressive concession to the notion that experts exist with uniform appraisals on how to solve problems. This sophistry is a bit nutty considering finding any group of experts that have a uniform approach to much of anything is impossible. For the moment, though, America is stuck with Chevron. Overturning a Supreme Court opinion isn’t easy, not by a long shot.

What has been deferred is not as important as what is inferred by the decision. At a press conference regarding the nomination of Supreme Court Judge Neal Gorsuch, California Senator Feinstein said, regarding his comments on Chevron, that it was important to let the experts do their jobs. The expert Ms. Feinstein augurs blossomed out of the New World. The original experts were Renaissance scientists like Copernicus, Kepler, Galileo and Newton. Newton viewed the universe and the cycles of the planets around the sun and derived three equations that rocked the world. These equations could define where heavenly bodies would be in the future and the past.

The universe could be simply defined. The Age of Reason followed. Science proliferated, and the world changed rapidly with a constant flow of discoveries. Experts existed who understand the universe and understood more about it every day. On the flip side, on the softer sciences, soothsayers offered themselves as experts in psychology, sociology, political science, economics and public policy. The intellectual conceit, then and now, aligned the stringent laws of nature that Newton and Einstein conceived, with sociology and economics, which Marx and Engels conceived. The former propelled the scientific world to new heights, the latter cost the world a 100,000,000 lives. What could go wrong, you say, with employing experts on policy and the wishful belief that a scientific approach might produce THE perfect policy or program? A couple of things pop to mind.

Former Secretary of State, John Kerry's comment during a Global Warming hearing in the Senate introduced in to the meeting notes that 'Science is Science!' This quaint tautology is both true and inane. Is it true that science is science? Sure. The point Kerry attempted to make was that if a scientist did the activity of science, that the output must be true, which would be incorrect. Newton's theory works for you and me are celestial mechanics of the nearby planets and the slow in motion. As stars and planets – and spaceships – move faster and faster and approach the speed of light, Newton fails. He is an expert for the slow. Einstein, on the other hand, is the expert for the fast and big. As moving bodies approach the speed of light, the Theory of Relativity kicks in. His equations, to date, have not failed test and test of his theory. Einstein, however, knew his theories were incorrect. They failed to bridge the science of quantum physics and his theory of gravity. Worse, he woke up one day to discover he had committed a grave error. Edwin Hubble (you may have heard of the space telescope named after him) published a paper in the early 20th century that exposed that every galaxy in the heavens was moving away from the earth. Sounds both interesting and bizarre, right. Hubble's paper has proved accurate many times over. For Einstein though, Hubble's revelation uncovered Einstein's *greatest error*. His theory of relativity included a gravitational constant. Why, because like every scientist in the world looked at the heaven's above and witnessed a 'steady state' universe. The universe neither expanded nor compressed, it just went round and round – a steady state. The gravitational constant in General Relativity, incorrectly, held the universe in the steady state. Since the universe according to Hubble showed an expanding universe, Einstein consider this swing and a miss as his gravest error. Correcting the gravitational constant has been a bone of contention in Physics for eight decades. The science of gravity did not stand still, however. Eighty years after the Theory of Relativity, one of the greatest accomplishments of Physics since Newton's Principia, Dark Matter has presented yet another dilemma for gravity. And the story continues, each new deviation from the original theory of gravity producing a new set of experts. Science isn't a one-time event as the experts believed during the Age of Reason. Progressives who rely on a Newtonian approach to experts, a one-time event, a one-time solution, fail miserably in the execution of their ideas in the softer

sciences: sociology, psychology, and political science. Chevron presumes this one-time approach by experts. Even more problematic, because the writers of the regulation are also the enforcers and judges, a dangerous mixture of tyranny constraining our liberal democracy.

We vote for politicians who we hope will hire the best and brightest for our administrative state, experts that can help guide our nation, but experts aren't all we hope they might be according to psychologist Phillip Tetlock. Tetlock worked for the Reagan administration and was tasked with 'working out what the Soviet response might be to the Reagan's administration's hawkish stance in the Cold War.' His research produced whitepaper tumult as the many experts he questioned for advice agreed on anything about the subject. After his stint with Reagan he dove into the dissonance of experts. He surveyed three hundred experts asking 'specific, quantifiable forecasts – answering 27,450 question between them – and then waited to see whether their forecasts came true. They rarely did.' (Harford, Adapt, 2011) As much as you and me, our Congresspeople and Presidents hope that experts have a keen vision for what is best, they do not, nor was there much agreements on policy or outcomes. The belief that science and this case experts harmonize to a single, all-encompassing idea, is a non-starter. Like science, policy and program needs to be tried and tested, iterative and innovative. The Progressive, expert-driven government is an idea whose time should have come and gone, but still lingers to our great disadvantage.

A tyranny is embedded in our administrative state. There too, is a tyranny of thinking in our leaders who believe that law can be prescriptive – with single choice. That man can be perfected by law, regulations and rules proposed by experts. That a few experts can elucidate the perfect common denominators in regulation is nonsensical. Chevron professes this concept by deferring to the experts which leaves the common man at the mercy government experts, government decrees, and, sadly, political rent-seeking (you give me money to run my campaign and I will give you something you need, legislatively) which greases the skids of lawmaking overseen by the rich and powerful: wash, rinse, repeat, repeat, repeat....

What results, a larger and larger administrative state, with more and more power, and more and more money to assure that when it enters your life, you have no chance to defend yourself. 1984. Was it Big Brother that finally got Winston Smith or the Administrative State.

Politics with Romance

The availability of ever-increasing tax revenues creates a never-ending stream of power-seeking influencers who would like a chunk of the largess. Sometimes the largess is for crony-capitalists, like Elon Musk of Tesla or Sergie Brin of Google, or Immelt of GE, wishing to erect barriers to entry into their market or to acquire tax preferences to maximize profits. For special

interests, the desire is for power and leverage to assure legislation favors their interest. For the powerful, getting access, assures a seat at the political table to leverage their power or to acquire more.

Author Zingales proposes the reason for the ever-increasing expansion of government in his book *A Capitalism for the People*. It costs little or nothing to influence government. For a business or union or rich person to give a million to get a billion in benefit is chump change. The practice of giving some to get a lot is called Rent-Seeking. James Buchanan, a Nobel laureate, calls rent-seeking Politics with Romance. Put in less nice terms, the politicians and special interests have a nice dinner and exchange gifts, and the voter gets (insert not nice word.) Zingales added up all the contributions for an election cycle, then loaded in dollars associated with lobbying which totaled about \$8 billion. Federal spending during the election cycle totaled \$8 trillion. The ratio of spending to contributions equals 1000 to one. What business or interest group wouldn't entertain this investment with an average potential return of 100,000%. When a CFO invests in plant and equipment, an average payback is around 30%. Should there be any wonder that the number of lobbyists and businesses on K-Street have blossomed from a few hundred in the 1960s to nearly 10,000 today.

What is more worrisome is that almost every penny spent to affect our policies and programs are centered on the status quo. The cycle of contributions is to assure that no change occurs, that we are stuck in an endless feedback loop that produces mediocrity for us and gives the rich and powerful cover to protect their wealth and increase. Using this equation, as has been the case this century, the rich get richer and the poor, poorer. The political marketing for this endless feedback loop is uglier than a pig with lipstick, but it is effective ever single day in Washington. Bigger government. More influence from bigger and bigger money. More spending, simply because Congress can. The seat belt on spending all but gone. And with more power the increasing feeling that Washington is corrupt and untrustable, an increasing spiral with the rich and powerful getting richer and more powerful and the denizens who made this country great have been left on the sidelines to watch an InCivil War with no end. Federalism which allowed each of us to rise to great then greater and greatest has been replaced by a soft growing tyranny driven by the rich and powerful whose selfish interests are at odds with the general population. How do we return to a saner government, yet move ahead to a new paradigm for Federalism?

There is a path, but it doesn't start with the rich and famous. It starts with you, the voter.

Federalism 2.0

With Federalism 1.0 taking several devastating hits during the 21st century, moving America away from our core liberal traditions (yep, the founding documents built a liberal democracy) toward leftist democracy, what would an upgrade to 2.0 look like. How do we up the Founding Fathers' good governance game. Though they would not have likely seen their endeavors at Freedom Hall as nation-building nor as a platform for proliferating creativity, ideas and hard work, the founding documents do just that. They set up a superstructure that is extremely conducive to idea generation, the foundation of economic growth.

The efficient pairing of ideas with investment has always been the central tenet for healthy economic growth. Economics, though, has traditionally focused on the investment side, not on the ideas. Ideas, innovation and invention have always been important – automobiles, electricity, the light bulb, even Eli Whitney's cotton gin. These few and far between, disruptive technologies were important in the 19th and 20th centuries. In the 21st century, new disruptive innovations will be the rule, not the exception. To rise to the top of the innovation heap and stay there, America's innovation engine needs some attention.

In the early 1920s, economist and Nobel prize winner Joseph Schumpeter, wrote about entrepreneurialism and innovation in terms vastly increased productivity. New ideas killed old aging ideas. While most economists of the time painted economic success in terms of aggregate demand, he saw increased productivity the driver of America's extremely successful economy. The best measure of economic health, he believed, needed to include the new disruptive innovations that created whole new industries like airplanes, radio, and television and more. These disruptive new ideas drove productivity as well as adding new revenues to aggregate demand. The entrepreneurs, though, were 'subversive' and a huge annoyance to the mainstream industrialists – status quo, big business - as they were a threat to big and aging technologies. Schumpeter's named the process *creative destruction*. This century, Schumpeter's creative destruction translates to new industries like the smart phone which all but destroyed the flip phone, laptop computers which were replaced by tablets, the Internet replaced dedicated data networks, and at some point, a new Henry Ford will build a \$25,000 electric car and gas engines will devolve to zero. Innovation solves problems. During the last 80 years, government has tended to get in the way, slowing innovation. To be successful in the twenty-first century, government must create a freer superstructure for innovators to create new solutions, not create impediments for innovators and entrepreneurs. Federalism 2.0 needs to be the mechanism for assuring America retains its leadership as the best nation in which entrepreneurs can start a business.

How does Washington move from trending to strong, centralized and powerful government to a new breed of Federalism that even the Founding Father's might be gleeful about.

What might this new approach to leadership look like? First, the nation needs leaders that enablers of our ideas, our power, and our individual responsibility.

New Governance Requires New Politics

Politics has always been a blood sport, but the 2016 election vastly expanded the incivility of both parties and the main stream media. One hundred years ago, Republicans and Democrats shared common principles of government, the principles of Federalism. Today, the Democrats trended to the far Left, toward big, expensive, complex, government. Republicans have floated the same direction, but when big policy is on the table, Republicans do promote federalism. Net-net, when grander policy is at stake, nothing gets done. The parties have grown to dislike each other and have irreconcilable differences when voting on one another's policies. Over the last 50 years, the rise of the state has also produced the rise of big money in Washington, money largely devoted to assuring the status quo of the moneyed interests. Large troves of political contributions also drives the current and evolving culture war. The result, getting much if anything done is almost impossible and the legislative outcomes, if they move us forward at all, do so in a trifling manner. Americans are seeking big ideas, transformational fixes that make us freer, provide more opportunity, and increase our competitiveness internationally. Two and four-year election cycles create non-stop campaigning and electioneering but few new ideas. The giant, moneyed echo chambers for each party spends vastly on meaningless sound-bites that enliven special interest but do little to articulate a winning, strategic plan to right our mediocre economy. The small legislative bites that look like progress are tactical at best and provide little long term value for America. No one speaks to the larger issues, like ineffective social policy or the \$100 trillion in unfunded mandates, and if discussed, information is shot-gunned in unintelligible, well-aimed, sound bites meant to disable or decapitate discussion. Our politics and leadership are about getting re-elected and conducting the business of America in a style that attracts big money from special interests but little in the way of increasing trust in government. Politics with Romance, indeed. The voter, however, is the one that gets screwed...with no romance. How do parties that are fully committed to the status quo transform into men and women who are committed multipliers, creating a culture of new ideas, new geniuses, and new solutions that move America ahead instead of leading a nation that is stuck at zero. They don't. We are stuck in place without new voices.

With money readily available for any right-minded candidate, Left or Conservative, most every contribution is attached to aging ideas, and every dollar spent during an election cycle is spent promoting Mutually Assured Destruction. How is the money cycle broken? Is there a new brand of leader on the horizon that would transform our micromanaged, all-powerful Oz into

government of enlightened leaders who focus on how to help us be better people, smarter, willing to take challenges, and be responsible?

Probably not. With huge vats of money available that promote the 24/7 electioneering and limp problem-solving, any change is a challenge. Big change seems all but impossible. The two political monopolies are locked in perpetual destruction. Its not that the people we send to Washington are bad people or unintelligent. Quite the contrary. For the most part, they are good people that do want the best for America. The challenge isn't the people. It's the political institutions in which they live. The political parties are rotting from the inside, creating echo chambers of poor thinking, and holders of dying political ideologies that produce little value, but lots of money. And then ever four or eight years, Americans flip the coin, tiring of the current party and sends the other party to power which then reverses what the former administration did. Lower taxes turn into more taxes. Lax foreign policy turns to aggressive policy. Pro-business turns into anti-business. Back and forth we go.

