

# **The Free Isles Project:**

**An Early 1960's Exploration Into Seasteading,  
Alternative Dispute Resolution, & Voluntary  
Governance**

**LIBERTY UNDER ATTACK PUBLICATIONS**

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## **AN INTRODUCTION TO FREE ISLES (FROM INNOVATOR MARCH 1965)**

The innovators of Preform are concerned with the total concept of Free Isles. Economic potential is a factor which determines the feasibility of this concept so Preform must ascertain that at least SOME industries will prosper in Free Isles and evaluate the physical and cultural environment accordingly.

The entrepreneur who contemplates establishing a specific enterprise will evaluate Free Isles according to the requirements of THAT enterprise. Is Free Isles the most profitable location for HIS business?

Because of unknowns, the specific details of the Free Isles economy cannot be predicted. Indeed, the specific enterprises which develop will be decided by many individuals – calling upon their own special skills and assessments of the situation in countless ways – as they identify and anticipate opportunities. We can, however, evaluate probable conditions and arrive at some GENERAL conclusions as to what types of goods and services will most likely be profitable.

Some assumptions have been made for purposes of this study. These are as follows:

The Free Isle will be located 100 to 500 miles from a major metropolitan area.

The principal or only means of transportation to the isle will be by water and air.

There will be no natural resource of export value such as mineral ore, timber, or naturally occurring agriculture.

The isle is initially undeveloped and has few if any inhabitants.

These assumptions are conservative – perhaps even pessimistic. It is entirely possible that a more desirable site, rich in undeveloped natural resources, may be acquired. However this is not essential to the success of the isle.

During early development Free Isles will have a small population. The first settlers can achieve a high standard of living only by trading. Free Isles will not be self-sufficient, but rather must import many essential commodities and must export its produce in return. Production will tend to be specialized and consumption diversified. Will enterprises in Free Isles be able to engage in international trade? Since World War II most western governments have favored the free flow of goods, capital, and people across national boundaries. Recent international political developments indicate that a reversion to isolationism may be underway which would have serious economic consequences for a Free Isle engaged in international commerce. However, this study is based on one optimistic assumption: relative international freedom will

prevail in the long run. Nearly all nations engage in international trade of one kind or another and many of the most prosperous countries are those which deal heavily in trade.

The prime “natural resource” of Free Isles will be freedom – political and economic – freedom to engage in the enterprise of one’s choice without taxes or regulations. A political climate and motivated populous will act upon to create goods and services.

The most salient economic advantage of freedom is the absence of taxes. To appreciate this advantage, consider the amount of YOUR earnings which are taken, directly or indirectly, through taxes. The levies to which you are subjected include not only personal income tax, business tax, property tax, inventory tax, licenses, tariffs, and on, all of which come out of YOUR earnings or profits. Paul Harvey, in an article titled “Only People Pay Taxes” (1) traced the cost of a loaf of bread from the farmer to the consumer and found that taxes were doubling the price of a loaf of bread. He estimated taxes are devouring one-third of every income dollar.

Another salient advantage of freedom, the absence of bureaucratic, coercive regulation will mean the possibility of economy in business practices – in accounting, management, labor relations, and merchandising. For example, in Free Isles, a building contractor will use any labor-saving devices he wishes, any materials that are appropriate, and his choice of construction techniques – free from archaic building codes and coercive labor regulations. A builder will hire whomever he chooses at free market rates.

It is not easy to compute the economic costs of government taxation and restriction in the United States; however, we estimate that, other factors being equal, the entrepreneur operating in Free Isles will start off with a two-to-one cost advantage over his taxed and regulated counterpart in the States. Entrepreneurs, seeking the optimum location for a new factory often choose one location over another on the basis of a one or two percent estimated cost advantage. **WHAT ENTREPRENEUR WILL NOT BE TEMPTED BY COST ADVANTAGE OVER HIS COMPETITORS OF AS MUCH AS 100 PERCENT?**

There will be no attempt by the government of Free Isles to dictate the product of any producer. The only determinant factor will be the market. If a customer desires to buy a product or service and the owner desires to sell it, they are free to complete the transfer. The only fundamental purpose of government will be to preserve the freedom of the market from coercion.

The market itself tends to assure the consumer of the best product at the lowest price. It does this because the businessman is in business to make a profit – and the most profitable customer is a satisfied customer. There will be no coercive agencies to give an implied warranty to firms and individuals by way of laws, licenses, inspections, grading, auditing, and so forth. Producers and consumers will realize that a reputation for honesty and reliability can be a very valuable thing and such a reputation can only increase in value if maintained.

In Free Isles there need be no fear of being considered a criminal for living one's own life for one's own sake. Producers will be able to devote their full energy to production, with no hindering burdens they have not chosen.

What specific factors must the entrepreneur take into consideration when locating in the Free Isles?

Dealing in exports extensively there will be transportation costs added to almost any phase of production. The raw material will have to be shipped in, the finished product shipped out. But only industries dealing in bulk raw materials will be at a serious disadvantage. Even the costs of transportation will tend to be small compared to the savings in taxes. Countries like Japan, Hong Kong, and Formosa, which have the longest possible ocean routes to deliver goods to the U.S., have built their export economies substantially on merchandise which has a high weight-to-value ratio.

Transportation will become even less of a problem as Free Isles grows and the tonnage increases. Water transportation is the cheapest form of transportation – it is often less expensive to ship goods across an ocean than to ship a few hundred miles within the U.S.

Free Isles will initially be a “small market” – hypothetically, starting from scratch in an undeveloped area. Some products and services may at first be more expensive because the size of the internal Free Isles market would not be large enough to permit economies of large scale operation. Likewise, there might be a lack of local supply and satellite firms to service established businesses and an absence of specialized labor skills. Both of these effects will tend to diminish as Free Isles grows and would be offset for most businesses by other advantages.

A problem for some export businesses in Free Isles will be the taxes imposed by other nations. Such taxes will determine to a substantial degree the kinds of businesses attracted to Free Isles, the manner in which they are organized, and the way in which they will be operated. Some of the U.S. taxes: The U.S. imposes import duties on raw materials and manufactured products shipped into the U.S. The tariff imposed varies widely from product to product and depends on arbitrary laws and rulings. The duty is typically 20 to 30 percent of the product's sale price. Obviously, manufacturers most attracted to Free Isles will be those whose products are subject to the lowest import duties.

The U.S. imposes a 30% income tax on the gross income earned within the U.S. by individuals or corporate aliens, and the tax must be withheld by the U.S. consumer if his gross business with the alien is in excess of \$600 per year. There are ways to avoid or to minimize this tax.

A U.S. citizen residing in a foreign nation is still legally obligated to pay U.S. income taxes on his income under some circumstances but not others. But in practice

individuals who work in Free Isles could choose whether to pay or not, or the U.S. would have no way of learning of their income.

Resorts of various kinds will undoubtedly be among the first businesses to be developed within Free Isles. These can attract vacationers, visitors, retirees, persons attending conventions, etc. Although Free Isles may have certain natural attractions such as ocean accessibility, mild climate, and varied topography, the main attraction will be freedom. Tourism is very promising as an early industry for the following reasons:

Tourism makes effective use of Free Isles' advantage – freedom, and is not seriously hindered by foreign taxes and tariffs, nor by the smallness of Free Isles as a market.

Resort industries are readily financed. Even the non-libertarian can grasp the profit potential of a resort hotel operating on a tropical island free from government harassment and taxes!

Tourism is a growth industry. More and more people throughout the world are traveling abroad.

Tourism provides a base for further economic expansion along other lines. Through publicity and actual contact of people from all over the world with Free Isles, a potential pool of immigrants, workers, investors, and customers would be created. A "floating permanent" population of visitors would increase the size of Free Isles' internal market – expanding businesses and permitting economies of merchandising. A "floating permanent" population would essentially provide a tariff-free export market for Free Isles' products and for specialty items brought from all over the world. For example, a Free Isles businessman could not sell French perfume or Scotch whiskey in the U.S. without paying tariffs, but he could sell it, a few bottles at a time, to tourists who take it home under their personal exemptions.

Banking is a potentially lucrative industry for Free Isles. Wherever in the world there have been places to put money out of the reach of government coercion, funds have flowed in. Switzerland, Lebanon, and the Bahamas have been examples. Switzerland, known chiefly for its tourist attractions and production of fine machinery, has two percent of its working force engaged in banking. Zurich, smaller in population than San Diego, is the second largest financial center in the world.

Monetary freedom from government interference plus ability to hold gold or any other commodity of value, will attract money from all over the world. Some of this money will come to be invested in Free Isles. Some of the money will be invested around the world with Free Isles banks acting as brokers and agents. International companies will incorporate in Free Isles because of the lack of regulation and because money, once transferred to Free Isles, is safe.

In many nations, including Switzerland, income on invested money by foreigners is subject to a withholding tax. This would not be so in Free Isles. Free Isles bankers

would become expert counsellors in channeling investment money into the most promising areas. Many other business opportunities would not doubt be discovered by Free Isles entrepreneurs in the process.

Free Isles will be an attractive locale for a world exchange where securities, currencies, bullions, and goods of all kinds may be bought and sold. Title to commodities stores all over the world would be exchanged.

Because of tax freedom and ocean frontage, Free Isles will be a favorable location for industries dealing in international trade and transportation, including ship bunkering, dry-docking, fish processing, building of small boats and eventually large ships, warehousing, storage, and aging.

Free Isles would be a desirable site for industries gleaning wealth from the ocean. For example, Harvey Aluminum is now building a new plant in St. Croix, Virgin Islands, to extract aluminum from the ocean. The Virgin Islands was chosen largely because of special tax privileges. Other minerals commercially extracted from sea water include sodium chloride, bromine, iodine, and magnesium.