Ronald Reagan thought differently than the political elites and his small-government approach was reviled by most Washington insiders. Once outside of office, the political opposition, including those in his own party, began to undo his policies and replace them with a 'kinder, gentler' government and later compassionate conservatism. The Republican, status quo money machine had been running in the political background and once Reagan left the oval office the traditional, Republican state of political affairs returned. Donald Trump is running into the same dilemma. Running as an entrepreneur whose administration would bring down barriers to American economic success (lower taxes and regulation) the money machine in both parties has been a heavy reminder that special interest foists a huge amount or power in Congress. Not only are the Democrats fighting his agenda, so too is the Republican party. Bill Clinton saw his more moderate approach to government be replaced by the more Leftist Obama agenda. Follow the money and it always leads back to the status quo of each party.

Our political problem in Washington isn't with the people, it's in the political parties. Their motivation is to acquire the power via moneyed interests and slowly increase the size and strength of centralized government. Once power is acquired, it is seldom surrendered. Our federal micro-managers do not awake one morning with a desire for a more enlightened style of leadership that empowers the citizenry. They believe they are leading wisely. The problem, when results are poor, is few in DC understand that they are the problem. They are locked in a style of government which lives of more money, more power, and more top-down micro-management, and when this doesn't work, the money machine reinforces the need for more money, more power and more micro-management. Both parties are complicit and it is very unlikely they will change because the money-machine constantly reinforce the same bad habits. They have no competition, so there is no need to change.

Political competition from a new breed of political entrepreneurs, however, can create a new landscape in Washington. Consider a new party (or two or three) that only took small donations, that believed liberty was the catalyst of greatness, that decentralized government provided the best path for us all to be multipliers and idea generators; that markets, not government social or regulatory monopolies, provide and incredibly efficient processes to discover new private and public solutions to improve individuals' success factors and our pursuit of happiness. Perhaps most important as all, government must see simplicity as a strategy. Without simplicity, government, like all organizations, generally devolves into complexity, making government more expensive, burdensome and untrustworthy.

Neither Bernie nor Donald had any new policy or program ideas, but each laid out campaigns that lead away from big donors. Their new approach, the you-can't-buy-me approach, won the favor of huge swaths of the voting public. Voters know something is wrong with big money campaigns and get that big money buys big access and a quid pro quo – political favors. The romance of money is evident to even the least politically engaged. The voters also know that the rich don't need any help being rich. The other 95% of Americans do need help, not from government debit cards or free chits. They need an environment free of the burdens of government, a flat playing field upon which to compete, and a motherload of opportunities that open paths to happiness and success.

What is Federalism 2.0? What is the Great Experiment II?

Federalism 2.0 requires an essential belief by the three branches of government – politicians and bureaucrats included – stay within the limits of their powers as defined by the Constitution and to defer the remainder of responsibilities to the states and the people. When the government wishes to step outside these limits, instead of creating giant government bureaucracies, competitive landscapes should be created between the states – test bins of ideas whose requisite output is great results. Our government has no focus on producing positive social or economic results. If a program does not work well or it is expensive beyond the ability of the government to fund, nothing happens. No change. No reconsideration of the original approach.

Consider our failing inner-city schools that have made no advances in decades. Or how about our anti-poverty programs (spending is close to \$40 trillion over the last 50 years) that have not reduced poverty an iota in four decades. Great results must be part of the equation for federal involvement. Federalism 2.0 must also require diligent pursuit of simplicity in law and regulation. Complexity is the enemy of every organization and simplicity must be a battle fought daily. The cost of complexity is lost productivity is about 10% of GDP.

Finally, Federalism 2.0 purposes a focus on maximizing ideas in the commercial, social and cultural marketplaces. Ideas are the currency of the 21st century. America strategic lead in ideas

has fallen during the 21st century and this failure will harm our future growth. Shockingly, Communist China, by inserting a bit of capitalism into their totalitarian state, is beating us at idea generation and economic growth. The key measures of successful idea generation are tied to patents, new business formation, and immigrants seeking to create new businesses in the United States. Federalism 2.0 will refocus America economic aim to assure future entrepreneurs are not overburdened with government regulation.

Getting the Branches of Government Inside the Lines

The Administrative State contains the most toxic culture for complexity. Combining experts, lawyers and public policy wonks to establish rules and regulations could not be a more terrible mix of talents for assuring complexity and obfuscation. Add to these talented agents of complexity the fact that the Administrative State is responsible not only for rule-making but enforcement and administrative courts. Not only is complexity assured but a soft tyranny is created. No separation of powers exists. This setup is not unlike the Prerogative Powers created by kings and queens to circumvent the powers of Parliament in England. Philip Hamburger states in *The Administrative Threat*:

The English in the seventeenth century largely repudiated the absolute powers with which monarchs bound their subjects extralegally. James I seriously abused absolute power, but it was left to his son Charles I to take it to the limit and thereby provoke open resistance and eventually a civil war. In 1641, just before the conflict Parliament abolished the two primary tribunals, the Star Chamber and the High Commission which carried out most of the king's extralegal lawmaking, interpretation, and adjudication. (Hamburger, 2016)

If it seems the Leftist nobility in America copied the edicts of old kingdoms to acquire power and absolute authority, well, it has. Congress, without much of a fight, gifted its own legislative authority to the administrative state despite the fact that our Constitution specifically states that *'All legislative Powers herein granted shall be vested in a Congress of the United States, which shall consist of a Senate and House of Representatives.'* Though there is a gap between its legislative authority and rules required to administrate the congressional legislation, the administrate branch is all too happy to grab all the power they can to make rules and extended their powers to include enforcement and judicial powers. As noted earlier, the Supreme Court piled on even more power for the administrative state with the Chevron deference. The movement of power between the branches has created a slightly tyrannical fourth branch of government. Congress needs to reclaim its legislative authority and reconsider its approach to rule-making.

Rolling back Helvering and Chevron would significantly diminish the responsibilities of the Administrative State. This would require the Supreme Court to revisit and overturn these rulings which is not likely.. Congress has the same mountain to climb as both political parties have few originalists. For the short term, the political will for such events does not exist in any of the branches.

Though new political parties seldom if ever get traction, political competition could create a public groundswell for a simpler, more agile government. Distrust in government has risen in proportion to the increase in the size of government over the last 60 years, today only 20% of Americans trust government. A civil society cannot exist with so little trust in government or in any organization. A business would not last long if only 20% of its customers trusted the business. Ditto for churches, non-profits, families...just about anything. The incivility in the political marketplace is indicative of the distrust. The power the government wields over Americans harms trust as well. Americans understand there is a problem, many problems, for which neither political party has either fixes or vision, further diminish our confidence. A path forward seems just out of our vision of the future.

Where to start?

Simplicity

Every company has a headquarters and executive staffs. The expenses related to office and staff are designated as General Administration (GA) in the company ledgers. Each item in GA has a cost and are considered overhead. These are hard costs that every company spends. These costs, though necessary, hit to corporate productivity. The Chief Financial Officer keeps tight tabs to assure these costs do not escalate and harm the business. C-levels are responsible for the bottom line and responsible for the company's profitability. They set the corporate vision and strategy and to assure that the customers are happy and that the products are well-liked and ever evolving into something better. The real productivity of a business lay with its people. Production of the product is not a headquarters function. It's in the factory or stores or warehouses. More than ever, leaders understand their success is fully dependent on capturing the human capital of its people. The same should true for government. Government is the headquarters for our nation and its general administration is a tax on our productivity. The higher the cost of government, the lower our productivity and success. There is, of course, a balance. To paraphrase Goldilocks, 'Is this government too big, too small, or just right.' Getting government to that optimal size is a never-ending job. Today, not a single individual in our government has their eye on the ball for optimizing government. It just gets bigger, more costly, and more complex. And that is a problem, a \$4 trillion problem. Should our government be a \$4 trillion enterprise with \$2 trillion in regulatory compliance costs? If America's distrust level of 80% is an indicator, and it is a great

indicator of government’s lack of success, then, no, our government has outgrown its pants and is far bigger than its ability to govern effectively.

Alan Siegel and Irene Etzkorn, authors of *Simple: Conquering the Crisis of Complexity* found that ‘simplification provides significant business benefits.’ They further state:

‘We don’t view complexity as a necessary evil. We see it as a thief that must be apprehended. It robs us of time, patience, understanding, money and optimism.’ (Etzkorn, 2013)

Robbery is an excellent description of the onerous conduct of our government foisted on our citizenry. The willingness of our leaders to increasingly pull additional dollars from our wallets and personal responsibility for our pursuit of happiness is ongoing. Moving the opposite direction requires a change of culture if not a change in political parties. Seigel and Etzkorn lay out the architecture of the culture and thinking required to simplify: ‘Simplification requires a thorough and pervasive commitment by an organization to empathize, distill and clarify.’ In some cases, even these three steps are not enough and a willingness to dispatch old regulation altogether and start from scratch is essential, especially for an organization, like our government, whose age approaches 250 years. Even when the simplifiers complete a simplification of some area of American government, consider that the job is never over. Time changes...everything. The process of simplification is iterative.

Simplicity

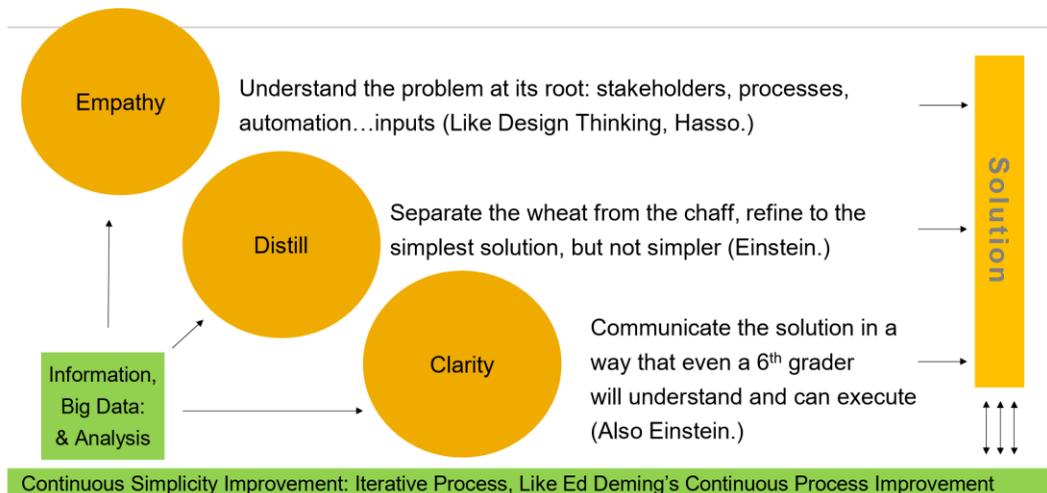


Figure 1. Simplicity as an Iterative Process © Tom Lewellen 2017

The iterative process for simplicity is built for the care and feeding of law and regulation that is already in place. It could be used as part of process for creating new legislation and rules.

As simplicity does not seem to be traditional skill among legislators, an injection of leadership is reasonable.

Chief Simplicity Officer

There contradiction in the democratic process for making law. Though the need for simplicity is high, the number of hands making the sausage increases with the need to acquire a majority of votes. Our legislative process invigorates complexity. Obamacare, already complex in its genesis, had last minute additions with the Cornhusker Kickback and Louisiana Purchase, two late deals to encourage two senators to vote 'yes' to assure a 60-vote tally to remove any possibility of a filibuster. Along the path to writing the first 2000 pages, more than a few *experts* lent additional complexity, engineering 150 committees into the mix. Once passed by the Congress, the legal text turned out to be more of an executive summary. Another 18000 pages of rules were added, to fill in the gaps to make the solution workable and executable. No one was at hand to moderate the increasing density of the program. No one attempted to focus the process on the key problem the law was supposed to solve, assuring people with pre-existing conditions could acquire insurance at a reasonable price. The program failed for many reasons, but the heavy weight of its complexity killed Obamacare before it started and made it fundamentally unfixable. A law that is simple can be altered and improved easily. As was seen with the repeal, which became more of a fix and reform bill, alternations became legislatively impossible. One of the bigger problems with creating any legislation is scope – appending more features beyond the original set of needs and design. The original intent, to cover 47 million people without insurance, especial the uninsured with pre-existing conditions, soon blossomed to vastly more. Had Congress tightened the scope instead, better outcomes would have resulted. It turns out the cohort of citizens that needed coverage for pre-existing conditions totaled less than one million. The law, though, tried to assure every one of the 47,000,000 people without coverage were mandated to get coverage. Approximately 6.5 million people paid the penalty for the individual mandate. Another 10 million signed up for Obamacare insurance on an exchange. Millions more were covered by expanding Medicaid coverage up to *400% of the poverty level*. Despite all the complexity of the law, complexity that the writers hoped would encourage citizens to get coverage, not even half of the 47 million uninsured participated via penalty or coverage. Had the government simply extended help to those in dire need with pre-existing conditions the price tag would have been vastly less expensive, less complex and more effective.

Would a Chief Simplicity Officer (CSO) help? Washington is filled with very big egos and much intellectual conceit. The solutions concocted by our smartest leaders have universally trended to the complex, muscular monopolies over the last 40 years. A CSO could provide guidance and advice for solving Americas problems and help establish processes for simplifying the legislative propensity for the complex as well as the regulatory landscape that has grown

increasing bumpy and dense. The CSO could act much like the Congressional Budget Office which analyzes the economic impact of congressional legislation. The CSO could additionally provide two important services for the voters and Congress.

X-Prize

The process for creating law is not pretty. Weaving together ideas from a few hundred political leaders, special interest groups, K-Street lobbyists and bureaucrats from the administrative state, no one should be surprised that complexity rules. Using the genius of American could provide solutions never dreamed of in Washington. Using an X-Prize style competition to discover novel and simple approaches to problems will help minimize the influence lobbying by rich, vested interests, and the notorious complexity lawyers bring to the legal writing framework. Put a different way, exercising the problem-solving juices of 300,000,000 people versus a few thousand partisan wonks inside the beltway will always produce better result.

The rules are simple. When Congress beginning to consider an issue, instead of asking their friends on K-Street or their internal caucuses – though these cadres should be part of the mix – the CSO would lay out the problem and the objective of a solution for that problem and expected, measurable results. The CSO codifies the problem and publishes it for all to see. Three hundred million people solving a problem translates. The prize for the best three responses is posted. The CSO team works with the CBO to find the simplest solution with the best results and the least cost for compliance if compliance is an issue.

The CSO's responsibility is to whittle down hundreds or thousands of responses into a few debatable ideas. The job or Congress will debate ideas – and perhaps some of their own - publicly. In the best of circumstance, the result will produce lean legislation, tightly focused solution that can be written in the fewest number of pages, create the least compliance expense, and best possible results.

Simplicity Rating for Congress

Rating simplicity is no easy task but building a grading card for both legislation and legislators is a worthy venture. If voters had a ruler to measure legislators' and executives' execution of simplicity, then both legislators and voters might have a bigger commitment to simplicity. A few variables might be considered: brevity, well-defined, tight scope, simplest path to solution, measurable output (can success be measured.) More options should be considered, but the list of measurements for simplicity should be simple and short as possible, i.e. empathize, distill and clarify. The CSO should have a rating system for both legislation, regulation and politicians, but should also encourage outside groups to ratings as well, not unlike private credit rating bureaus.

The Dodd-Frank legislation provides a good example of how a CSO might challenge complex legislation. Dodd-Frank's extensive verbiage runs near 20,000 pages. It's enormous and expensive. The law and rules are a response to the 2008 economic meltdown that followed a remarkable expansion of home mortgage in the early part of this century. When the market tanked in 2008, a sizeable chunk of poor-performing home loans were exposed, and financial tools that aggregated loans into mortgage backed securities failed. These two problems could be fixed on a couple of pages paper. First assure that loan applicants financially qualify for a loan, and second require the lending institution to own the loan. Easy-peazy. Sadly, politics happened. Ideology happened. Politics with Romance Happened. And poor problem-solving accelerated, based on a belief that government experts (Progressive with a capital P with a hammer and sickle in the loop) happened. And boom, a simple problem turns into a government quagmire. The scope quickly increased to include the risk involved with very large banks. Worries that consumers were hurt by the greed of the banks wedged into the legislation as the Consumer Financial Protection Bureau. Wisely, the scope delved into the challenges of derivatives, which were the secondary cause of the market crash. The Democrats were at the helm of this migration to complexity.

Nowhere in the scope expansion erected on the floor Congress did legislators seek the simplest option. If banks are too big, instead of returning to Glass-Steagall which separated investment and commercial and retail banks, they created onerous regulation for banks that were Too Big To Fail. The Volker Rule hopes to prevent proprietary trading using bank assets. Per Investopedia, the definition is 'proprietary trading occurs when a firm or bank invests for its own direct gain instead of earning commission dollars by trading on behalf of its clients.' It is 950 pages of compliance requirements. Comparatively, the original 1933 Glass-Steagall contained only 33 pages. The CFPB, a group self-funded from the Fed, not Congress, and whose designated leader was beholden to no one, not Congress, the President or you. Was the problem that banks were greedy. Sure. Did the government protect us from these greedy banks. No Government, instead of managing the greed, encouraged it with 'no document' and 'stated income loans.' More succinctly, an applicant could make up income level and without any documentation qualify for a home loan they had little chance to pay off. Think the banks liked this. They loved it, because they could then sell the loan to the government, ridding the bank of potentially bad loans. You can't make this stuff up. Not only the scope was out of control, the approach missed avoided the obvious. If you let banks create loans based on loose qualifications, bad loans will happen. Bad loans will not happen, at least not often, when the buyer is financially well qualified and the bank must own the loan. If banks own the risk they will take every opportunity to find well qualified candidates. This approach requires only a page or two of legislation. Why all the complexity? Frankly, with the kind of IQs that stream up and down K-Street, one can only imagine that intellectual conceit is the culprit. If you believe you are smarter than everyone else, then everything you think is superlative. The more complicated one makes solutions, the more likely the conceit will pass by us regular folks in the hinterlands.

Solving the challenge of so many poorly performing mortgages that lead to the financial crisis should have been easy. But then the scope of the legislative fix expanded wildly. The notion that banks were too big to fail didn't exist until protecting the big banks continued bigness became a factor. The notion of a consumer protection agency didn't exist until the rules writing began. The need for the Volker Rule popped into existence until protecting consumers from large banks running investment and commercial banking activities under the same roof didn't exist until Congress repealed Glass-Steagall, a long-standing law from the Depression, which separated these activities. A bill to fix mortgages that might have required only a page or two of regulation, grew to encompass this herd of other questionable reactions to the original problem. A terribly bad habit of our 20th and 21st centuries' Congresses is that they start with a simple Christmas Tree with a star atop, and morph the law into a tree with hundreds of ornaments, many of which don't seem to belong on the tree. As has been articulated earlier, this is called sausage making, because it is ugly, but the process lends itself complexity of our government, not the simplicity of governance.

For America to keep pace with the new economic competitors evolving in the economic landscape – China and India and others - it must leave complex and confusing laws like Dodd-Frank on the sidelines and endeavor to find simpler solutions that make markets more competitive and rules easier to understand and with which to comply.

Markets and Federalism

Leftists generally give markets a pass perceiving their necessity but believing markets only function with their not-so-light-hand of Leftist expert bureaucrats. Free enterprise is fine, kinda...! Leftists point to greed and selfish interest and taboo profits among other diminishing effects of bad players which are the table stakes for markets gone wrong. Wiser minds of disinterested policy wonks are required for markets to work. What they fail to see is that open and free markets are the testing grounds for products and ideas that the common folks like you and me get to test, to vote for or against daily. Good products succeed and generally get even better. Bad products fall off the economic ladder. Like democracy, where citizens get to vote regularly, open markets provide us the ability to vote early and often and determine, amongst the 100s of millions of us, which products succeed and which wither and die. Great power is vested in the vast legions of consumers when markets are open. Conversely, vast amounts of power are vested in a few bureaucrats when government regulates our choices down to a few government-sponsored products. Governments seldom use markets to help render services they deign to provide (healthcare, education, welfare, retirement,) but they should.

When the founding fathers designed the Constitution, they didn't have organizational management in mind. They were architecting a civil society, a free nation, like no other nation on earth. Among the objectives: 1) to assure both the natural and political freedoms of citizens, and 2) to form a government to protect those freedoms, a government that had boundaries to its power. To do this, they not only created a limited federal government but added an Amendment to the Bill of Rights to delegate all responsibilities not in the Constitution to the states and the people. This architecture decentralized both political power and personal responsibilities, limiting the corrosion of centralized power and extending great power across our broad nation to its people. It took businesses another 200 years to comprehend that this decentralized approach paid big human and economic benefits.

The first inkling of the decentralized approach in business may have showed up with Edward Deming the Father of Quality Improvement Process (QIP) in the 1950s. American cars manufacturers had over the first decades for the 20th century grown into a highly-tiered, centralized management structure. A quality problem on the manufacturing line would climb up through many tiers of decision-makers to discover a fix and then back down the organization ladder, decisions generally made without the input of the line workers who most likely clearly determined the problem and potentially the fix, had anyone bothered to ask. If the top-down fix didn't work, back up the org chart went the problem. At one point, General Motors towered with 15 management layers. Quality suffered. Deming took a more democratic approach to quality, empowering the line workers. This approach went nowhere with American Manufacturers. His next set of clients loved his approach, and in Japan, he not only found purchase, he created a

manufacturing environment that would begin producing some of the world's highest quality cars. The key: sanction the workers (give them the vote on solving the problem) to make decisions about quality, and give them enough power to literally shut down the manufacturing line. Then make the process iterative. The process never stopped. Translation: the quality of the product continued to improve in perpetuity. In the auto industry, Deming ideas are now pervasive. Like empowering the citizen with the vote, empowering the worker is fundamental to our success.

In the twenty-first century, any major corporation not empowering their workers with training and advancement opportunities is likely a performance laggard. Companies are keenly focused on the quality of their product, on the consumers' experience, and, most important, on the human capital at their corporation that supports these objectives.

Businesses that have embraced decentralizing of power, a type of business federalism, by moving responsibilities to region/division managers and their employees, have opened a new door in human capital management that improves the overall success of their businesses. It's a bit of a tenth amendment flair for corporate success and employee empowerment.

On the other end of decentralization and empowerment, at the top, where leaders have always kept an eye on costs, understanding that administration is necessary but is also costly overhead that can harm the bottom line. Our leaders in Washington, sadly, do not well understand the penalties of the costs of expanding central administration nor the benefits of empowering its end-users - the voters. Highly-centralized, micro-managed businesses or governments will not find success in a century devoted to innovation and agility and there are few if any *successful* businesses that do not understand that innovation and ideas come from the knowledge worker, not bureaucrats at headquarters. What business needs to share with its government buddies is that both government and business need a freer landscape to generate ideas and open and free markets to test ideas. Government needs not only to simply define the playing field for markets, it needs to use markets to deliver solutions to voters. Which is where Goldilocks comes in.

Markets: Goldilocks is a winner.

Let's be honest. Goldilocks isn't a model citizen. Breaking and entering. Petty theft. One might think she's not from the other side of the tracks but a snotty little kid from Beverly Hills out on a lawless binge. As Detective Jack Webb would say, 'Just the facts, ma'am. Having broken the bears' chair and eaten their porridge, and tested their beds, we can hope the Three Bears scared her straight. For the reader, the moral is simple: Don't eat, sit on or sleep in people's stuff or a bear might eat you. For Goldilocks, it's not apparent whether the Bear Incident created a new line of employment or if Goldilocks did go straight after a close encounter with becoming a Bear appetizer.

The takeaway of the tale for the Great Experiment 2.0 is slightly different. The Goldilocks' story elucidates three notions that will improve our government's ability to lead in the 21st century, by both managing private marketing and better utilizing markets for public endeavors: simplicity, entrepreneurialism, and trial and error.

Though simplicity was covered earlier, one additional piece of advice to lawmakers from Goldilocks is important. The rules of threes. Three chairs, three bowls of porridge and three beds to test. We think in threes, sometimes fours, but seldom more. When considering what to offer in simple solutions, the mind has a hard time thinking beyond three choices. Red, white and blue. Life, liberty and the Pursuit of Happiness. Even your English teacher admonished the Rules of Threes when providing illustrative examples and good writing. Those X-Prize semi-finalists should probably be limited to three. Proposed solutions will likely have less than three components. Perhaps the number of political parties might be most efficient at three, and maybe four. Too often political solutions rendered by Congress are a plethora of ideas and notions that suffer from the weight of their own complexity. Guidance from Goldilocks is imperative. Be simple in both approach and resolution. As Einstein recommended, 'If you can't explain it to a six-year-old, you don't understand it yourself.' If the scope of the solution is beyond three objectives, cut back.

It's hard to conceive of Goldilocks as an entrepreneur, but she was thinking outside the box when deciding to improve her economic situation by robbing bears in the forest. The supply chain of food and lodging in the Bear's house was far superior to picking berries and eating bugs off the forest floor. Entrepreneurs think this way. How can something be done easier, with less expense – without getting eaten by the bears. In mature markets, big companies are the bears, and they do look to eat smaller competitors. In the 21st century, entrepreneurialism (outside of Goldi's thievery) is crucial to the well-being of our economy and essential to assure long-term economic growth of any nation's economy. What, then, has entrepreneurialism to do with government? Entrepreneurial government sounds like an oxymoron. The entrepreneur's coin is two-sided and government has a place on both sides. First government must create a level economic playing field to assure few if any barriers into markets for entrepreneurs, and a simple set of regulations (if any) to allow uniform competition amongst businesses. Second, and potentially more important this century, government needs to foster entrepreneurialism as part of its approach to the administration and execution of state, something that is the antithesis of its current mode of operation. For the last 100 years, the propensity of government has been to create titanically large state monopolies to deliver a variety of services. No competition. No innovation. The best day of a government monopoly is its first, then a slow and inevitable decline in quality and simplicity begins. Worse, there is never enough political capital to kill these monopolies and the costs become economy killers. Today's social monopolies{ education, welfare, social security, Medicare and Medicaid, have unfunded future liabilities in the trillions and

mediocre to poor results. And, no political capital to do much more than continue toward an inevitable financial cliff.