Because of the complete freedom from taxes and restrictions, various medical services can profitably locate in Free Isles. For example, it has been suggested that, for expensive operations, it might be advantageous for both the patient and the doctor to travel to Free Isles and conduct the operation there, minimizing U.S. income taxes.

Free Isles can be an attractive environment for book and magazine publishing, recording of music, and movie production. Attractions include the freedom and the absence of coercively high union rates in the arts and trades. Free Isles could become a world capital for styles, art, and literature.

Technical services and professions such as data processing, consulting, editing, and design can flourish in Free Isles. Since the products of such businesses are intangible, they can be effectively exported without being subject to foreign import duties.

Technical research and advanced development of new products – a rapidly expanding industry – is a natural for Free Isles, since the chief resource is highly skilled employees and the chief product is new ideas and their applications.

Light manufacturing of specialized products will probably be a major industry. Interestingly, in Monaco, famed for its casinos, all tourism combined earns less than 30 percent of the gross national product. Light manufacturing of everything from toys to perfumes is by far the biggest industry. In Free Isles, many of the manufactured items will probably be of an unusual nature, often new and for which the total world demand is small, and which consequently are not subject to high foreign tariffs.

As Free Isles develops and grows in population the usual, and perhaps some very unusual businesses which provide services to permanent residents will be started by entrepreneurs.

Education, for example, may become a sizable industry. Imagine the unbounded possibilities of a university operated on the precept of laissez-faire capitalism! Such a university might operate not only at the college level, but from primary up. Such an enterprise as this would be offering a service of highest demand to residents of Free Isles and perceptive foreigners alike.

Product development will reflect the stimulus of laissez-faire capitalism as it has never existed before. Individual entrepreneurs will doubtless discover endless opportunities which are not now apparent.

An unprecedented challenge of economic viability exists for those willing to accept it. And it shall be met because men will be free.

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# **INTRODUCTORY SUMMARY TO GOVERNMENT AND DEVELOPMENT ORGANIZATIONS (GDO-1)**

**10/64**

In the Preform paper “Choice of Government”, three systems of government were briefly described and evaluated with respect to near future developments. Constitutional government was judged to be most suitable for Free Isles.

Before and since this discussion, many ideas have been suggested for further improving the preliminary concepts contained in early notebook papers – aspects of both government and the related subject of development.

Drawing from the many ideas, an improved approach to government development has been synthesized. While retaining many fundamental features described in earlier papers, this redesign incorporates a number of significant innovations.

Both the government and the model development company are designed for Free Isles as it will probably be – one or more relatively small “isles” – physical islands or coastal enclaves which are purchased, leased, or constructed and which are largely undeveloped prior to acquisition. The designs are not intended for and would not necessarily be suitable for a large already developed nation – for instance the United States of 1964 or 2064.

## Summary Description

A single national government – the Association of Free Isles – embraces all free isles which choose to belong. No local governments exist. The basic purpose of the Association of Free Isles is to implement an objective standard for resolving disputes so as to preserve individual freedom.

A development company – the Isle Development Corporation – is formed for each isle within Free Isles. The Isle Development Corporation does many activities which have traditionally been functions of government but it is not a government – the Isle Development Corporation has no special legal police or judiciary powers. The basic purpose of an Isle Development Corporation is to acquire and most profitably develop an isle.

A few salient features of the Association of Free Isles and the (model) Isle Development Corporation:

The Association of Free Isles incorporates what appear to be the best features of both the implicit and the constitutional government systems. The Association of Free Isles might be called a “voluntary constitutional government.”

Constitutional government is reduced to its minimal essence – a supreme judiciary apparatus which renders decisions according to objective law; a final

recourse for the individual who has been coercively damaged and cannot otherwise secure restitution.

No contractually required fees or taxes are levied to finance the Association of the Free Isles. Finance is by voluntary means.

Acquisition of sovereign jurisdiction over territory and its finance is performed by each Isle Development Corporation for the isle it is instrumental in acquiring and developing.

The Association of Free Isles is largely limited, by its inability to levy contractual fees, to providing a token border guard – sufficient national defense for purposes of international law. National defense over and above this is contracted for by an Isle Development Corporation for a particular isle. Defense is contracted for from that protection company which offers the most attractive defense for the lowest price.

The Association of Free Isles provides no police services other than the token border guard and some intra-government monitor functions. However a simple but effective check and balance device is incorporated to discourage protection agencies from degenerating into coercive states. The device also tends to limit the size of individual protection agencies.

Services which are essential prerequisites for economic development of the isle, and which tend to be natural monopolies in a small community – roads, utility access ways, port, and airport – are planned for and provided by the Isle Development Corporation. (There are, however, no legal monopolies.) The Isle Development Corporation is a jusinco.

The Isle Development Corporation is conceptually and organizationally simple and quite conventional – easy to explain to a prospective investor entrepreneur.

The Association of Free Isles will be specified by three documents – Principia, Constitution, and Initiatory. Preliminary drafts of the Principia and Constitution have been completed and are being refined. The Initiatory will be prepared when a proto-government is to be organized.

An Isle Development Corporation is specified by its Articles of Incorporation. An Isle Development Corporation will be incorporated in Association of Free Isles. A model Articles of Incorporation is being prepared. The actual articles for an Isle Development Corporation may differ in details from the model depending on method of acquisition and other specific circumstances.

### Credits

Innovation and critique by many individuals have added to this product. The following ideas have been especially significant in the development of this new synthesis:

STAN ACKERMAN – Issuance of stock as a simple method of paying for acquisition

KONDA CARTER – “Super shopping centers” competitively offering services which have traditionally been functions of governments

RICHARD GRANT – Suggested terminology usage with regard to government and development companies

DAVE HATFIELD – The essence of government as a collection of generally accepted ideas and customs for resolving disputes; Implicit governments

KATE HATFIELD – Ethical criteria for judging actions of enterprises engaged in development

ROBERT HAYES – Limiting powers of the President – avoiding any single executive with considerable powers

VIVIENNE JACKSON – Finance of acquisition – costs implicit in sale price of land

RICHARD MORRIS – Implementing of concept proposed by Ayn Rand (Objectivist Newsletter, February 1974) of providing certain judiciary services only to persons who voluntarily pay fees to the governments

ELLIOT OSEAS – Integrated planning and development of services by a single entity

FRANK PISTONE – Judiciary as the essence of government; the provision of national defense by non-governmental means

ELTON RAY – Mechanism for determining stockholder votes in a jusinco

TOM SANDERS – Various internal structural functions of governmental

SID SIMMS – Considerations of international law regarding acquisition and recognition of governmental

JOHN THOMPSON – Automatically districted legislature

RICHARD VILLANUEVA – Renting access routes to encourage competition among utility companies

ALEX WEBER – Leasing of land as the most advantageous way of financing community services

## Reference

The papers “Association of Free Isles” and “Isle Development Corporation” provide simplified descriptions of the government and development companies. The papers are most understandable if read in conjunction with each other. For more detailed information refer to the Principia and Constitution regarding Association of Free Isles and the model Articles of Incorporation regarding the Isle Development Corporation.

The following Innovator articles and notebook papers are recommended for background information: “The Nature and Proper Use of Elections” (Feb. 64 Innovator), “Basic Concepts Regarding Resolution of Disputes”, “Finance” (first eight pages only), “Choice of Government”, “Important Assumptions”.

# THE NATURE AND PROPER USE OF ELECTIONS

## By Rayo (FEBRUARY 1964)

The election – a procedure for choosing the manager or course of action of a government or other organization – has been the subject of considerable controversy among applied philosophers. The primary cause of this controversy is a confusion of morality with managerial procedures which has largely obscured the important issues.

On one hand, unthinking worshippers of a “democratic mystique” regard the “will of the majority” as a very special duty that is to be obeyed, never questioned; and defend blatant coercion by “democratically” elected governments on the grounds that the majority of the people want it. The basis of the “democratic mystique” is collectivist metaphysics – the arbitrary belief in the “society” or “collective” as a supreme being having goals above and beyond that of any individual in the society. Such a belief cannot be logically derived from self-evident axioms, nor substantiated by empirical evidence. To illustrate the consequences: if Hitler had conducted a referendum in Nazi Germany and the overwhelming majority had voted to kill the Jews (a not unlikely result since most of the people gladly let the Nazi propagandists do their thinking for them), would this morally justify the extermination? Quite obviously a majority vote does not constitute a rational basis for a moral code.

In opposition, some well-meaning individuals have denounced elections as intrinsically collectivist devices – inherently inferior means of selecting managers that should not be applied to any organization. This point of view is certainly an understandable reaction against the “democratic mystique” and the coercive actions of elected government leaders which the mystique sanctions, but is it correct?

What does an election represent? An election is, in essence, an abstract symbolic form of competition. There are both similarities and differences between elections and market competition.

One similarity: choice is involved. A trader may typically choose one of many substantially equivalent products offered by other traders; a voter may choose one of many candidates for a single office.

One difference: the exclusiveness of the choice. A “single” organization is an interrelation of more than one individual that acts in certain ways, as if they were a single entity. An organization can so act only by having a single leader or other decision making process. Therefore, if a leader or course of action is chosen by an elective process, the election is necessarily exclusive. In contrast, market competition is not necessarily exclusive – all bakers but one do not inexorably go out of business.

Another difference: Market competition is an intrinsically natural process. So long as multiple separate intelligent beings exist and are capable of interacting, competition, or potential competition will always exist no matter what the actions of a particular individual may be. (This is not to imply the effectiveness of the competition.) An election, on the other hand, is an artificial procedure that is volitionally devised.

There are two types of organizations which can sometimes utilize elections to advantage: (1) the “natural monopoly”; (2) the joint-stock corporation. To show why:

A “natural monopoly” is an organization which, because of the nature of its product or service, is not subject to effective competition. (An organization is not necessarily a “natural monopoly” merely because it happens to be the sole supplier of a product.) For example:

A road company constructs, maintains, and owns a network of local streets within a city. Since the construction of a competitive road network within the same area is a topological impossibility, assuming that ownership extends high into the sky and far underground, the road company constitutes a road monopoly. Note that “natural monopoly” is always a relative concept because even in this case there are alternatives – a property owner can purchase a helicopter or move out of the city. However these alternatives tend to be rather unsatisfactory and thus are not very “effective competition.”

Such a natural monopoly necessarily has considerable power over those who cannot avoid doing business with it except with great difficulty. Therefore, it is in the long run self-interest of all concerned that the monopoly be justly managed. One technique for attempting to obtain greater long term justice is to “build in” structural checks and balances in the organization of the monopoly. The election of a portion of the management of a monopoly by consumers of services of the monopoly, is one such check and balance which may, in conjunction with other checks and balances, tend to optimize the operation of the monopoly.

A system of structural safeguards can be considered to be an artificial attempt to approximate the effects of free market competition in a situation where free market competition cannot exist; and the better the approximation, the more “optimally” managed the monopoly will tend to be. Because even an elegant structure is only a very crude approximation, and because the checks and balances themselves contribute inefficiency, such a monopoly is, in general, never as effectively managed as is a company that is successful in free market competition. However, a monopoly containing checks and balances may be much better managed, especially from the point of view of consumers, than would be a monopoly having no structural safeguards.

Most natural monopolies have traditionally been functions of government. However, there are major disadvantages and no important advantages to having all natural monopoly functions performed by a single organization.

Consider next the speculative venture which is financed through investments by more than one individual. Usually such an organization does not initially possess tangible assets which are adequate collateral for the investments. The capital venture is “secured” largely by hoped for future earnings. For this reason, an investor may desire and deserve a voice in the management of the venture. An election, by tending to assure that the organization is managed in the best interests of the investors, may be a worthwhile check and balance device.

In current business practice, a new speculative organization is customarily financed by sale of common voting stock if a single individual does not solely finance it. Only a going business that has a well-developed market or substantial physical assets can ordinarily acquire funds by sale of non-voting securities. A social club in which many members invest intangibles, is in principle the same as a joint-stock corporation and may for the same reason be able to utilize elections to advantage.

Conclusion: An election should not be regarded as the sacred command of some mystical supreme being, and used as a basis for morality. Nor should elective procedures be categorically rejected. Either point of view derives from erroneously equating morality with what is merely an organizational technique. An election is an artificial form of competition; a device that is sometimes applicable where market competition is not; a device that may be useful in certain kinds of organizations as, and only as, a check and balance device to increase the probability that the organization will be managed in a just and responsible manner.

# ASSOCIATION OF FREE ISLES

10/64

The Association of Free Isles is a single national government which possesses sovereign jurisdiction over the entire nation. Sovereign jurisdiction pertains only to those individuals who voluntarily choose to do business with the Association of Free Isles. The basic purpose of the Association of Free Isles is to implement an objective standard of resolving disputes so as to discourage coercive infringement of personal freedom.

## Nature of Government

In essence, government is the exercising of overriding force – the capability of deciding disputes and enforcing the decision. This is true for any entity which exercises the power of government whether it operates morally – acting only in retaliation against initiated force, or operates immorally – to plunder for the unearned benefit of a certain group. Any specific action of government can be conceptualized as a decision plus the enforcement of the decision. For example “national defense” consists of the decision by an organization that a certain land area should continue under the governmental authority of that organization, plus military preparations capable of enforcing that decision. Of course, a particular organization may act as a government in some situations and not in others. For example, the Russia government sells gold on the world market in substantially free market competition with private producers located in other nations.

Government could be considered a “service” so long as it does not involve initiated coercion, just as curing illnesses, growing food, and building boats are services. But only a casual glance at historical evidence discerns that government “service” must have some unusual and troublesome properties not possessed by most other services. For example boat building has improved considerably during the past 100 years. Vastly superior boats are available at much lower prices. And almost all products and services has vastly improved. But government has been a striking exception. Any well informed “consumer” of government services in most western nations is aware that government is not only much more expensive but worth considerably less (in terms of protecting individual freedom) than a hundred years ago. Why?

One discernible difference between government and many other services is the effects of market competition. Products and services other than government tend to become increasingly excellent because the market “rewards” the superior entrepreneur or craftsman while forcing out-of-business and into more productive lines of work the less proficient businessman. But government can partially evade the market by acting coercively – using force not merely in retaliation but in initiation to conduct legalized plunder. Governments can maintain themselves through coercion even though their “services” are unwanted by many of their subjects.

In analyzing the problem of government, care must be exercised to distinguish causes and effects – to separate symptoms from the disease. Most government are

characterized by “political” systems – by codified laws, “democratic” elections, legislatures, presidents, and so forth. But it is not a particular organizational structure which makes possible overt plunder. A boat builder would not be able to sell leaky tubs made out of orange crates at gouging prices merely by organizing a ‘democratic’ boat company and being elected president in a “political” election. A coercive state is not coercive because it is political, it is coercive because it has the where-with-all to initiate overt coercion and get away with it (at least temporarily), and choose to do so. Significantly political mechanisms are often instituted after the fact – after a coercive state has come to exist – in response to popular demand for limiting and regularizing the use of force.

Why can’t government be subject to effective market competition? For market competition to exist and be effective in any commodity, an individual (1) must be able to voluntarily choose and (2) must have alternatives or potential alternative between which he can choose. Examining each of these with respect to government:

The nature of government as a supreme enforcement authority involves the actual or potential denial of choice. Even a completely moral government may abridge the freedom of choice of a convicted criminal. But immoral governments can and do initiate coercion and deprive innocent persons of voluntary choice – invariably not allowing the individual to refuse unwanted “services” – sometimes going so far as not allowing him to patronize a different government by leaving the country. To the extent that a government can abridge voluntary choice, the government is not subject to market competition.

How about alternatives? If one government coerces an individual how easily can he run to a second government and say, “Help – protect me!”? The relative availability of alternatives depends on the geographical characteristics of the governments. Historically governments tend to be “natural monopolies” within geographical areas. A government tends to be a natural monopoly for both economics and military reasons – it is generally difficult for a state to enforce its authority (whether moral or immoral) on outlying dispersed plots of land. A government may also pass laws making itself a legal monopoly within the territory it is capable of exercising supreme authority over, but the laws are an effect, not a cause of the absence of readily available alternatives.

There have only been brief occasions in recorded history when multiple governments were “competing” in any sense of the word within the same geographical area; these were usually times of war when an area was being fought over. The best example of “competitive” government in the world today is Vietnam where two governments are operating more or less within the same area – quite extensively intermingled. But, instead of being able to exercise a market choice, the individual in Vietnam tends to be coerced doubly – forced to pay taxes to both sides.

Market competition, although certainly operative to some degree between governments, is insufficient to discourage coercive behavior in historic and contemporary societies. Coercion certainly is an “inferior product” but has not been driven “off the market.”

Government would probably not be much of a problem in a society of all moral individuals – individuals who did not initiate force and furthermore universally agreed on what actions constituted “force.” Even then some problems would arise such as bitter disputes over boundaries where each person is sure that the other person is wrong and is initiating coercion against him. But presumably informal institutions would arise for resolution of such disputes. Even if only most of the people were moral and adhered to the same moral code, overt coercion would not be much of a problem. The occasional hoodlum would be summarily but justly dealt with by impromptu vigilante committees.

But such a society does not exist and probably will not exist within our lifetimes. We are concerned with the here and now – where such moral codes as do generally prevail have enormous and numerous defects – and most people do not even consistently practice them.

As open commercial cities located in presently underdeveloped areas, Free Isles will attract a wide variety of people who come for a wide variety of reasons. The Association of Free Isles must be designed with care – capable of enduring and providing individual freedom in a society of mixed morality people.

### Mechanisms of Governments

Constitutional government was chosen as the most suitable form of government for Free Isles because market competition has traditionally proven insufficient to discourage the initiation of violence by a government. How does one realize a durable, non-coercive government in a mixed premise society? What extra market mechanisms exist which can be utilized in a design of government to inhibit coercion?

A primary ingredient of any “organization” is habitual response – the tendency of a human being to act and react in ways to which he has become accustomed. In routine situations automatic responses are desirable since they make for personal efficiency.

An organization is shaped initially by the individuals who form it – their actions, plans, and personalities. Because of human habitual responses an organization’s original characteristics tend to be preserved even after its founders have departed. New people tend to be selected for ability to carry on established action patterns tend to be trained to operate in “traditional ways.” To this extent an organization can be conceived of as an extra-personal “being” having a “personality” of its own. (However an organization is not an intelligent volitional being and so can morally possess only those legal powers contracted to it by individuals who form it or deal with it.)

The tendency of an organization to perpetuate its characteristics is one usable mechanism for government. Design and start off a government which operates non-coercively and it will have a strong tendency to continue operating in the same manner. Resistance to change can be maximized by setting up simple written rules for operation (Constitution and bylaws) – rules which are not easily changed; by

dividing the government into separate functional divisions with built in checks and balances; by choosing management of the various divisions in different ways to minimize the chance of unwanted collusion; and by having a “civil service” system – employee retention and promotion based largely on seniority.

A second and related mechanism is respect for order – for consistent adherence to recognized rules. Just as a child will complain if a parent, after establishing rulers of behavior (which may be quite arbitrary) then violates them, so the average person will quickly perceive and object to behavior (especially by a government) that is “contrary to Law” – much more quickly than he will perceive and object to an immoral law. Respect for order can be maximized by having a written constitution and bylaws, by having simple and objective laws which can be easily understood and which have the same meaning to most people, and by having laws which intrude as little as possible on the customary behavior of most people.