The Political Marketplace: Two Monopolies and No Ideas

The political parties not only are the architects of government social service monopolies, they, too, are monopolies and exist in a political vacuum without competition. Entrepreneurial government requires a change of culture and the two political parties have huge financial support from special interests, business and unions to continue the current culture, never-ending status quo. Is it possible that either of the parties decide a change of political culture may be in the ri best interest? As the parties enjoy their power only at the expense of immense donor cohorts, a big change is unlikely. Both parties are immense political monopolies that, were their contributions be measured as business revenue, they would both be in the Fortune 1000. Changing the course of a political party is a bit like turning a battleship around in a bathtub. A new approach to 21st century governance, requires a new competitor, or two or three, to bring new ideas into the current political marketplace to compete and/or replace our two giant monopolies - staid, stodgy, and without ideas, whose sole purpose seems to be to fulfill the ideas of the rich and powerful. To further hamper our current state of idealess politics, the competition has turned into a verbal blood sport.

The political parties are reminiscent of government monopolies like the Railroads in the 19th century or AT&T. in the twentieth. They have built legal ramparts in every state that stultifies competition. Are new parties possible? Possible yes, likely no. Over forty parties have tried and failed in the last 125 years and only a couple have elected anyone to federal office. The Greens and Libertarians were fairly well funded during the last half of the twentieth century but neither party get more than a couple of percent of the vote. The barriers to entry are high, and the two political parties continually assure access to their market is verboten. The result, the status quo reigns and the most common status quo architecture is a one-size-fits all government monopoly: education, retirement, healthcare, welfare, anti-poverty:

Washington treats everything it does and touches with a one-size-fits-all approach. This is a natural tendency for government because building laws are one-size-fits-all solutions. Laws are for everyone. Rule of law requires one-sized laws. What could be more natural then, to conceive government provided education as one-size, or health care, or anything that government might provide. One-size and done. More is at play politically, though, as power politics intrudes on political sensibility. The habit of leftist politics is to create centralized solutions that are fair and equal and expensive and complex, and of declining quality over time. The solutions are ever-expanding power syncs with immense political power but declining efficacy. The solutions, instead

of evolving and changing to increase value, become ossified and immutable. The decentralized approach of federalism that might have created some flexibility from state to state, are caught in a centrally controlled political stasis. Is it possible to a brilliant set of minds to concoct a policy/program that will solve a problem – forever. Of course, not. Everything is changing, is iterative. Creating solution in the concrete of Washington thinking is a one-way ticket to the status quo and a lumbering economy and society. Laws, policy and programs can be relatively immutable but with flexibility provided by federalism and market. That America has 50 test beds in vast geographies provide a tremendous proving ground for competitive programs and policy. Transforming our approach to govern from static and immutable, to competing markets which provide a path for continual improvement is crucial to setting a dynamic path for America in the 21st century.

Joseph Hayek, a Nobel economist from the early 20th century, believed that central planning, which includes government social monopolies and political parties, promoted by Maynard Keynes (another Nobel economist from the same time) went too far. Hayek stated that a few government, central planners could never have the insight or wisdom of the masses, the voters. Keynes noted that citizens were too ‘ignorant’ to understand public policy. Keynes theory held that leaders could orchestrate economic success by adjusting macroeconomic variables like spending and prime interest rates. The lack of success of Keynes central planning during the Obama, Carter and FDR administration gives Hayek belief some backing. The more we vote, the smarter decisions we make, both individually and as a collection of individuals. Political parties planning against competition and have all but shut down new ideas and new political parties. Big money and big rules assure the competition never gets a toehold. The confluence of big money, big powers and a political marketplace fully focused on the status quo may further lend to Hayek belief in planning against competition. To compete successfully in international markets, new ideas must thrive. New ideas don’t arrive from central planners. They are generated by the masses of people considering problems and creating new solutions. For our government to thrive it must plan for the competition of new ideas, not plan against them. Federalism 2.0’s implementation needs Hayek’s insight.

Planning and competition can be combined only by planning for competition, not by planning against competition. The planning against which all our criticism is directed is solely the planning against competition. _ (Hayek, 2001)

How does the culture change from aging and stodgy to innovative and entrepreneurial? The political culture is averse to new thinking, but new thinking will come as these parties march themselves into the tar pits.

Three principles of a new federalism would gird the structure for building law, policy and programs:

- Solutions, policies and programs should increase choices for individuals, increase personal responsibility, not the government's power and influence
- Use the fifty states (or subdivision, counties, cities, school districts) as test beds and as competitive entities
- Solutions should never be thought of as final. Making anything better requires constant testing and vetting and sometimes the creation of new ideas that kill old ideas.

It is natural for any large organization, as it grows, to increase control (micromanage) its ever expanding organizational footprint. The Federal government is no different. With age its propensity to increase control. This is evident in the number federal programs (1000s), their complexity and expense, and the burgeoning scope of administrative state (175,000 pages of rules and regs.) This harsh culture of governance is precisely the kind of leadership that diminishes the citizens' road to success and their pursuit of happiness. Ms. Wiseman's Multiplier effect is nowhere to be found, just the heavy weight of Big Brother circa 2017. The challenge is to find a group of leaders in both parties, and/or in a new political party, that can attract majorities not only in elections but on the floors of the House and Senate who can find a transformation path to a new kind of sausage making.

An example may help. Consider education. Predominately run by government as a one-size-fits-all industry, it has largely ossified under three tiers of government and union rules. A doubling of spending in real dollars spent over the last forty years has had no visible improvement in quality or productivity for teachers of children. Each year, small increases in charters are certified in some states. Private education and most religious education are venues for the rich and upper-middle class. Children in the inner cities are stuck with a single choice and in many cases the only choice is a the school has been rated unsatisfactorily. There is a deadlock on change as the government/union monopoly and its status quo is threatened by change. Blue states' have no political will to change the union monopoly that funds it campaigns. The Politics with Romance between unions and Democrats is strong and unbending. In Red states, some political movement has provided small variances and options, but change is mitigated by the political will of Republicans to go against the minority power of the Democrats. We need to take the chains of government off the backs of our educators and students. But how.

Test, Rinse and Repeat until Almost Perfect

In the Evolution of Everything, Matt Ridley describes the progress of history as an evolutionary process of trial and error. This trial and error process seems to be built into our genes.

We seem to test what they think or build, keeping what is good and tossing aside that which is not. Adam Smith added another hint to this process: *'The natural effort of every individual to better his own condition...is so powerful, that it is alone, and without any assistance, not only capable of carrying on the society to wealth and prosperity, but of surmounting a hundred impertinent obstructions with which the folly of human laws too often encumbers its operations.'* Getting better at anything requires some trial and error. Goldilocks was attempting to improve her lot, albeit illegally. Her simple test, the trial and error of testing beds, chairs and porridge, is exactly what each of us do every day. We not only find products that best fit our needs, we also improve the processes we use in everyday life, and in our business dealings. We try and fail, then try and succeed.

Government fails in this endeavor when it ignores this very entrepreneurial process that tests new ideas and disrupts old markets. **Government tends to ask for more money and power when things don't meet our expectations. Trial and error works.** It's not that this is some new piece of the scientific method discovered only a few centuries ago. It has been at play for many millennia. Per Smith, we improve ourselves using this process. Were this not true, we would all be living in caves and eating fruit and berries and shivering from the cold or desiccated by the heat. Getting the government use this process, to parallel what we all do naturally, should be obvious to both the governors and the governed. Nothing good is easy and so breaking the monopoly building, power structures hard work and a change of attitude and culture.

One-size-fits-all doesn't work because one-size is not enough sizes to give everyone a good choice. Socialism and communism fail miserably because citizens have so few choices and government limits access to the choices that are available and are terrible at improving quality and price for products that the government does provide. The Lada in the USSR stunk up the streets whereas open markets in the west produced a non-stop progression of increasing well-built cars. Markets test and test and test, and consumers vote and vote and vote. The daily results of iterative competition and testing are products that have a variety of options and with solid quality at a variety of price points to satisfy users across all financial strata. Goldilocks may vote for the moderately soft bed. Papa bear: big and hard. Momma bear may wish an adjustable mattress with sleep controls for her and papa. Freedom of choice is crucial for a sound economy and healthy polity. Socialism's freedom with one choice, is not really freedom. It's tyranny.

Test, rinse and repeat, over and over and over...and progress will continue. Leave our choices to our status quo politicians, and progress, as we can see clearly today, stagnates, mired in the tar pits.

Ideas as Economic Currency

Mercantilist's in the 18th century believed that national economies were measured by the amount of gold the king's treasury. As the end of the century approached, this thinking began to change. As trade and capitalism flourished, the volume of dollars associated with production and trade became the rule of wealth creation. By the twentieth century, Maynard Keynes defined the value of an economy by gross aggregate demand. Today, the measure has evolved to Gross Domestic Product, measured in the currency of the country. The U.S. GDP totaled \$18.1 trillion in 2016.

In the 21st century, a new economic model should be considered – ideas as the currency of economic success. Adding up all the dollars in the demand economy, though a valuable measure, doesn't provide a ruler for sustained economic growth nor economic power. The measure and power of an economy is about ability to sustain the creation and execution of new ideas that supply that demand side of the economy. When ideas dry up, in any economy, that economy is at the mercy of the nation that dominates idea creation. For two centuries, America has lead the way. We are in jeopardy of losing our mojo for ideas and the people that create those ideas.

How the Economy Works in an Idea-Driven Nation

A picture is worth more than a few words. More than a few pictures follow. The bubbles in the charts are measures of dis-aggregated incomes and inventories, among other GDP variables. As examples, Google and Amazon are highlighted for individual business income and inventory. The bubbles are used as an analogy that continues through this section.

GDP: Aggregate Ideas by Bubbles.

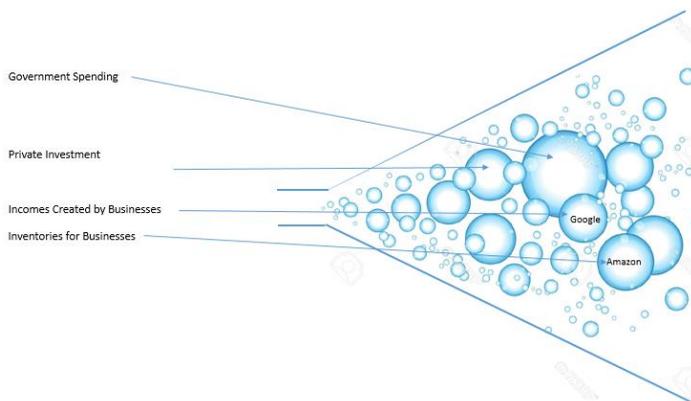


Figure 1: Bubble Chart for GDP by Contribution of business and government.

The wideness of the funnel represents a healthy and growing economy. A funnel that is flatter and straw-like would represent an economy that was not growing. Socialist economies are straw-like. The American economy in the 21st century would be much flatter than the representation in Figure 1, having grown weakly at two percent.