A third mechanism is the political election. An election can be conceived of as an artificial simulation of market competition in a “natural monopoly” situation where adequate natural competition cannot exist. Being cognizant of the abuses of “majority rule” in this nation and others, it is easy to overlook the very positive advantages of electing at least some of the officials of a government. If the nation’s government becomes bad enough, the residents can exercise their disapproval by voting the responsible officials out of office. This is an important check on the power of government officials. It is not, however, the “cure all” that many less thoughtful people regard it as.

Voting should be conducted by that method, and voting franchise allocated in that manner which provides the most effective checks on a government. Since political elections are strictly an artificial contrivance there is no moral reason for having “universal suffrage”, one vote per person, or any other particular distribution of voting power. One potentially useful mode of apportioning which would avoid the dangers of “majority rule”, is representation proportional to fees paid to the government.

An unavoidable byproduct of the above mechanisms: The government is rigid, routine bound and inefficient – highly resistance to change even when change would be desirable. This is a necessary “price” to pay for a political structure. The effects of this disadvantage can be minimized by limiting government to the fewest possible functions. An even more important reason for minimizing the functions of government is to minimize a government’s potential capability to coercively intervene in the market and turn into a monster of initiated violence.

### Modes of Degeneration

In critiquing a possible structure for government, it is well to keep in mind the various commonly occurring modes by which government can degenerate – ways in which a government can be destroyed or devolve into an institution for coercion. And it is desirable to be aware of “inhibiting” devices or factors which tend to prevent degeneration from occurring.

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Mode: “Welfare state” voted in by those who desire to seize the earnings of those who are able to earn more. (This is a mode we are acquainted with.)

Possible Inhibitors:

Strict constitutionalist limitations on sources of revenue; constitution is not subject to easy change

Constitutional guarantees are enforced by bodies not subject to “democratic” pressures

Votes proportional to fees paid to the governmental

Discourage initial entry of plunder seekers by having no “welfare programs” to attract these types

“Cultural traditions” of self-reliance and laissez-faire\*

Information-entertainment media predominately owned by libertarians\*

Mode: Aristocratic “in-group” runs nation to suit itself – suppresses freedom of others

Possible Inhibitors:

Constitutional guarantees enforced by bodies not subject to control of any “in-group”

No hereditary “citizens class” having special legal privileges

Roads and other “natural monopoly” services available to every person on an equal basis

Mode: Large self-perpetuating poor class is disenfranchised, uneducated, exploited, and unable to better self-perpetuating

Possible Inhibitors:

Strict constitutional guarantees of personal liberties of all persons

Legally prohibit long term indenture. (Whether or not long term voluntary servitude is theoretically coercive, is quite controversial – even among

libertarians. Utilitarian considerations provide useful “indicators” for resolving theoretically “gray” cases.)

Discourage entry of persons who would constitute “subsistence labor”, as above.

Mode: De facto rule by racketeers through extortion (Al Capone style)

Possible Inhibitors:

Government provides checks and balances on “protection agencies”

Laws make successful apprehension of criminals profitable

Mode: Communist style revolution

Possible Inhibitors:

Effective national defense forces (whether government or private)

Discourage entry of persons who would be attracted to a Castro-type movement, as above

Information-entertainment media predominately owned by libertarians\*

Mode: Coup by armed forces or police (This is a quite frequent occurrence in small countries.)

Possible Inhibitors:

Checks and balances – keeping police forces (private or otherwise) individually small and counterbalancing

Monitoring and auditing of those bodies, if any, which possess special police powers

Well-armed populace having traditions of self-defense, and who respect the existing government.\*

\*Although not structural techniques for government, these are desirable inhibitors.

One “mode of degeneration” not considered in the above survey is attack by foreign military forces. This is a subject unto itself and is considered in other papers.

In contemplating this “beat down” subject – the ways in which governments can go bad, it is well to remember that most anticipated problems do not materialize – especially if these are anticipated and reasonable safeguards are implemented. In this regard the United States is amazing, not because it has become as coercive as it is, but because it remained relatively free for over 120 years (exempting pre-Civil War southern states) in the face of considerable demand for more and more coercion.

### Specification for Association of Free Isles

A constitutional government consists of a pre-defined specification for government plus an explicit supreme authority which acts in accordance with this specification within a geographical area over which the government exercises sovereign jurisdiction. The operations of this supreme authority are prescribed by the specification.

For convenience the specification of AFI has been divided into three parts: Principia, Constitution, and Initiatory.

The Principia consists of fundamental principles which legally define intelligent beings, the domain of freedom – actions which an intelligent being may perform without coercively infringing on the freedom of another, and basic rules for retaliation – for using compulsion in response to an infringement of freedom initiated by another.

The Constitution describes an organizational structure of government – divisions and their functional limitations, procedures for selecting managers and altering bylaws, and basic rules for operation of government.

The Initiatory is a plan for initiating – for first organizing and getting started a specific government for a specific nation. The Initiatory includes the names of initial managers, a description of initial sovereign territory, the monetary unit, names, and symbols for the nation, decorative prose such as a preamble, and other conditions or items which are unique for a particular nation.

To summarize: The Principia defines what freedom is, the Constitution describes a government to maintain it, and the Initiatory says how the government will begin.

Of the three documents, the Principia is the most general with respect to government. The Principia by itself merely specifies a voluntary society but does not specify what if any institutions shall exist in the society for discouraging coercion. The same Principia could, at least hypothetically, be implemented by an implicit government stateless society, a constitutional republic, an Athenian democracy, or a dictator. In actuality, of course, a voluntary society may fail to endure if an adequate government mechanism does not exist to maintain it.

The Constitution specifies the form of government that appears optimum for effectuating a voluntary society within a certain range of social environmental

conditions. The Constitution, while less general than the Principia, still could specify any number of concrete governments.

The Initiatory is a specific document for AFI – for starting one specific government.

The Constitution specifies that “the government shall perform no actions, make no rules, levy no fees or taxes, and provide no services except as specified herein.” The Constitution, however, does not attempt to specify in detail all of the functions allowed or denied the government or any particular division of the government. It is not possible to define all functions of a governmental body with sufficient precision to effectively limit them without being so inflexible as to render the governmental body incapable of performing its proper functions. The most effective limitation on government is to strictly limit the means by which it can raise revenues – especially restrict it to voluntary means. Then, for example, the President might start a “free milk for children” program on the excuse that it was desirable for national defense by promoting the health of the residents. But without any capability to levy coercive taxes, such a program could not last long and would not be a threat to anyone’s freedom (except possibly to the extent that it absorbed revenues which would otherwise be expended on more effective means for national defense.)

The following sections describe the major organizational features of the Association of Free Isles as presently conceived. The final structure will probably vary in details from this description. For later or more detailed information please consult the Constitution.

### Divisions

The number and types of divisions or branches of a government is relatively – largely determined by “aesthetic” considerations of the designer. There is no fundamental reason for having three, six, fifteen, or any other specific number of branches. In general, the fewer the number of divisions and the more neatly their respective functions can be delineated, the simpler and more understandable the overall conceptual structure. On the other hand, the greater the number of divisions, the greater the potential number of checks and balances.

The Association of Free Isles consists of six divisions: Executive, Legislative, Judicial, Constitutional, Citizen Monitorial, and Junior Monitorial.

### Executive Division

Director: President (single individual)

Selection: The President is elected to a two year term and may succeed himself for up to five terms. Candidates for President are nominated in the following ways:

One by the prior President (he may re-nominate himself)

One by the Legislature by majority vote

One by the Constitutional College by majority vote

Anyone (one or more) by paying a nomination fee (minimum of 1000 monetary units – maximum relates to number of residents)

In the election each enteree (resident) has a single vote. The President select all other employees of the Executive Division subject to certain restrictions on hiring practices and turn over.

**Functions:** The Executive Division performs “functions of state” such as conducting formal diplomatic relations (if any); providing a token border guard at ports of entry; honorary ceremonial functions; negotiating treaties relating to rights possessed by Free Isle enterees outside of Free Isles (treaties cannot infringe on freedom within Free Isles); acting as agents of private enterprises in international relations only upon request of the private enterprises; witnessing contracts in the name of AFI upon request of private persons for the purpose of facilitating their relations with foreign governments (such contracts might include marriages, divorces, and registry of ships – however “witnessing” by AFI in no way enhances the contract’s legality within AFI); grants “citizenship” in Free Isles upon request, payment of fee, and passage of test (primarily for foreign legal advantages accruing from Free Isle citizenship); enters entry contracts with and collects entry deposits from those new residents of Free Isles who desire to have the legal status of “enteree” (not compulsory.)

**Finance:** Fees received for services performed for private parties – international negotiations, witnessing contracts, and granting citizenship; 20 percent of general revenues; appropriations by the legislature. Portions of entry deposits not refunded go into general revenue.

**Design Philosophy:** Self-nomination upon paying of substantial fee replaces present cumbersome symptoms of primaries and conventions. This criteria allows any really interested individual to run for the office and attracts revenue to the government which would otherwise be consumed in campaign activities.

AFI can advantageously act as agent of private enterprises in international negotiations if the services offered by the enterprises are services customarily performed governments. For example, a private postal company might encounter difficulties in making arrangements with the International Postal Union composed of governments.

The Constitution does not attempt to limit AFI Executive Division to “token” national defense, however limitations on income would tend to constitute a de facto limitation.

In addition to being a voluntary source of revenue, entry deposits and contracts are important for giving AFI status as a government in international law. (See “Choice of Government” paper.)

## Legislative Division

Director: Legislative consisting of nine or more individual legislators

Selection: Legislators are elected every two years and may succeed themselves indefinitely. There are no nominations for the legislature – voting is by write in only. Every individual is elected as a legislator (provided he consents) who receives 1000 or more votes from within a single isle, but at least one is elected from each isle, and not less than nine total.

In the election each enteree has one vote, at no charge. In addition each enteree may purchase up to 14 additional votes (for legislative position only) and each citizen may purchase up to 19 additional votes. The price of each vote is one monetary unit.