Consider a slightly different view of the same chart. Instead of thinking of the bubbles as incomes or inventories value in dollars, consider that the bubbles are representing ideas of increasing value measured in dollars. The bubble sizes are about the same, but the perspective is different. Google that had no value beyond an idea twenty years ago when Sergey Brin and Larry Page drew up their ideas for a search engine. Today, Google’s market value is near \$700 billion and the company employs nearly 70,000 people. Where once it was a tiny bubble with little or no value that had not entered the demand-side funnel, it now represents one of the largest bubbles. As Intel, Amazon, Facebook and Google grew from nothing to major players, others have vanished. Eastern Airlines, Enron, MCI, PaineWebber and Compaq no longer exist. Without new ideas surging into the funnel, the funnel would begin to flatten and even shrink. The idea representation is what is missing from Keynes’ description of an economy, from aggregate demand. Schumpeter understood that Keynes’ view was incomplete and believed the importance of entrepreneurs and creative destruction that fed economic growth and productivity. The only addition here is the visualization of his thinking. In an idea based economic model, a complete rendition of the economic model results in the below view:

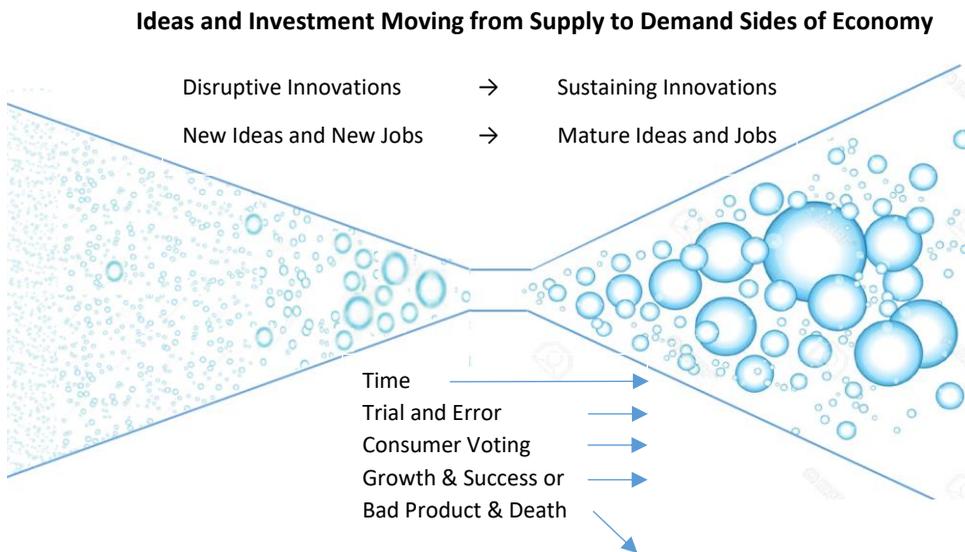


Figure 3: Complete Supply and Demand Economic Model

Without an abundance of new ideas, economies degenerate into funnels that are flatter and flatter. Any economy that has the heavy weight of government with high taxes, poor social policy and giant regulatory administrations will produce a graph that looks like a straw. In most western, industrialized nations politicians have attempted to fuse socialist-style central planning with free and open markets. Poorly conceived social monopolies and an administrative state that is distrustful of citizens and businesses creates a heaviness on the economy that reduces growth. A larger and larger government is a government that is a lays a heavier and heavier tax on the productivity of the nation. The lines on the below figure are the diminishing returns produced by governments with good intentions, but leftist approaches that tax on national and individual productivity.

Bubble Chart: Diminishing Returns of a Highly Centralized Government

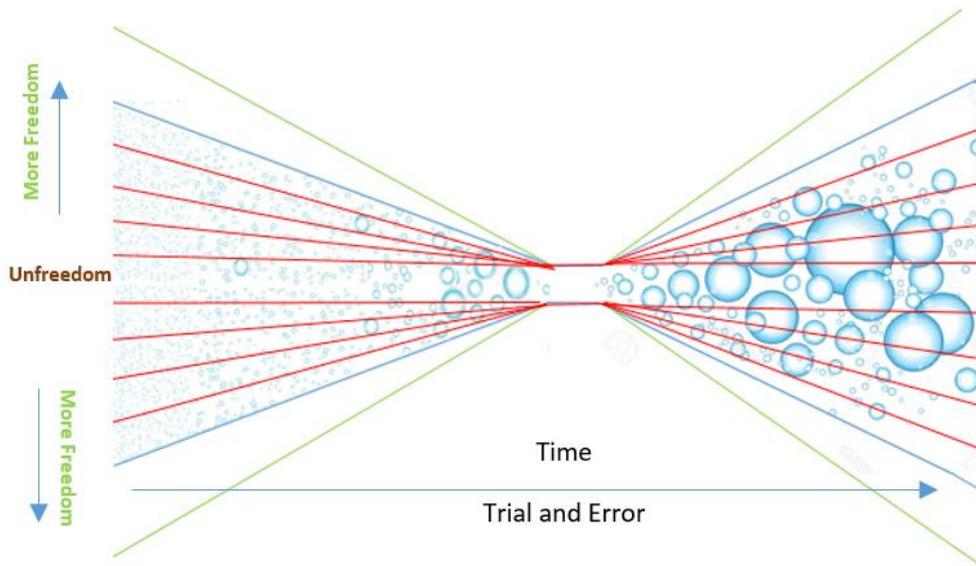


Figure 4: The Effects of Unfreedom on Idea Generation

The inner redlines represent an economy that is fully socialist and centralized which have all but killed any ideas outside the central government. Each redline out from the straw represents increasing taxes, poor social and education policy, and burdensome regulations. The redlines effects are ameliorated by simpler more decentralized governance. No government is perfect, but best practices trend toward freedom not unfreedom.

Over the last 100 years, America has floated from governance with a lighter hand and simpler execution represented by the outer green lines, toward the no-growth straw

representation of a growing leftist government. The bubble of our 21st century funnels, the lines that represent 2% growth and a toxic political culture are best represented by the redlines just above and below the straw in the center. Our long-term goal should be the outermost green lines. So how does our nation move back toward the outer lines? What are the ingredients that produce not only great growth but improve our pursuit of happiness? Read on.

The Great Experiment II

A few Washington political elites believe in Federalism. But little power is accrued to a politician whose foundation for governance is decentralized powers. In the last fifty years, only Ronald Reagan embraced federalism. His embrace, however, appeared more as a brief encounter in history, than as reversal of the fortunes of Leftist centralization. The culture of Washington and especially the political parties is fully focused on accruing power not distributing it. Changing the Washington power culture is nearly impossible because in each election cycle billions of dollars in contributions are spent on assuring the status quo – assuring little or no change to contest the power elites. As contributions are largely provided by the rich and the powerful the cycle of power and status quo will not likely be broken from within the political parties.

A few political entrepreneurs are needed to generate both new parties and a bit of political creative destruction. Recommendations to regain voter confidence might be 1) taking only small donations, less than \$195, 2) a belief that freedom is the catalyst of greatness and that program and policy should be focused on increasing freedoms, 3) that distributing power diminishes corruption and protects freedom, and 4) that government should trust markets (simply regulated) to solve problems, and only when there is object failure in markets should monopolies be considered.

There have been a few newsworthy mentions that political entrepreneurs are in the wings of America's and the world's political theatre. France's Marcon created a new party thirty days leading up to the 2017 French election. Tony Blair, in England, is considering a new party. The Hungarians are brewing something. At home, Utah state representatives from both parties are considering a more centrist party. What centrist means is not quite clear, but the subject of creating new political parties is strong. Rosie O'Donnell floated a new party for women, focused on defending a women's right to an abortion.

As political entrepreneurs bring new life to politics, the question to these new leaders is 'where is America going?' 'What's your plan.' What are the long-term goals of America in a world where the economic competition is picking up and could marginalize our future if left unheeded? For the most part, new parties and old seldom is ever list goals and objective. Modern politics is about brand recognition not ideas, not a plan for success. So, let's not venture down the road of old style politics and palliatives. Let's build a short plan to consider and debate.

What's Our Objective?

Republicans and Democrats have branding statements: Make America Great Again, and, A Better Deal. Great Slogans. The former is a litany of traditionally conservative policies, the latter plans to enlarge the government footprint in your lives with free stuff and more regulation. Are either of these approaches a transformational, strategic plan to guarantee our children's future success. No, not really. Each is a combination of tactical ideas meant to create short term benefit to some subset of the American polity that assures success in the next election but has little bearing for the rest of the century.

The objectives of the political parties have a two-year expiration date and do little to remedy the sinking status of America and its competitiveness in the world or to uniformly improve the conditions of populace who are at most risk. The problem in Washington isn't that we don't have intelligent people in charge. The problem is they have no vision for the future, no wise culture to govern that encourages change. Worst of all, vast investments via the Politics of Romance assure continuation of the status quo. To assure America reaches the objectives listed below, requires a change in the culture of our current political parties to a more agile implementation of federalism, America needs a couple of new political parties. As the aim of this pamphlet isn't how to create new parties or change old ones, the below objectives, strategies and tactics are built with a belief that a new Washington is coming.

Vision: To live in a nation second to none politically, socially, culturally and economically.

Objective: To assure economic and cultural leadership through the end of the century, promote economic growth to 3.5% or more for a rolling ten-year average, with a stretch objective to optimize government to allow 4.5% growth.

Strategy 1: To open a competitive environment between the states that allows an open marketplace of solutions for education while assuring that those states that prefer a closed three-tier government monopoly dominated by unions is also allowed. Objective: Over the next 12 years, to increase from 50% of high school students fully prepared for 21st century jobs to 75%. Over the next 25, to 95%.

Strategy 2: Increase savings and investment income trillions dollars over the next 40 years by creating a dual-track retirement system that provides for those in the currently in tax-based solution and those future retirees who wish to be in that system to continue their participation, while allowing savers to invest their tax allotment (currently 7.65%) in government protected saving/investment solutions. Objective: To increase citizens' personal retirement nest eggs to \$80 trillion over the next 40 years; using this additional investable income to increase job creation an

additional 1% to 5% annually so that newly educated (see above) youth have more opportunities for employment that do not exist today.

Strategy 3: Replace the current social welfare system that distributes debit cards and free services to over 150,000,000 people (total 2017 population 326,000,000) today with a transformation welfare system focused on personal success factors (education, industriousness and marriage) that increase financial success at a 97% rate and also produces a clear path to pursue happiness. Objective: To reduce the number of people depending on government assistance, about 150,000,000 today, to 44 million or about 10% of the estimated 2050 population of 438,000,000. Stretch goal: Reduce government assistance population to 22 million or 5% of the 2050 population.

Strategy 4: Make is easier and more understandable to do business in the United States. Objective 1: Increase out Economic Freedom Index from 75 to 85 over the next 10 years. Objective 2: Decrease the compliance cost of the Administrative state by 50% over the next 10 years. Stretch Goal: Compliance cost reduction to 25% of today's costs.

Strategy 5: Make high-value science, engineering and technology entrepreneurs the number one priority of our immigration system. Objective: Rewrite our immigration policies. Goal: To increase business formation to 600,000 annually, with increases of 3.5% a year. Stretch Goal: 700,000 with 4.5% increases.

Recently, a CEO spoke at a gathering in Tempe, Arizona. He told the audience that very few people set goals and fewer wrote them down, perhaps only one percent. This small cadre of leaders are the most successful of the most successful. Our nation has not written down any goals, no measurable objectives for any policy or program it has executed in this century nor during last century, and if the goals were written they were summarily ignored. America is not going to succeed in the 21st century unless it has written, short- and long-term, goals. If keeping it simple helps, choose three. For two hundred years, the herculean efforts of millions of individuals raised America to economic greatness, then sustained our position. But the game has changed, and the competition has gotten much stiffer. Consider the rising economic power of China, India and Indonesia, if only because of their huge populations. They want a shot at being in first place. As Hayek suggested, we need to plan for the competition, not against it. Currently we are either planning for nothing or planning against competition. To win, goals must be set.

Now that hard part. How can me achieve these goals?

Success that Trumps China

Three economic variables must guide the minds of our leaders if America, as a nation of individuals, is to retain our political, economic, social and cultural leadership. They must focus on liberty as the catalyst of our greatness, on how to maximize the generation of new ideas, and assure our governments fidelity to the proposition that life, liberty and the pursuit of happiness are unalienable rights and the focus of the culture of our nation's governance. With these as the national superstructure; simplicity, agility and competitive government can more easily flow.

Even as a plan will be laid out shortly, no battle plan survives intact after the first shot. Nothing ever works the way one wants. Like war, the best laid plans fall apart after the first shot is fired. To achieve goals, agility is required, and, just as military leaders do, adjustments must be made after the first shot is fired. Business plans are constantly revised. Game plans change as the competition foils the best laid intentions of the coach. Government is should be no different. The rigidity of government must end and be replaced by more open-ended, test regimens and diverse options across tests that, once in motions, move ever forward to evolving best practices. Consider the plan a starting point that is both doomed to change and changed to delight. Perfection may be impossible, but very high quality is very, very possible.

The programs below should be considered a palette of clay for the architects to form and manipulate, not rocks.

21st Century Education

Expanding the pool of idea generators starts with education. The more educated our citizens, the bigger the pool. As noted in the State of the State, earlier in the book, Thomas Sowell believes that 50% of our teens are not prepared for 21st century jobs. Not that a worker needs boundless education to become an idea generator, but a solid basic education is very helpful. People that are innovators, inventors and entrepreneurs are a special breed because of deep passions that drive them to take an idea to production. Having the tools to be a successful entrepreneur requires a certain amount of education and socialization. Good schools do both. With a large inventory of low performing public schools that either fail to graduate students (about 1.2 million a year) or who graduate students but with low skills, something needs to be done, and done now.

How not to fix education! Don't keep doing the same thing over and over and over. For the last 100 years, America has followed Thomas Dewey's vision of a national K-12 state monopoly. Like most monopolies, this notion had great beginnings. Because of the inflexibility of any monopoly, and the especially rigid implementation of a government monopoly, quality has

suffered as educational institutions have aged. Adding to the complexity of the education monopoly over the last forty years, the federal government has added another layer of government requirements, and unions another layer of regulation as well. In parallel over the last forty years, American students have witnessed slowly declining results which align while costs have steadily increased. America now spends double what Europe spends per pupil. The backbone of education: a three-tier government monopoly driven by union leadership, and union politics with romance. So, let's not do this. There are quite a few exemplary charter ventures like Success Academy in New York and BASIS in Arizona. Private schools and religious schools do a great job, but privates are out of the financial range for most, and, though religious schools do attempt to reach into the less prosperous zip codes, their reach is not ubiquitous. Public schools do have a large inventory of great schools as well, but few are in the inner city where the need is the greatest. The dominate union-school monopoly has little ability to provide uniform services across our economic landscape. The availability of alternate solutions to education barely scratch the surface of the areas where public education is failing. Approximate 90 percent of our children attend public schools of which 7% are charters; ten percent are private. Dropout rates in inner city schools, where public schools are least effective, are high. Last year nearly one million students dropped out. How can competitive government provide better opportunities?

Scottsdale schools provide an interesting panorama of America's education challenge. The district is long and narrow, running from a wealthier north to a middle to low income south. The quality of the schools' outcomes falls from north to south. Inside the district it is the north-south problem. The funding from each school is the same from north to south, but students do less well the further south one goes. What's different? Are the kids from families with higher incomes that much smarter? Though there might be some IQ differential, it is small and easily overcome with effort to learn and the quality of teacher. Are the schools nicer in the north....nope, same funding – all are nice new schools from Obama's post-financial crisis stimulus package. Are there more two-parent families focused on education for their kids in the north versus the south. Statistically, the number is a bit higher, but not a lot. What is obvious is that families in the more well to do neighborhoods have better access to education – more choices, and with more money out of their own pockets many have chosen non-public schools options. The north has the nation's best charter school, BASIS. The north also is home several private schools as well as several religious schools that provide exemplary educations. Having to compete with high caliber charter-private-religious solutions, the two public schools in the north are also top rate and best of breed public schools. Why does the north house so many good schools: parents in the north can afford to send their kids to the non-public options which also elevates the quality of the public option. Families with dual Chief Education Officers, parents that are laser focused on their children's education, expand to education marketplace in the north. The result is more high quality options. In the south, children and parents have fewer choices and no access to the public dollars

for education that is control by the schools, not the parents. Private and religious schools are not affordable, though some charters do exist. Barring the that there are numerous examples for not just good Charter Schools, but great one's like Success Academy and Kipp and Basis, the existence of the public institutions has increased competition and improved the public schools in the district's where they compete. For the less well off parents, our public-school system was engineered as a monopoly without competition and without choice. If the local school does not provide a good education, the parents are stuck. Freedom to get an education without a choice that produces quality education. Without competition, the need to improve is nixed. Moving away from the old-style one-size fit all monopoly in the south and providing economic access to parents to choose options outside a failing public school will not only assure the southern parents better opportunities to assure their child gets a good education, it will improve the quality of the public schools as well. The key to allow competition is to assure that state funding is in the hands of the parents, not the state.

Competition isn't the only option for improving our schools for poor neighborhoods, but will help significantly. So why don't we have more competition in inner-city schools? Why don't kids have an opportunity to get an education which will allow them onto the onramp to success and happiness? Government's love affair with Politics with Romance. Competition is a threat to the unions' icy hold on unions dues from teachers. Power. Lots of it. So how do we get around this problem.

As Hayek said, government must plan for competition, not plan against it. Our three-tiered (local, state and federal) series of government officials take a baby-step here and there, a few charters here and there, which minimizes both the effect on union coffers but also parents access to a better, more competitive education. Little real competition exists. Charters are expanding, slowly. Two states have attempted adding parental access to a limited voucher system. All decisions are highly-regulated with limited numbers of alternative school solutions to assure union dues are not threatened. Frankly, we are getting nowhere, slowly, and our problem is big, and the needs are now. Where's the path to expand access for parents desperate for a quality education for their children?

Pretend for a moment there is a small cadre of third party congressmen/women that like the idea of federalism 2.0 and sponsored legislation that would provide for national contests between Red and Blue states, or even Red and Blue school districts within a state. The Blue's could keep their union monopolies, while the Red states could create open markets of their own design. Neither Blue's or Red's would have access to any federal dollars. The states could run their schools however they wish.

The enabling legislation might be: *Congress shall make no law diminishing the competition between the states, and/or the state's individual school districts to provide for our children's*

education. The aim is to vastly increase options for parents. Red states if left to create and open and competitive market will assure every option for parents: vouchers for every type of school imaginable. Let the parents decide. Some states may dip their toes in the water and limit the number of vouchers. Others may open the market fully. Blue states may fully focus on the government school monopoly and others allow some charters or other public options to exist. The key is the freedom to choose should have the opportunity to *test and test and test* its abilities versus, our current monopoly solution, freedom without choice, government schools. The more open education markets will find best practices through continuous quality improvement. They will continue to innovate, improving over time. It is very likely that the Blue states will be forced into more open markets simply because costs for public education will continue to rise without commensurate value. Even Supreme Court Justice and Progressive Louis Brandeis believed that states should operate competitively. Jason Riley writes in the Wall Street Journal: ‘Brandeis said that states serve as laboratories of democracy, where “novel social and economic experiments: can be attempted “without risk to the rest of the country.”’ (Riley, 2017) Wise man. One-size-fits-all solutions in education devolve into static monopolies unable to produce results for so many of the underprivileged citizens in our nation.

Execution of this contest would mean department of education would cease activities and funding for K-12 education, except perhaps setting yearly education objectives for students. The goal would be to take out the endless legal battles, the terrible legislative battles, and allow education to become more like the internet...very little regulation which has produced an explosion of products and solutions of which we are all generally very fond. Markets will test what works and does work from public education to charter, to private, to religious, to online and to home schooling. In other words, south Scottsdale parents, in an openly competitive state assures all parents have access to a voucher (means-tested so it’s not paying for the rich child’s education) that would allow the freedom to choose the best school for their children. Blue states would have Blue options - one-size fits all. An ongoing competition between states assure no-state will be left behind. For states that fail in the competition, they have a litany of successful state outcomes to mimic. Innovation and access translate into increased quality and reduced costs.

The Third Rail of Politics: Social Security and Medicare

When FDR signed the Social Security legislation in 1935, life expectancy stood at about 63 years. Life expectancy had increased 20 years since the turn of the century. Big jump! For the duration of the century life expectancy gained 9 more years for an increase of 29 years total. For the first 15 years of the Social Security program the funding for benefits was ample, if only because Social Security was anti-poverty program aimed at less than half of the retirement age population. The initial 1% tax rate, a fraction of today’s 7.65% sufficed to cover benefits for the needy. Then,

Congress unable to hold back their benefice, started adding the rest of America's citizens to Social Security roles. Taxes rose and rose and rose. Whereas the maximum taxes paid by an individual in the 1930s was only \$30, social security and Medicare taxes top out at nearly \$10,000 today, with the rich paying a premium on Medicare taxes. Today's fiscal challenge: taxes are so high it is very hard to increase them to cover future unfunded mandates which are sizeable. The biggest demographic clunker for the original Social Security legislation was that it fixed the retirement age at 65. No one considered that life expectancy was a moving target, or worse, ignored the fact to our peril today. Worse, as our knowledge of the human genome expands there may be no limit to our life expectancy.

In the 1960s LBJ added Medicare to the retirement system, and by the end of the century both taxes combined to 7.65% paid by the employee and another 7.65% paid by the employer. Lots of money, but not enough. The unfunded mandates, future payments where no tax revenues exist to cover shortfalls, stand at \$44 trillion and growing. Lots of money that we don't have. The Trustees Report for the Social Security administration for over a decade states flatly to cover these shortfalls taxes need to increase to around 15% for employee and employer contributions. There is no public support for this kind of tax increase and an increase of this size would cripple the economy.

Democrats and Republics understand the tax-versus-benefit dilemma and though Social Security is considered the third rail of politics (touch it and you die) both parties, on rare occasion, have floated ideas that would help. George Bush recommended allowing younger citizens to save 1% of their 7.65% tax. Democrats called saving money Privatization and a hail of yelling and screaming shot this proposal down. Paul Ryan floated Medicare as a fixed benefit program versus the current unlimited benefit. Ryan got of what George received, much verbal derision. Increasing the retirement age has been raised once, and only a faint echo of further increases have been heard. Crickets. This on died of quietude. Mean-testing comes up frequently. After all does Bill Gates really need or want these benefits or for that matter Bill Clinton. But no one inside the hallowed halls of Congress agrees on much. Perhaps cobbling these together with a couple of other ideas might provide a public/private solution that provides a path out away from the unaffordable future. AND along the way, if my numbers are correct, produce \$100 trillion in nest eggs – private investment - that will grow businesses and create new businesses and new jobs. Here's a possible model that might give both parties something they want.

The model is based on six components:

1. Instead of our fixed retirement age, associate retirement with life expectancy minus, say for example, nine years. This would put today's retirement age just short of 70. As life expectancy continually rises, no Congressional action is required to increase the retirement age. Note: If life expectancy increased 29 years in the 20th century. It is not

unreasonable to believe the same will happen this century, with a big bump from genomic innovations coming near mid-century.

2. Adopt a Medicare solution that has a fixed benefit. Paul Ryan has introduced a program that does just this.
3. Apply means testing to benefits: It is very likely the all of the 1 percenters, and much of the 5 percenters have saved for their retirement and need no assistance from the government. In the first year of this program about 25% of the federal outlays for Social Security and Medicare would be saved. Over the course of 40 years, as more and more people, as high as 95%, will require little or no government assistance. The remaining cohort will need assistance.
4. Allow Employees to save 7.65% of their income in government sponsored investment tools like mutual funds, etc. The program would expect the safe financial instruments from the private sector to average 4.5% return over a rolling ten-year period (big assumption). A large group of pre-retirees will save enough for retirement prior to retirement.
5. There is an upper threshold for which future savings would not be required. A one or two percent levy on income might be considered for a national catastrophic insurance pool.

Outcomes:

1. Total savings/investment from this solution would total nearly \$90 trillion in 40 years. The impact on job creation will be significant, dramatically supporting the need of new jobs because of an increasingly educated citizenry.
2. Between 75% and 95% of workers would mean-test out of public compensation over 40 years, reducing the retirement population needing government assistance from 50 million today, to about 5 million in 2050.
3. Phasing out of the employer tax starting around year 20 of the Dual Track Program.
4. Long-term elimination of the current \$44 trillion in unfunded mandates for the programs.

Streamlining the Administrative State

For an idea to be more than just an idea that is safely hidden in someone's head, that person must be willing to take a substantial risk to go from idea to production. If the economic environment isn't conducive to the personal investment of time and labor, the idea withers and dies. Business formation fell during the Obama years in part because of an increasingly cumbersome and onerous regulatory environment. Business formation fell from about 600,000 annually to less than 400,000. Fewer people were willing to take the risk of starting a business. Increasing regulation weighs on the enthusiasm of potential job creators. The weight of regulation can be seen across indices for consumer, business and economic confidence. These indices have

flagged over the last decade and a half – three presidencies. There has been no steady stream of enthusiasm or confidence which has created an impediment to business formation. Regulation diminishes the animal spirits of the marketplace.

The initial year of the Trump presidency has produced some new enthusiasm in the equity markets and consumer confidence as regulations have slimmed slightly and the potential for reducing taxes and streamlining the tax coded is high on the political agenda. Whether these initiatives are passed and bare fruits remains in question. If history is a good ruler, the economy will see improvement. But optimism, for the moment, rules the day, and that optimism has provided economic lift. Sustaining that optimism means tackling both the titanic weight of the Administrative regulations and the culture of creation legislation, regulation and rules. The current culture can be summed up as ‘the more complex, the better.’

What is absent? No process exists nor has one been proposed to review the entire litany of rules that have been produced over that last 100 years, nor a new process the deems simplicity as a crucial element. Some good will occur with the Trump’s piecemeal approach – for every new regulation, two old regs must go - but the next new president will likely return to old, bad habits and charge up the administrative state to increase its micromanagement of our lives. Without a process to reign in the Administrative State, its natural tendency, like any organization, is to grow and become more complex.

Could the Supreme Court become the transformer of the Administration State by reconsidering their Chevron and Helverling decisions? Probably not. Nor is it likely they will create a new standard for regulations demanding simplicity are measurable results. On the other hand, the Court’s help isn’t needed as Congress could determine on its own that deferring its responsibilities to the bureaucrats is neither constitutionally advised, nor good legal stewardship. Neither party, though, appears to be willing to reacquire their responsibility from the administrative state for writing rules and regulations, nor moving enforcement and judicial review out of the individual agencies. The culture of governance will not change under the leadership of the Democrats and Republicans, and even if two new parties did gain traction in Washington, it would take years or decades to win enough seats to make a political difference. What can be done today?