Functions: The Legislature enacts legislation, including bylaws, treaties, appropriations, and amendments to legislation. Bylaws can constitutionally be enacted only for the purpose of more precisely defining specified passages of the Principia and Constitution.

Operation: Once Free Isles become sizable the legislature will become too large to physically meet for sessions. (For example a nation of 400,000 people might have a legislature of 4,000 members, assuming each person cast an average of 10 valid votes each.) Introduction of legislation, discussion of legislation, and voting will all be conducted to correspondence. Any legislator can introduce a bill by sending or attempting to send a copy to every other member of the legislature. (For example he might send copies by registered mail.) Legislation is automatically pending for 90 days after introduction – if not approved within that time it automatically becomes void but may be reintroduced. A legislator may vote “yes”, vote “no”, or abstain from voting. A bill of legislation is enacted only if the total of “yes” votes minus one half the total of “no” votes is an absolute majority of all legislators. Each legislator has a single vote. For example if 51 percent of all legislators voted “yes” and 49 percent did not vote at all, the legislation would barely pass; alternately if 61 percent voted “yes”, 20 percent voted “no” and 9 percent abstained, the legislation would pass.

Finance: The legislature may appropriate 60 percent of general revenues received by the government – revenues not allocated by the Constitution to a particular division. The legislature may appropriate not more than 10% to itself which it may, in general, spend as it deems proper.

Design Philosophy: The potentially large number of legislators appears to have advantages: Each legislator is elected by a relatively small number of people – he knows his constituents and they know him. The legislature will tend to be automatically “self-districting” along lines one natural interests – particular legislative candidates appealing for votes for reasons of geographical proximity, personal friendship, mutual occupational interests, mutual avocations, or other common ties. Collectivists of inherited wealth cannot buy their way to control of the legislature as

they can in a nation where the prime criteria for getting elected is the financial ability to reach a large number of people through commercial advertising media. Undoubtedly individual collectivists would quite easily get elected but their voting strength among a large number of legislators would be negligible. Most lobbying activities – including blackmail and bribery – would become uneconomic due to the small influence possessed by each legislator. Legislating will definitely be a part time job because the pay would be negligible – this may or may not be an advantage.

Allowing each individual voter to purchase additional votes will tend to divert money and energy from political campaigning to the government. Money that is presently spent on advertising and precinct work will in Free Isles be spent directly for additional votes.

### Judicial Divisions

Director: Supreme Court consisting of 12 justices. Only the nine most senior justices vote on decisions.

Selection: Justices serve for 12 year terms. Vacancies are filled in rotation by the Legislature, the Constitutional College, and the Supreme Court itself. Each appointment is by an absolute majority vote of the appointing body. Lower courts are organized and lower judges are appointed by the Supreme Court as necessary to meet work load.

Functions: The Supreme Court and lower courts constitute “judiciary.” (See Principia.) Upon request of plaintiff, a court tries a dispute, determines guilt, and awards restitution and retribution. Disputes must be tried in accordance with the Principia and bylaws – legal precedent cannot be counted as a major criteria. A “judiciary” must approve any “per-retaliation” – search, impoundment, or detention of a suspected coercer prior to determination of guilt. (See Principia.)

Finance: Courts are financed by court costs charged. The charges must be reasonably proportional to costs of trial, but will include overhead.

Design Philosophy: The primary advantages of having codified law – the Principia and bylaws enacted by the legislature as specified by it – are: (1) Actual court decisions will more nearly accord with the intentions of the founders. This can be a significant factor in initially attracting entrepreneurs and investment. (2) Codified law provides a very important check and balance on the judiciary.

The government does not have a legal monopoly on resolving disputes resulting from contracts, unlike customary practice in most nations. The identity of the party that is authorized to resolve disputes which may arise under a contract must be specified in the contract itself. (Principia) The Constitution forbids AFI from acting as the arbitrator of “intra-contractual” disputes unless AFI is a party to the contract. However AFI does implicitly recognize the existence of contracts, for if one of the parties to the contract chooses to contest the existence of the contract, by prosecuting

(for coercion) the second party for acts which the second party claims are according to the contract, the government necessarily gets involved. If the court rules that the contract actually exists – i.e. that the parties are correctly identified and did voluntarily consent to the contract and that the disputed action lies within the scope of the contract, the court has no further involvement and resolution of the dispute is up to the arbitrator named in the contract. Arbitrators would probably be particular law firms or other private enterprises which specialized in such services.

The Judicial Division tries a case only upon request of the party who claims coercive injury, or upon request of some person authorized to act in the party's behalf if the party is a minor, incapacitated, or deceased. There are no "crimes against society." Thus all legal prosecutions in Free Isles would be similar to "civil" legal actions in the United States. Disputes growing out of an act of coercion could be resolved "out of court", the parties to the dispute either agreeing to a settlement themselves or contractually binding themselves to abide by the decision of a mutually respected arbitrator. In practice most disputes would be so resolved because the "court costs" of private arbitrators would probably be much lower than the court costs of the Judicial Division. Prosecution would be brought in AFI's courts in cases where the disputants could not agree on an arbitrator or in cases involving major crimes for which maximum punishment exceeds one year of contractual minority (imprisonment.) (The Principia limits voluntarily entered contractual minority to a maximum of one year.)

The Judicial Division's court costs would tend to be higher because of higher overhead – reflecting a high percentage of cases involving financially destitute persons – cases which private arbitrators would not want because they could not collect their costs from the defendant if he was found guilty. Upon presentation of reasonable evidence the Judicial Division must hold trial for a case; thus it is always last resort for the person who believes himself to be the victim of coercion.

### Monitorial Divisions

The two Monitorial Divisions are identical in Constitutional specification except for the method of choosing the director.

Director: Monitor (single individual)

Selection: The Monitor is elected for a two year term and can succeed himself indefinitely but not successively. (He could be elected for alternate two year terms.) Any individual may become a candidate by paying a nomination fee of 100 monetary units or 0.01 percent of all entrees; whichever is greater. In the election each individual eligible to vote for the particular monitor has a single vote. The Monitor hires other employees of the Monitorial Division subject to certain restrictions on hiring practices and turn over.

The Junior Monitor is elected by all entrees who have been major entrees ten years or less.

The Citizen Monitor is elected by all citizens, and by enterees not citizens who have been enterees for 30 years or more.

Function: Each Monitorial Division has powers to monitor and audit all other divisions of AFI and all “retaliators” (private protection companies having legal powers to pre-retaliate and hold in involuntary servitude.) The Monitorial Division may try employees of the government and of retaliators for malfeasance – conduct not according to law. (Malfeasance is not necessarily coercion.) A Monitor may initiate impeachment against the President, Chairmen of the Legislature, Justice of the Supreme Court, Member of the Constitutional College, or other Monitor. However, if the defendants in impeachment trials are found not guilty of malfeasance in three impeachment trials in a row, the Monitor is automatically out of the office permanently.

Each Monitor Division “monitors” arrest or detention of accused coercers, and provides “public defender” services at the trial if requested.

Finance: Fines collected from persons found guilty of malfeasance: ten percent of general revenues. A Monitor Division cannot receive appropriations from the Legislature, nor assignment of revenues from other divisions.

Design Philosophy: The sole purpose of each Monitor Division is to act as a check and balance on other government divisions (especially Executive) and private retaliators.

It is hypothesized that the Junior Monitor will be elected largely by and will tend to represent the interests of children and new immigrants. The Citizen Monitor will tend to represent the interests of long-time residents. There will also probably (though not necessarily) be a division of interests between the two Monitors on the basis of wealth – long-time residents tending to be wealthier.

Each Monitorial Division receives a sizable percentage of revenues allocated by the Constitution and cannot receive funds from other governmental divisions (except as fines for malfeasance trials.) This is to encourage vigorous performance of its check and balance function.

### Constitutional Division

Director: Constitutional College of seven members. Only the five most senior members vote on decisions.

Selection: Members of the Constitutional College serve for life unless they are impeached. The Constitutional College fills vacancies from applicants – selecting on the basis of philosophical soundness. Thus the Constitutional College is generally a self-perpetuating body. If a Member is impeached, the vacancy is filled by the Legislature.

Functions: “Tires” acts of government, including bylaws, for constitutionality. Any enteree may bring prosecution as plaintiff; the government division which has performed the challenged act is the defendant.

Resolves conflicts of law upon request of a court.

Decides what percentage of the world is subject to “hegemonic control” through survey. (Percent hegemonic control determines the amount of entry deposit. “Hegemonic control” is also referenced by the Principia.)

Approves “acquisition enterprises” – private companies which are legally empowered to represent AFI in negotiation for acquiring sovereign jurisdiction.

Tries impeachments (unless a member of the Constitutional College is the individual charged in which case trial is by the Supreme Court.)

Conducts malfeasance trials of government employees.

Finance: Trial costs. Cannot receive appropriations or funds other than trial costs from other divisions of the government.

Design Philosophy: the Constitutional College provides a “long time constant” influence on the government through its capability to declare legislation or other governmental acts unconstitutional, to try government employees for malfeasance, and to appoint every third justice to the Supreme Court.

### Elections

All major enterees are eligible to vote for all elective positions with the exception of Monitors. No registration or identification is required. A voter’s hand might be stamped with indelible ink to discourage multiple voting – a procedure used in some South American countries.

Each voter has as many “place” votes for each elective position as there are candidates printed on the ballot, or three, which either is greater. Thus he can vote for first choice, second choice, and third choice, etc. Votes are counted by a “runoff equivalent” procedure. This is logically identical to the following:

1. Initially sort the ballots by first place vote; all votes for a particular candidate being placed into a particular pile.
2. Arrange piles in order by number of ballots.
3. Remove the ballots from the smallest pile, cross out that candidate’s name, and re-sort ballots by second choice.