Three ideas reported earlier should be a great start:

- 1) a Chief Simplicity Officer,
- 2) X-Prizes for new regulations and simplification our old, stodgy, complex and expensive regulations, and
- 3) CSO ratings for elected officials (even private, third party agencies) would provide insights to voters about candidates record for simplicity. Many special interests do this today for abortion rights, gun rights and tax policy.
- 4) Legislative Restraint

The 2017 tax reform may provide a good example. The aim was to make taxes simpler and given the middle class a tax cut. On the business side of the equation, taxes would be cut from 35% to 20% and a switch to a territorial tax system that doesn't double tax international profits coming back to the United States. The code wasn't simplified much by reducing the 73,954 pages of tax code, but by increasing the standard deduction so tax preparers needn't spend time filtering through the law to figure out what benefits they might accrue from the code to reduce their taxable income. Except for a few reductions, the code appears to remain intact for the rich to use, and for future Congresses with which to manipulate our incomes and taxes.

But how might Congress rid us of the entire tax code? Combining the three highest tax rates into one, gives us a handy way to view income and taxation in quintiles. These rates accommodate our 73,943 pages of tax regulations, credits, and deductions. A comparison of 2011 rates is helpful:

2011 Tax Rates: 10%, 15%, 25%, 28%, (33%, 35%)

What we actually pay in taxes, after utilizing all the 73,943 pages of tax code is called the effective tax rate. These are the rates we actually pay.

2011 Effective Tax rate by quintile:

1.9%, 7.0%, 11.2%, 15.2%, 23.4% (Tax Policy Center, 2014)

In a world with no deductions, credits or preferences (i.e. a tax code with zero pages,) our tax rates become effective tax rates. The taxpayer who consummately works the tax code to get bigger deductions likely pays less than the average effective rate for his/her quintile. The typical taxpayers who isn't a tax whiz and just pays his taxes when they come due, will likely pay a bit more. Tossing the 73,954 pages of regulation to trash bin and using the effective tax rates instead reduces IRS code to a single page.

For those who wonder which quintile they will likely fall these 2012 income by quintile will help the reader get a good idea of where you lay in the American economic landscape.

Average 2012 Household Income by Quintile:

\$11,490, \$29,696, \$51,179, \$82,098, \$181,905 (Tax Policy Center, 2015)

The loudest cries for special tax preference are personal deductions - the home interest and charitable deduction. For those people who only decided to buy a house because of the deduction, or for the charitable creatures that only give to get a similar deduction, well, these people are in a massive minority. Additionally, if the net result is your tax burden is exactly the same, does it really matter? Answer is 'no.' So let's really reform and simplify taxes. Toss the whole shebang.

Business has a bit more complexity. Like personal taxes, business has both tax deductions and tax credits. These can produce millions even billions in benefits. Business are driven by these tax preferences.

Is Elon Musk going to pitch a fit? Oh yeah. He is going to have to stand on his own and sell really expensive, electric cars to rich people, which he is already doing, without tax credits. Do those rich folks really need another deduction anyway? Probably not. Maybe California will transfer the federal deduction into their mix of high taxes to sate Elon's economic lust for tax preferences. Whereas businesses like Tesla and Solyndra that get money back to from the government to create a profitable business, they will need to adjust. Taking away all the deductions, however, will dramatically lower the effective rate of taxation.

In 2012, net taxable income from 5,840,821 corporations was \$2,175,014,906. Total income tax paid across the several industrial sectors equaled \$267,854,131 for an effective tax rate of 12.32%. Like individual tax rates, the effective rate of 12.32% is a long hike from 35%. The tax rate across the 18 industries that the IRS tracks varies from a 3.4% in construction to around twenty percent for retail, wholesale, and information. (IRS, 2015) It seems some industries acquire more tax preferences than others, so there is likely to be some yelling and screaming from some quarters and much thanks from others.

With the tax code completely minimized and with revenues that should be exactly the same, could we apply some downward adjustments to taxes overall to generate economic growth. Yep. And these cuts would be totally and completely transparent to the voter. The approach taken by the Trump Administration are admirable, but the outcome, though it will produce economic growth, did little to simplify the code and left in place with which future congresses will dally increasing the complexity of our regulations.

Workers should also be aware of three success factors for a quality retirement that assure great economic stability: 1) work hard and improve oneself during one's lifetime, 2) get married and stay married, and 3) own a home outright by the retirement. The first will assure your nest egg will be sizable. The second, will divorce has a huge economic impact on a person's economic livelihood. The third, a home, is everyone's largest asset. As important, even if the mortgage is not fully paid, the cost of the mortgage is fixed. The costs of living in an apartment is not and could easily double during retirement creating a huge fiscal problem.

Immigration

Before discussing immigration one fundament requirement of our civil society must first be mended, confirmation by all government officials that rule of law undergirds our society and government and must be the first covenant of our leaders with the people. Today, leaders seem

to pick and choose which laws they want to enforce. For this reason, rule of law lays upon very shaky ground. Our government officials seem to believe that enforcement of law is defined by their personal desires, not by the people and our laws. Rowan County Clerk Kim Davis decided she would not enforce a new Supreme Court ruling to provide the same federal rules that apply to straight marriage to gay couples. It did not align with her religious views. That's all fine and well personally, but her duties include registering marriages, the definition of which changed under her tenure. All government officials take an oath of varying descriptions, but these oaths all amount to obeying the laws and assuring their proper enforcement – as government officials. Ms. Davis, as a private citizen may believe anything she wishes. As a government official, though, she has taken an oath to faithfully execute the laws and regulations of her agency. Ms. Davis correctly moved on as her beliefs conflicted with her moral and religious beliefs.

Ms. Davis is hardly alone. Many government officials operate like Ms. Davis except the excuse seldom reflects someone's belief in God or the moral teaching of the New Testament. Immigration is a prime example. America's immigration laws and rules for entry and exit from the country are explicit. If you are traveling, you are screened at the port of entry, asked a few questions and enter the country and figuratively sign our national *guestbook*. If you wish to work in America and seek citizenship, the rules are more challenging. But, like coming and going from the port of entry, you are asked to show your registration (green card, visa, etc.) to get in. If you don't sign our guestbook, you are here illegally. Many presidents have chosen not to enforce our laws for entry, allowing millions of people to simply walk across the border, in many cases as extreme risk to their life. Like Ms. Davis they have placed their personal beliefs above the law. These actions annihilate the rule of law and make application of the law uneven and unequal. Worse they have placed millions of illegal immigrants at risk, in the shadows of government, becoming extralegal workers without the benefits afforded legal residents and citizens.

This 'looking the other way' approach to immigration is just about as mean-spirited as one can conceive, at so many levels. First, the person gaining illegal entry has no paperwork to be in the US. If their hope is to work, they have no visa, no green card, no social security, nothing to legally obtain a job. Results are two-fold, without identification, pay for work is diminished. Second, as most of the illegal entrants have few if any job skills or credentials, they compete with our own growing cohort of under-educated and uncredentialed American youth for jobs, both reducing their wages and their ability to acquire a job. Additionally, the immigrants who wish to come to America legally are confronted by an unfair and uneven playing field. Legal immigration takes much time and money. Finally, the unevenness of how laws are immigration are enforced produces distrust in government as a special status is conferred to those who can walk across the border. As noted before, 80% of citizens do not trust government. Ignoring rule of law for political purpose not only produces a dangerous and slippery slope toward tyranny but is a huge variable in our distrust in government.

To have a civil society a sense of fairness of the application of law is essential to a highly functional government and a highly civil society. For immigration to be success on any level, local, state and federal government must enforce the laws, whatever they are, and if individual government segments do like the law, the responsibility to change the law remains with the legislative process, not enforcement or administration agencies.

Our Current Immigration System

Chained, family-based, immigration has driven American immigration policy for a couple of centuries and was reaffirmed in the 1960s by legislation authored by Senator Ted Kennedy. This style of immigration policy is reminiscent of the sonnet written on the Statue of Liberty by Emma Lazarus. *'Give me your tired, your poor, your huddled masses yearning to breathe free...'* In the 1885, when the Statue of Liberty arrived, the sonnet made sense as a representation of our immigration policy because no qualifications were required to farm, the overwhelming choice of employment early in our nation's history. Ninety percent of work centered on farming and big families were an essential requirement to a well-run farm.

What is the mission our of 21st Century Immigration Policy?

Lack of a clear immigration objective has produced both mediocre results and, surprisingly, some good results. Like most of our government, program tactics are tied to measurable objectives. This worked fine for two centuries, but will come up short this century because of increasing competitiveness to attract the world's entrepreneurs, inventors and innovators. Today's federal leaders are hoping to impact economic growth by simply adding immigrants to the population. Adding incrementally to the population large clumps of low-skill workers will result in marginal improved economic growth. Creating specific policies to maximize the effect of immigrants on our economy is needed. That America has fallen short in new business creation over the last decade, and, that immigrants are great business creators (and thus jobs creators) focusing on immigration that encourages the best and brightest, entrepreneurs, and investors, innovators and inventors, will significantly improve the impact of our 21st century economy and assure stronger persistent jobs and economic growth.

The figure on Page 37 shows the breadth of our idea economy from the start of an idea to a fully built out Fortune 500 company. Small ideas (businesses) grow to big companies over the course of time. The red lines radiating from the straw outward show incremental shrinkage with the weights and barriers government applies. The green lines are those potential multipliers that could create incremental growth – immigration for instance. The mission of our immigration

system should be to help accelerate the idea factory on the left side of the image to produce future successful enterprises on the right. Immigration policy should focus on increasing the numbers of bubbles as well. The 19th century approach to bring families to the US is not enough. What objective do we need to succeed? We need to be 20% above the past highs for business formation and granted patents (more ideas) which attained their highs in 2008 of around 625,000 and 800,000 respectively. Is there a track record for immigration and new business startups, for business in general? Yes, there is.

Fortune magazine reports that 40% of the Fortune 500 companies are run by an immigrant or the son/daughter of an immigrant. For startups, the number is around 50%. Immigrant, especially entrepreneurial immigrants are the key to our future growth. Not paying keen intention to enhancing the numbers of these best, brightest and hardest working potential new citizens will work against our long-term growth.

What is our immigration policy today?

Proposed Immigration Structure

- Persons who will invest or have investment above \$200,000 in a job-creating enterprise that employs at least 1 full time U.S. worker. **Unlimited** until annual new business formation exceeds 750,000 annually (adjusted up annually as percentage increase in population.)
- “Persons of extraordinary ability” in the arts, science, education, business, or athletics; outstanding professors and researchers, multinational executives and managers. **80,000**
- Members of the professions holding advanced degrees, or persons of exceptional abilities in the arts, science, or business. **80,000**
- Certain “special immigrants” including religious workers, employees of U.S. foreign service posts, former U.S. government employees and other classes of aliens. **10,000**
- Immediate relatives of US Citizens, wives/husbands and children: and entrepreneurs represented in the first bullet. **Unlimited**
- Temporary Worker Program: To be measured by annual need measured by industries affected.
- Refugees, Maintain current rate.

There is a potential gap for immigrants with a skill sets that may be needed to fill gaps in American labor. As there are around 10,000,000 US citizens that are otherwise able-bodied workers that are not employed nor seeking employment, it is very important the future immigrants, skilled or semi-skilled, will not compete with these workers.. At a point when this group of non-workers is significantly reduced, by at least three-quarters, then providing an immigrants category skilled and semi-skilled labor is reasonable.

The same is true for immigrants with no skills or education. Until our education system (see objective #1) can prepare more than 90% of our children for a 21st century job, non-skilled, non-credentialed immigrants should not be on the immigration list.

There is however, the 800-pound elephant in the room: the 10 million or so people the Democrats and Republicans said ‘come on in. Nah, you don’t need to sign the guestbook.’ These illegal immigrants need to be vetted according to the above rules with a couple of exceptions. Those families that have come and thrived, finding work that sustains their family without help from the state, should be first on the list to become a permanent resident and their children citizens. There is likely a very large cohort of illegal immigrants who may likely prefer a temporary worker program to long term employment, residency or citizenship. Many illegal immigrants are not seeking to live permanently in the US, but are here to take advantage of the huge difference in wages to be had in the US versus their country of origin.

The population to be vetted would likely be persons that have lived partially or fully off the sustenance of the state or are criminals. Criminals should be sought out as quickly as possible and sent home or to jail. For persons who have fed off the state, the time required for the government to vet this group could be used as an opportunity to improve their position, or to migrate back to their country of origin.

What will this policy accomplish? Three objectives:

1. Rule of Law: Without our leaders and voters believing and executing Rule of Law is fundamentally required to our success as a nation. We must all believe in the rule of law or we will fall in the ugliness of incivility. Imagine Topeka, Kansas falling into the disarray of Washington. Then imagine the same incivility everywhere, which is what we have today. Then imagine that we all agreed, as we should, that laws need to be enforced equally for everyone, even, as an elected official you don’t agree with the law. We will start enforcing immigration law (the old or the new) and assure that no one is coming to America without signing the guestbook. Sunshine is the best disinfectant. We have far too many people living in the shadows of our constitutional democracy.
2. New focus on entrepreneurs and high value immigrants will increase economic growth: An additional positive bump to GDP (the right side of the chart on page 37) by between $\frac{1}{4}$ and $\frac{1}{2}$ percent is not unreasonable.
3. With a new 21st set of policies of immigration the flow inflows of citizens from failed economies from Central America and South America will ebb to zero.