4. Repeat steps 2 and 3, discarding ballots which contain no further choices or contains only choices which have already been crossed out in step 2, until the criteria for election is met. For a President or Monitor the criteria is a majority of all remaining ballots. For a legislative candidate it may be 100 votes.

This system for counting votes is equivalent to an indefinite number of runoff elections and avoids all need for primaries or actual runoffs.

### Constitutional Amendment

A special referendum on a constitutional amendment may be authorized by a three fourths vote of the Legislature, a three fourths vote of the Constitutional College, or both. The Constitutional College also decides whether or not the amendment “affects the actions of enterees not employees of the government or of retaliators.”

In the referendum each enteree has one vote and may either vote in favor of the referendum or abstain from voting. Unlike a regular election, the identity of those who vote (in favor) is recorded and is publicly available. If both the Constitutional College and the Legislature authorized the referendum, the amendment is enacted only if an absolute majority of all major enterees (not merely those individuals voting) in favor (in favor.). If the referendum was authorized by the Legislature or the Constitutional College but not both, the amendment is enacted only if an absolute three fourths of all major enterees vote (in favor.).

If the amendment “affects the actions of enterees not employees of the government or of retaliators” (for example, an income tax), only those enterees who voted for the amendment are legally bound by it. Individuals who were enterees (major or minor) at the time of the referendum vote and did not vote for it are not subject to it. Future enterees are subject to it. An example, of an amendment that did not “affect the actions ...” would be an internal structural change to the government.

### Retaliators

A “retaliator” is a private person (individual or organization) that possesses the legal power to use pre-retaliation (impoundment, search, or detention in advance of proof of guilt in a court trial), or to hold in contractual minority (voluntary indenture or involuntary imprisonment.) These legal powers do not grant a retaliator a license to initiate coercion with impunity. If a retaliator pre-retaliates and the defendant is subsequently proven not guilty, the retaliator is thereby guilty of coercion; however it is a less severe manner of coercion than would be the case if an individual not a retaliator were to imprison someone prior to trial. (The retaliator would be guilty of “erroneous retaliation” – equal to “accidental coercion” in severity. Only restitution, not retribution, is made. The individual not a retaliator would be guilty of “unmitigated deliberate coercion” – subject to retribution equal to three times the restitution in addition to the restitution. Incidentally even if the defendant were subsequently proven guilty, the individual not a retaliator would be guilty of “counter-procedural

retaliation” – a less severe manner of coercion not subject to retribution.) See the Principia for more details.

To complement their special legal powers and to inhibit the degeneration of protection agencies into protection rackets (terminology suggested by Richard Morris), retaliators are subject to special legal checks to which no other private parties are subject.

To become a retaliator a person must make application to the Executive Division. The application must include the identity of every individual to be in the employ of the prospective retaliator who may use compulsion in retaliation or who may supervise, hire, or instruct individuals that do. The application must furthermore declare (subject to contractual fine for error) that each of these individuals has never been proven guilty of unmitigated deliberate coercion. The applicant pays a processing fee which is proportional to the number of individuals listed on his application.

The application is subject to approval of the Judicial Division. Upon approval and deposit of bond not less than gross income to be realized within Free Isles within any 90 day period, the person becomes a legal retaliator. The retaliator must make additional applications for any new employees who will be using compulsion and may alter the amount of bond as necessary to accord with gross 90 day income.

The retaliator must make reports to the government at 90 day interval which describe: All instances in which compulsion was used by the retaliator; all gross earning within Free Isles.

If a retaliator fails to operate in accordance with the Constitution, it is subject to trial for malfeasance as if it were an employee of the government. Any enteree can bring charges against a retaliator; trial is by the Constitutional College. If found guilty the retaliator is fined – fines being deductible from its bond.

If any individual within the employ of the retaliator (or the retaliator himself if he is an individual) is found guilty of unmitigated deliberate coercion, the retaliator loses its legal status for as long as that individual remains in its employ. The bond of the retaliator is attachable to pay court costs, restitution, and retribution of the offending employee.

If at any time a retaliator is unable to pay fines or other charges levied against it (assuming its bond does not suffice), all individuals who were owners or employees of the retaliator at the time the offending acts were committed, are permanently banned from acting as retaliators.

### Entry

Any individual may become an “enteree” by appearing at any port of entry, making a contract and paying an entry deposit. Or, if a minor, entry may be made in his name by his guardian. Any minor enteree can become a major enteree at any time by making

a contractual declaration to that effect. (This limits "major" legal status to those individuals who possess sufficient volitional capability to go through recognized procedures for making a contract. A new born baby would not have the physical mental capabilities of making a declaration.)

The contract of entry will consist of the following items: A declaration stating: "I recognize the Association of Free Isles to be an independent national government possessing lawful and proper sovereign jurisdiction over (the territory of Free Isles) and agree to be bound by the Principia, Constitution, and Initiatory of the Association of Free Isles while living and acting within its territory." Any unique alphanumeric designator chosen by the individual entering. Any identifying mark which the individual entering may choose to make. ~~At his option the individual may choose not to make alphanumeric designator or identifying mark — these being for his convenience in case his receipt of entry is lost or stolen.~~

The amount of entry deposit would depend on the percentage of the earth subject to hegemonic control, which is specified by the Constitutional College. Under present conditions the entry deposit would be around 100 monetary units. The smaller the percentage of earth subject to hegemonic control, the smaller would be the entry deposit.

An enteree may terminate enteree status by appearing at a port of entry and presenting his receipt or making identification. A portion of the entry deposit equal to the initial deposit, minus the number of elapsed months since deposit plus one, is refunded. If an enteree dies, any refunded entry deposit accrues to his estate.

Any individual may enter Free Isles, either by immigration or birth, without making entry deposit; however, as an alien within Free Isles he is subject to sizable legal disadvantages. He cannot act as plaintiff in an AFI court or have someone else act in his behalf for alleged acts of coercion committed while he was an alien within Free Isles. He can, of course, personally defend himself from coercive attempts or hire others to so protect him, but he cannot legally retaliate for coercion that has been committed. (For the distinction between defense and retaliation, see the Principia.) An alien can be prosecuted for coercive acts he has committed and can appear in his defense in the courts.

Any person who assists or aids an individual in entering Free Isles as an alien, is responsible for any coercive acts that individual may inflict as if that individual were their minor. In practice this means that companies which regularly transport people into Free Isles will require that an individual become an enteree before selling him a ticket — the company's ticket agent probably acting as an agent of AFI for the purpose of executing a contract of entry. For the tourist or short-time visitor, the transportation company would probably make the deposit — including a small additional charge (to cover effective interest on the money) in the transportation "package". Thus the tourist would be aware of the entry contract only as a piece of paper he signed when he bought his ticket.

Entry deposits do provide a source of income for AFI – perhaps the major source. However considerations of international law constitute the most important reason for encouraging entry contracts. To meet international law criteria for being a sovereign government, a government must not only desire to, but actually exercise control of the territory it claims (from Brierly). The signing of a declaration recognizing the Association of Free Isles as a sovereign government by the vast majority of persons passing through ports of entry would constitute very important evidence of exercise of control. To appreciate just how important this can be, observe the extremes that the United States government goes to avoid giving this form of recognition to East Germany or Red China.

### Hegemonic Control

The governments of other nations are evaluated by the Constitutional College and grouped into one of three categories based on their reliance on coercion: “free”, “mixed”, or “slave.”

A nation is judged to be “free” if all of the following are true:

Not more than 0.0001 of all individuals capable of volitional choice within the nation are compulsively or contractually (indenture) prevented from leaving the nation for reasons other than just retaliation to coercion.

All communications, including speech and publications by individuals, are free from censorship, suppression, or control by the government, with the exception of infringements on copyrights.

The total income which the government receives by coercive or contractual means does not exceed 0.04 or the total income of all persons within the nation.

No persons within the nation, including the government, may legally possess weapons capable of inflicting indiscriminate mayhem or murder upon individuals located anywhere within a volume of 1,000,000 cubic meters. (An example of such a weapon would be an ICBM equipped with nuclear warhead. Purely defensive weapons would need not be excluded.)

The government has not initiated coercion upon any person physically located in other nations for 20 years or since its inceptions, whichever is less.

A nation is judged to be “mixed” if all of the following are true:

The nation is not “free”

Not more than 0.01 percent of all individuals capable of volitional choice within the nation are wrongly prevented from leaving.

Symbolic communication (not including pictures) is free from censorship, suppression or control except for specific “taboo” words or phrases for which acceptable synonyms exist and except for electromagnetic radiation.

The government has not initiated coercion upon any person physically located in other nations for 20 years or since its inception, whichever is less.

A nation is “slave” if it is neither “mixed” nor “free.” A nation is subject to hegemonic control if it is either “mixed” or “slave.”

Note that the above definitions are minimal. In the case of the “free” nation, the “Not more than 0.0001” clause is inserted to allow for a certain variation in the definition of “coercion.” Furthermore no attempt is made to define the manner in which the government obtains its income. A graduated income tax could be levied so long as the total take was not more than 0.04 of the total “gross income” of the nation. Likewise, a completely socialized state could qualify as a “mixed” nation provided that a large degree of freedom of communication existed, most of the people could leave if they wanted to, and the nation had not attacked other nations for the preceding 20 years.

## **ISLE DEVELOPMENT CORPORATION (IDC-1)**

**10/64**

An Isle Development Corporation is a jusinco-type corporation, initially formed jointly by Preform and an acquisition enterprise, and incorporated in the Association of Free Isles. There is one Isle Development Corporation per isle. The Isle Development Corporation is contractually specified by Articles of Incorporation.

The purpose of an Isle Development Corporation is to most profitably develop an isle. While performing many services which have traditionally been functions of government – it possesses no special police or judiciary legal powers.