Then rinse and repeat. Every year Congress should review the numbers, understand whether metrics were met or not and make adjustments to assure goals are met. This shouldn’t be difficult, but Congress seldom reviews past successes or failures. Whether a new political culture is possible is may be dependent bringing new political parties into the market.

Social Policy Based Success Factors and the Pursuit of Happiness

Since FDR signed Social Security into law, American social policy has been built on two terribly pessimistic notions. First, the that a growing body of citizens could not care for themselves without government assistance, and second that the best assistance showed up in the form of money, a check, a chit or a debit card. In short, 'Give a man a fish, and that's the best we can expect.' Government administrators measured social and program success in dollars spent and the numbers of citizens receiving benefits. In 2008, only 28 million people used SNAP, formerly Food Stamps. After the 2009 economic meltdown, the number rose, peaking in 2012-3 to 45 million. Today about 41 million use the benefit. One might ask, if the economy is back to its former strength, why aren't the number of SNAP beneficiaries not closer to 28 million. Good question. The reason is that the requirements to acquire the benefits were relaxed during Obama's term but never returned to the previous restrictions, which included work requirements. Though I am sure there are some hungry folks out there, no one is starving. Obesity and overweight rates are over 60% for all economic classes, including the poorest economic quartile.

The political and administrative states love to give money... to anyone and everyone. According to John Cogan, who held several positions in the Reagan administration and is author of *The High Cost of Good Intentions*, was recently interviewed in the Wall Street Journal:

We've seen the same phenomenon in modern entitlements. "When Social Security started, we had about 50% of the workforce covered," he says. That was 1935. "By the 1950s, coverage was universal. The Social Security disability program was originally limited to those 50 years or older. And you had to be totally disabled—so disabled that you were unable to perform any job in the U.S. economy." Gradually, Congress eliminated the age requirement. Then lawmakers allowed benefits for temporary disabilities.

"You see the exact same phenomenon in the low-income benefit entitlement programs," Mr. Cogan says. Medicaid "extends to all individuals who live in poverty, regardless of whether or not they're receiving cash welfare." ObamaCare gave federal health-insurance subsidies to households with incomes up to 400% of the poverty line—currently \$98,400 for a family of four. (Varadarajan, 2017)

Giving away money is a political bidding war. According to Cogan it's the way politics is built; it's culture and has been four over a century. Is the ever-expanding volume of money moving from one pocketbook to another is creating some sort of personal success or perhaps happiness? No, it is not. The government largess makes poverty easier to accept and that's about it. The

Poverty Rate since LBJ's Great Society launched in the late 1960's has not budged much. It has floated around 14%, decreasing during periods of economic growth and easing up during downturns. From the end of WWII to 1967, the poverty rate fell from over 30% to 15% without any social welfare programs. The economy however provided a cornucopia of jobs which diminished poverty. The cost of the anti-poverty programs since 1967: \$40 trillion. Result: no change in poverty. Did the programs do some good. Probably. Did they do \$40 trillions of good. Not really. Were the people living in poverty happier for the money? Did they marry more often? Were they more honest or hard working? Better character? Apparently not or they would have used the government gifts to raise themselves from lives of quiet, but government-sponsored, lives of desperation. This did not occur.

Increasing human capital increases the potential for financial success, for increasing personal and financial wealth. Debit cards from the government are only spent. They create no wealth of any kind, human capital or financial wealth.

A fictitious example might help. Suppose you are a female teen living in the inner city, living with a single parent. You have spent your pre-teen and early teen years in school, getting very little education. The boys in your neighborhood suffer the same problem. A large chunk of students learns so little that the curriculum with each successive year of school is more and more out of their educational grasp, and they drop out. Some may drop out from boredom, too. Others figure an education won't help get a job because there are so few jobs to compete for to begin with. The young woman, either with or without an education, attempts to get her first job, and there isn't much. Part time, low pay. Like her mom before her, the situation is tough. As she grapples with this, she begins to think about family. There are few good examples in the neighborhood. As few as one in five are married. Many of her friends have children, but no dad. Dads are hard to find, because with few jobs available, few have jobs. Many men are on drugs or selling drugs. Others have turned to crime or are in jail. There are few marriageable men. Out of options, the maturing woman with a greater and greater desire for family does the only thing she can legitimately consider, she marries the richest guy on the block. His name is known to all....Uncle Sam. He's a virtual dad. Never around. He is symbolized by the chilly debit card the woman goes to bed with each night. It doesn't talk back or commiserate about the challenges of child or job. The card is passionless, dull. It represents her quiet desperation. It not only condemns the women to a life of poverty or near poverty, because there are millions like her, this social welfare approach makes America less economically successful.

Is this social welfare at its finest? Maybe not. We need a better way forward: something that will allow what all Americans own from the Declaration for Independence, our unalienable right to the pursuit of happiness. It's easier than you might think because the first two steps to

better lives for all American were included in the first two steps this plan: education and wealth creation that creates jobs.

Economic Success Factors

Acquiring success is a natural process for all of us. As Adam Smith quoted earlier, we all try to improve ourselves. If the government did only one thing well, if it helped assure our children received (and acquired: it is a two-way process) a good education, little else is needed to procure a successful life. The rest requires hard work and putting together a relationship with someone you love. Challenges arise from time to time, but our natural proclivity to meet and rise about these challenges is fully and completely human. Education, work, and family. If everyone did each of these with some success; if everyone had few or no barriers to do execute these three success factors, poverty programs from government would shrink to a fraction of their current size. The success rate (i.e. citizens that would need no help from government) when executing these three factors in order approaches 98%. Creating the foundation for delivering a better education, creating more and better jobs, and personal industriousness also increases family formation. Over time, were government executing properly, helping the poor succeed – education, jobs and family - the numbers of people needing assistance would drop dramatically, from about 15%-20% of the population to five percent or less. For those not executing these three simple steps, success drops dramatically. Living a happy also takes a dramatic hit, as work/industry and family, are essential and important ingredients for happiness.

Charles Murray's *Coming Apart* compares two fictitious towns, Belmont (top 5 percenters) and Fishtown (low-middle income.) Much of the book centers around the economic success factors above, but he goes a step further to discuss happiness. It's an epiphany about how to execute social policy. The four elements of happiness that jump to the top of the Murray's happiness are industrious, family, faith (going to church once a week) and social trust. The first two align with financial success, the last two provide an additional happiness bump. Going to church one a week is a jump up the faith ladder from mere belief. I am not sure the statistics exists for church attendance, but I would add if one does anything once a week associated with helping their fellow man, it will produce a similar happiness jolt. Rotary Club or Kiwanis, a charity. Social trust is what we all aspire to, living in a community where you know and expect that your children are safe if they go out and play after school. The neighbors have eyes on your kids even when you don't.

Murray compares the happiness factors in both Belmont and Fishtown. The Belmontians touch each happiness variable which produces a high rate of happiness. The cumulative rate rises to near seventy percent. Fishtown struggles with factors and their rate is in the thirties. Here's the important outcome, when the Fishtown residents follow the happiness factors, they are just

as happy as the Belmontians. In other words, the amount of money one has doesn't increase happiness. You know, *money can't buy me love*, or happiness. We should have known better since the genesis of our Welfare State that giving away free stuff would not buy happiness, nor would it improve a person's success factors.

Our social monopolies have been an expensive both fiscally and in human terms. Poverty is still a problem. It is time to focus on solutions that ultimately improve both personal success factors and the pursuit of happiness, not expanding the footprint of citizens living lives of quiet desperation. Transforming education, allowing a more competitive environment especially in the inner cities will increase person human capital. Better education will mean that young woman will have better choices than Uncle Sam for a partner, delaying or obviating single-mother pregnancies and therefore improving family formation. With new capital flowing in from a transformed dual-track retirement system some of that capital will arrive in the inner cities. A commitment to continual improvement in education will produce better people, more industrious men and women which are more likely to form families. If they happen to attend church (or Rotary or Kiwanis) and begin to improve the safety in the neighborhoods, life will improve, measurably.

Final Thoughts

What are the immediate impacts of these five strategies? Early results should provide small but incremental increases in our trust in government. As mentioned earlier, Pew reported trust in government is down to about 20%. To have a civil society trust in our government is essential. With goals and objectives published and commitment for each strategy by both political parties, Rasmussen's 68% Right Direction Wrong Track average should track toward Right Direction. Put another way, if we, as a nation, agree on the path forward, we will become more civil and less divisive, which will be a wonderful shift from the mudslinging in Washington.

The mission of Federalism 2.0 and our Great Experiment for the 21st Century was to assure our economic growth will meet or exceed 3.5%. This should easily be met and the likelihood of stronger growth is very reasonable. In 2017, with the mood of both worker and business leaders becoming more optimistic, growth has eclipsed 3 percent. This without much any changes in our taxes and one some mitigation of our regulatory environment. Optimizing our social welfare institutions, simplifying our regulations, and providing for a better, entrepreneurial, immigration policy, will produce a framework that will produce higher economic growth than 3.5%.

Education will provide small incremental increases, the most of which will fall in inner cities where dropout rates are highest, and the quality of diplomas are lowest. Improving education so not only do our children get a diploma but one that helps students qualify for a 21st

century jobs will provide their ascension to the first step on the ladder to success. Each year will bring 10s of billions in additional economic impact and 10s of billions of reduced social welfare costs from fewer debit cards zooming out of Washington to fewer prison cells needed to incarcerate criminals. Two-thirds of the 2.2 million of prisoners in state and federal institutions have no high school diploma. If increasing the high school graduation rate in the inner city diminished incarceration by 1/3 and also translated into potential criminals becoming workers instead, the turnaround would deliver about \$35 billion a year to the economy. Each year may only provide \$100 billion in economic improvements effects, and year-over-year successes begin to add incremental impact. In ten years, the impact would approach one trillion back to the economy. Net Impact Year One: 0.5%

Dual-Track Retirement Savings: \$100,000,000,000,000 over forty years, with the initial year delivering \$316 Billion in new savings and investment. According to the Federal Reserve, private investment totaled \$3.16 trillion in 2016. Adding 10% to this number will provide additional ability for businesses to grow. Most of these nest egg dollars would append Gross Domestic Private Investment, a component of GDP. Highest potential economic impact: 1.67%.

Delivering on the challenge to reduce the costs of the Administrative State is a long-term project that will take a decade to ideate and legislate. The target: a 50% reduction is compliance costs or about \$1 trillion. The slope of the efforts would likely accrue in the earlier years. Taking a first run at very expensive and ineffective policy success as out tax code, Dodd Frank and Obamacare will have extensive payback. Simplifying the tax code and a middle-income tax cut along with a modernization of business taxes including reductions of business taxes and changing to a territorial tax system will have great and immediate impact. Long term, streamlining and simplification of the Administrative State could reduce the overall burden of the federal government reducing the tax burden to the point where a tax, either consumption or income, of less than 10%, a flat tax all could afford. Average Impact Expected: 0.5%

Immigration which has a historically high economic impact delivering as much as 40% of job creation can be improved with a focus on high value immigrants. Using the impact of immigrant leaders in the Fortune 500 (40% immigrant) applied to new business, and positioning immigration to increase this percentage by 20%, improved immigration policy could deliver up to another 18 million jobs. At median income, this amounts to \$360 billion. To be conservative, half this number is not unreasonable, as no policy hits its targets its first year. Economic Impact: 1%

Changes in social policy that drives education first, and jobs and family as results and reflected above in education. Work driven, means-tested social policy will, over a decade or two, begin to dramatically reduce the number of people requiring assistance from the government. Continual reassessment of program results is crucial to future success. We need to get better and

better and social welfare, a social welfare that one day is so effective, that there is no one in need, and we become a nation of dreamers who have clean roadways to their pursuit of happiness.

Bottom line: if the new normal under the current statist approach to government is 2.0%, and the above adds to our economic growth as specified, the growth could exceed 5%. As we don't live in the perfect world, it would be no surprise that they solutions as an aggregate deliver less. One might see that 3.5% to 4.5% is not only possible but likely with a more enlightened, simplified, Federalism 2.0 approach to government.

P.S. My Promise: CIVIL Governance is Coming

Reviewing the objectives and strategies, reconsidering the proposals under Federalism 2.0, it is impossible to imagine that either the Democrats or Republicans would buy into any of the proposals without new political leverage that would force them into debating new ideas. Each party invests over \$1 billion a year to assure the status quo of not only the way government has always been executed, these also a panoply of old ideas that are regurgitated every election cycle. We are stuck in the mud watching two dinosaurs marching, loaded down by special interest money bags, toward the tar pits.

Here's my promise. The non-profit, CIVIL Governance, was formed in October 2017. This organization will layout proposals to Congress in 2018. CIVIL will begin taking donations to get its message out in 2018 as well. If CIVIL can create debate about the big idea that our politicians are skirting, then expect CIVIL to remain a non-profit. If it cannot, expect CIVIL will seeks Congressional Candidates for the 2018 election cycle. Our children's future is too important. I hope you think so too.