An “isle” ordinarily consists of physical space which is acquired by means of a single transaction. An isle is not necessarily a physical island. A single acquisition could result in more than one legal “isle”, either because the land acquired exceeded the AFI constitutional limit for surface area (1,000,000 square kilometers) or for other reasons. Once contractually specified, the alteration of boundaries of isles or their merger requires the approval of the IDC of each affected isle.

### Acquisition Enterprise

An acquisition enterprise is formed by an entrepreneur or company who is interested in acquiring land for an isle and whom Preform judges to be well qualified to do so. The entrepreneur, Preform, and the Association of Free Isle enter a contract which stipulates:

The acquisition enterprise is authorized to act as an agent of AFI in acquiring sovereign jurisdiction and in negotiations leading up to such an acquisition.

Preform makes available to the acquisition enterprise information and research which it possesses that is relevant to the enterprise’s geographical area of interest.

Preform assists acquisition enterprise in locating and recruiting individuals with applicable abilities.

Within a stipulated time period Preform will not initiate other acquisition activities within the same area of interest. This is to facilitate optimum relations with a possible source government.

The contract furthermore provides that if the acquisition enterprise is able acquire territory:

An Isle Development Corporation will be formed by the acquisition enterprise and Preform, and incorporated in AFI. The IDC will be organized according to model Articles of Incorporation stipulated in the contract which may be modified

at time of acquisition by mutual consent of the acquisition enterprise and Preform.

A percentage of stock in the IDC will accrue to Preform participants. The total amount will depend on total services rendered by Preform, as stipulated in the contract.

The acquisition enterprise will perform acquisition in the name of AFI and will run over sovereign jurisdiction to AFI.

All land within the acquired territory not previously owned or owned by the source government, will become the property of IDC.

Preform will circulate a prospectus for the Isle Development Corporation to its option holders. Option holders are individuals or investment companies which have indicated an interest in investing by purchasing priority options to reserve investment opportunities.

Preform and related publicity enterprises will perform public relations for the isle if desired by the IDC.

In the event that Association of Free Isles is not in existence at the time the contract is entered, Preform will approve the contract in the name of AFI. When the first isle is acquired, AFI will then officially come into existence – some of the initial government officials being selected by Preform, others being selected by the acquisition enterprise.

### Equity

The division of equity in the Isle Development Corporation will depend on circumstances of acquisition. A typical division for an isle leased or purchased from an existing government might be:

Preferred stock: All to source government as payment for territory.

Common stock:

70% to investors  
20% to acquisition enterprise  
10% to Preform participants

The acquisition enterprise may include not only the entrepreneur who originated it but individuals he gathered along the way, including possibly officials of the source government who have expedited the acquisition.

All stock is transferable without restriction and will probably be bearer (negotiable unregistered) stock.

### Payment for Acquisition

Acquired territory may be paid for in several ways:

Cash payment  
Preferred stock payment  
Common stock payments  
Serial cash payments

Cash payment would be the most likely mode of payment for artificially constructed islands. Payments would probably be made to the construction companies as work progresses. Payment in cash necessitates either initially selling more stock or immediately reselling much of the land. Financing a lump sum payment could be a significant problem for a new isle – a venture that is not well known and whose potential value may not have been evaluated by a large number of investors. For acquisition by purchase or lease, lump sum cash payment has an additional disadvantage: the source government has no continuing interest in the success of the isle once payment is made.

Preferred stock, if issued for payment, would probably be cumulative and non-voting. The total par value of preferred stock issued to a source government would be the purchase price of the territory. The IDC would be required to pay dividends on the preferred stock up to (for example) five percent of its par value before paying any dividends on common stock. Furthermore, if the five percent were not paid in certain years the dividends would be cumulative. Each year preferred stock dividends would be five percent, or equal to common stock dividends, whichever was higher. The issuance of preferred stock for acquisition has the advantages of giving the source government a strong “vested interest” in the success of the isle, of being simple, and of reducing initial cash outlays. One possible disadvantage: Some governments (the U.S. is one) are forbidden by law from owning stock in private corporations. In such a situation, an equivalent solution would be to make formal lease or purchase payments but set the amount equal to five percent of initial value or equal to dividends on common stock, whichever was larger.

In exception cases the source government may prefer to receive common stock in IDC. This might occur if the source nation were very small and the government were largely controlled by a few wealthy families (not uncommon in South and Central America.) These same families might become very interested in the free isle. A disadvantage from the point of view of the government might be the speculative nature of the payment. A possible disadvantage from Preform's point of view is in the voting power which a (possibly) collectivist government would have in IDC. However the seriousness of this last item should not be overestimated. The IDC will be a private corporation operating under AFI and limited in various ways by its Articles of Incorporation. Even if a communist state held a majority of the stock of the IDC (highly unlikely) the rulers would soon discover that the most advantageous way to exercise their control would be the same as a private investor would exercise his: optimize development of the free isle as a free isle and thereby maximize their profits.

Purchase or lease payments could be made by IDC to the source government. If serial payments are fixed in amount, the source government has a “vested interest” in the

success of the isle, but the interest would not be as great as it would if the amount of payments relate to the profitability of the IDC.

In all cases the IDC, not AFI, is responsible for financing acquisition. There might occasionally be advantages under international law for AFI to formally present the payments. In such a case IDC would simply ask AFI to act in its behalf in presenting payment to the source government.

#### Territory

All land within the acquired territory that was previously unowned or which was owned by the source government comes under the sovereign jurisdiction of AFI. IDC receives private ownership of the land.

Land within the territory which was previously owned privately continues to be the private property of its owner. AFI may or may not receive sovereign jurisdiction over the land depending on the validity of claim to sovereign jurisdiction by the source government. If the source government is judged (by AFI) to not have a valid claim, AFI receives sovereign jurisdiction only if the private owner chooses to make a separate contract with AFI. The private owner may incur sizable disadvantages by choosing to remain independent, such as limited access to other land and into AFI.

AFI's sovereign jurisdiction over land essentially amounts to a permanent contractual entailment of the land. The jurisdiction continues if ownership of the property changes hands.

If territory has only been leased for a period of time, such as 50 years, the above principles still hold except that "ownership" is not legally defined (as far as AFI is concerned) beyond 50 years.

#### Functions of the Isle Development Corporation

Services provided by the Isle Development Corporation fall in to two classes: "entire area" services and "access" services. "Entire area" services (which can alternately be called "collectively consumable" services) are either provided for an isle in its entirety or not at all. "Entire area" services cannot be provided specific individuals without also unavoidable providing them for the next door neighbors. As has been pointed out in the paper "Finance", "entire area" services can pose problems for financing.

The Isle Development Corporation is well suited to provide such services since it has a great interest in the isle as a whole. "Entire area" services include:

National defense – The Association of Free Isles provides only a token border guard (probably) at ports of entry. Defense of an isle over and above this may be contracted for by the IDC from some private protection company. A check and balance is provided in that the protection company must apply to and be approved by AFI as a retaliator (see Principia) to have legal powers to arrest and imprison coercers. A national defense company could not readily operate without such powers. To be approved as a retaliator, a protection company must

deposit with AFI a bond not less than its gross 90 day income within Free Isles. In the event that an employee of a protection company is proven guilty of coercion, all or part of the bond may be taken for restitution. IF the coercion was deliberate unmitigated coercion, the protection company loses its legal status as a retaliator for not less than 90 days and must discharge the offending employees before being reinstated. The IDC is prohibited by its Articles of Incorporation so must contract for any national defense or local police services it may desire to provide. Different isles may make arrangements with different protection companies for defense.

Dike or breakwater – If a dike or breakwater around an entire island is required, this is contracted for by the IDC.

Isle-wide control of insect pests or weather – Such control would be provided by the IDC if possible.

Public relations for an isle as a whole – including publicity for attracting tourists, students, investors, and businessmen.

The IDC may also provide or be instrumental in initiating various information services concerned with the isle as a whole, including a better business bureau and a central exchange service for police information.

The second class of services provided by the Isle Development Corporation involve various kinds of access routes. Access services tend to be “natural monopolies” within a small community – effective competition tends not to exist. Because the IDC has interest in the development of the isle as a whole it is desirable that access services be provided by or made available by the IDC. (It should be emphasized: no legal monopolies would exist.) Access services include:

Roads, with the exception of streets within subdivisions

Railways and waterways, if any

Air routes over Free Isles

Port and airport

Air and marine navigation aids

Utility right-of-way routes for power, telephone, gas, water, sewage, etc. Most utility lines might be laid in large conduits built beneath roads at the same time as the roads.

The Articles of Incorporation stipulate that all access services are available to all and any users on an equal basis upon payment of fees. Thus, for example, competitive

private electric companies can readily exist – each renting space in IDC's utility conduits and laying power cables side by side.

The Articles of Incorporation prohibit the IDC from providing services radically different from those specified in the Articles.

#### Income

The Isle Development Corporation will generally pay for “entire area” services and earn most of its profits through selling and leasing land to the highest bidders.

The Association of Free Isles would have sovereign jurisdiction over land, which would continue if the land were sold. Land ownership would not otherwise be entailed when the land was sold initially by IDC. However, if a residential developer bought a large block of land, he might find it profitable to add zoning restrictions (as contractual entailments) when he resold the land to individuals.

Short term leasing would be for the purpose of realizing a low income from the land while awaiting greater development of the isle and appreciation of land value. For example land might be leased on a year-to-year basis to someone who wanted the land for grazing cattle. When the land had become more valuable, it would then be sold or long term leased by IDC. IDC would contractually restrict use of land on short term lease – prohibiting, for example, the removal of top soil or trees.

Long term lease would provide the leaser with a large degree of security of tenure by a mechanism such as the following: Land is initially leased for a five year period to the highest bidder. The lease fee is paid annual. When the lease comes up for renewal, if the original bidder is the highest bidder, the leasing continues as before. If the original leaser is outbid by someone else (1) the new leaser must pay the full five year lease fee in advance to IDC and (2) the previous leaser can extend his lease for up to ten years by paying his old lease rate plus 25% of the difference between his old and the new rate, but not to exceed 125% of his old rate. If the prior leaser chooses to extend, the new leaser's five year lease begins when the prior leaser's extension ends. Due to the advance payments required of new leasers and the loss of interest on this money for 12.5 years (average 0), a prior leaser will tend to have a partial equity in the land. New and different leasers will be able to outbid him only if the value of the land is considerably greater to them. A leaser may, of course, sublease. Once IDC has initially leased all available land, new businesses would usually acquire land by subleasing.

Long term leases would generally be for volumes – physical spaces only. Any substance within the volume, such as buildings, would be owned by the leaser. If upon renewal the space were leased by another, the prior leaser could remove his property during his ten year extension or possibly sell it to the new leaser.

Some of the considerations which favor selling over long term leasing:

Ease of raising cash during early development – a significant factor if large amounts of capital are needed and capital is difficult to come by.

Desirability of outright ownership by entrepreneurs planning installation of permanent equipment possessing a useful life in excess of 15 years.

Psychological satisfaction of outright ownership of land – especially significant in a nation where private property is truly private property – where there are no taxes nor “right” of eminent domain.

Some of the considerations which favor long term leasing:

Minimizes initial capital outlay by entrepreneurs

Provides steady income for IDC in future years to pay for “entire area” services. (If all land were sold outright, IDC could then finance “entire area” services only by taking advantage of its position as a “natural monopoly” and raising, say, road use fees far above the actual cost of providing roads.)

Maximizes total income realizable by IDC from land. Because IDC is concerned with long term development of the isle as a whole, the IDC will tend to have less uncertainty regarding the future development of the isle and therefore place a lower future discount on land values than would an individual concerned with an knowledgeable regarding only his own business.

Maximizes rate of development by giving entrepreneurs added confidence in the future actions of IDC. If IDC owns and leases a large portion of the total land, IDC necessarily has a very large and continuing interest in the isle’s prosperity. IF IDC sold off all of its land holdings, it would thereupon have a much smaller “vested interest” in the isle and might allow certain access facilities to depreciate or become inadequate.

The proportions of land sole and long term leased by IDC will depend to a large extent on the particular circumstances. In practice an IDC can probably maximize its total profits by a judicious mixture of both selling and leasing. The IDC may, for instance, sell one section of land while leasing surrounding areas – allowing development of the sold section to appreciate the value of the leased sections.

The Isle Development Corporation will pay for “access” services by charging fees.

For use of roads the owner of a vehicle would pay an annual (shorter time period in the case of visitors) license fee. This annual fee would presumably relate to weight and space of the vehicle – the prorated cost to IDC of its operation on their roads. In addition, since some vehicles would be on the roads for many more miles in a year than others, toll fees would be charged. Rather than putting up toll collection gates, tallying of road usage could be accomplished by using specially coded license plates and erecting electronic mechanisms to sense the codes at strategic places on the

highways. The identity of passing vehicles would be automatically sensed and relayed to a central data processor. The processor would accumulate tallies for the registered vehicle and send out monthly toll bills to their owners. Automatic gates might be located at a few main entrances to stop unlicensed vehicles.

The IDC would make reasonable rules for road use – banning a vehicle's owner from use of the roads for repeated infractions. Only the owner of the offending vehicle would be subject to a ban. A vehicle owner would have the responsibility of making certain that his vehicles were being operated by qualified drivers. Since IDC is interested in maximizing profitability, its road rules would no doubt be very simple compared to the innumerable petty traffic laws which harass motorists in our police states. IDC's rules might consist of minimum speed limits plus prohibitions on parking in the middle of the highway. Ingenious human engineering of highways would end the need for thousands of regulations and armies of highway patrolmen to enforce them.

Of course, if an individual caused a highway accident through his negligence, he would not only be subject to retaliation for coercion (damages he caused others) but would probably be charged extra high fees by the IDC for the next several years.

The Articles of Incorporation provide that the IDC must sell its access services to any prospective user on an equal basis and that the fees charged for a particular class of services must reasonably closely relate to the costs of providing that service. The Articles would not attempt to specify details of operation with respect to access ways.

#### Control

The Isle Development Corporation is governed by a 15 man board of directors. The directors appoint managers of IDC's operating divisions by majority vote.

Each director is elected to the board for a six year term. Elections are held every two years and staggered so that fix directors are elected every two years. IDC elections would be held in odd years with respect to AFI elections. Since each is an entirely separate organizational entity, each would conduct its own elections.

In an election one director is elected by stockholders only, one is elected by consumers of IDC's services only, two are elected jointly by stockholders and consumers, and one is appointed by those directors who themselves were so appointed. Thus, at any time, there are on the board three directors representing the interests of consumers, three representing stockholders, three who are self-perpetuating (and hopefully represent the long term interests of Free Isles as a whole), and six which represent stockholders and consumers as a function of the relative voting strength of these two groups.

In an election each common stockholder has votes equal to  $k$  (a fixed constant) times the par value (original sale price) of the stock he holds, minus the dividends paid on the stock during the past six years, but not less than 0.01 of the par value. For example, if  $k$  is 2 and stockholder holds stock having a par value of 100 monetary units, and no dividends have been paid during the preceding six years, he has 200 votes; if dividends totally 199 monetary units or more have been paid, he has one vote;

if dividends of 100 units have been paid he has 100 votes; and so forth. Each consumer has votes equal to net income (not including certain common administrative overhead expenses or reinvestment) realized by IDC on services he has purchased during the preceding six years. (Money realized by IDC on sale of capital equipment or land is not accounted as income for this purpose.)

The Isle Development Corporation is organized as a jusinco (joint user-investor controlled organization) because most of the services IDC provides tend to be "natural monopolies" in a small development. Businessmen would hesitate to make long range investments in Free Isles unless given adequate assurance that road and utility services would remain at least competitive in price and quality with communities elsewhere. If IDC were a conventional corporation they would be leery - fearful that once their factories were located there the IDC would arbitrarily raise road rates very high and allow service to deteriorate. (Prices would not, of course, increase without limit - even for a "natural monopoly" a certain finite price will maximize profits; but monopoly prices can be considerably higher than competitive prices would be if competition could exist.)

With the jusinco form of organization an equilibrium of control will tend to exist between stockholders and consumers. The probable rate of return stockholders will realize (and the "mark up" on rates paid by consumers) can be calculated quite closely: The stockholders will tend to elect a majority to the board of directors so long as:

$$kV - N(1 - a) > N$$

Where N is total net income on all services per six year period, V is par value of all common stock, a is administrative overhead (expressed as a fraction) which has not been subtracted from gross income in computing net income, and k is a constant which will determine the rate of return (assumed equal to 2 in an example given above.) In general, with stockholder and consumer control in equilibrium, total net income would tend not to exceed  $kV/2 - a$ . Average annual percentage return on investment (par value) would tend not to exceed:

$$\frac{(1 - a)k}{(2 - a)} \frac{100}{6}$$

For zero percent administrative overhead not charged against services, annual return would tend not to exceed 16.6% on investment. For 25% administrative overhead, annual return would tend not to exceed 14.3%.

Note that it is in the interests of both stockholders and consumers to minimize the actual costs of this overhead although stockholders and consumers have opposite interests with respect to accounting procedures for treatment of particular overhead items.

The above dividend rates would tend to be a maximum. Especially during early years stockholders may choose to plow back earnings maximize long term profitability to them.

To summarize how jusinco control would work in practice: Until the jusinco became profitable stockholders would have voting control and would presumably operate it so as to increase profitability. If profitability increased until average annual rate of dividends exceeded the “equilibrium point”, control would tend to the consumers who would presumably vote for directors pledged to lower use rates. This would reduce profitability and again increase stockholder voting strength. The three self-perpetuating directors would act to discourage wide fluctuations of rates, serving as a stabilizing influence. When IDC is first incorporated, these directors would be appointed Preform.

Other ways of providing businessmen with long term assurance of service, such as writing 20 year contracts specifying fees and quality of service, tend to be rigid and cumbersome – unnecessarily impair the operating efficiency and flexibility of the IDC.

The jusinco has major advantages over traditional organizational techniques for handling “natural monopoly” functions. Two commonly used “methods” – the socialized (public) utility and the private utility regulated by a government – suffer from the disadvantages of unnecessarily combining natural monopoly functions into one single huge legal (coercive) monopoly – the federal government. The result is not only poor service at high prices (or taxes) but the extremely dangerous, myriad functional, powerful, force wielding monster thus created.

The only existing organizational form of “self-regulating” utility (to my knowledge) is the cooperative. As conventionally organized, each consumer (or producer) purchases one or more shares of stock in the cooperative. These pay a nominal percentage of interest. In addition, any profits are redistributed to the user-owners. In a cooperative the investor must be simultaneously a consumer for the investment to be attractive – for this reason a cooperative may have major difficulties raising sufficient capital. The jusinco can raise capital more easily because investment and consumer interests are separable. Another advantage of the jusinco over the cooperative, which is completely user controlled organization: Investors tend to have longer range interest in the business than the consumers – contributing to capable responsible management.

The Articles of Incorporation of the IDC will provide various additional safeguards: The IDC cannot pay dividends if it has any other debt outstanding. The IDC cannot buy or sell capital equipment except on a competitive bid basis. The IDC must compute net income on each class of service in accordance with good cost accounting practices.

In the election for directors, each stockholder or consumer has three place votes for each elective position for which he votes. The votes are counted by a “runoff equivalent” procedure. (See paper “Association of Free Isles.”)

The Articles of Incorporation can be amended by two-thirds vote of the board of directors plus a two-thirds vote of all stockholders (not merely of those stockholders voting) plus a two-thirds vote of all consumers. Stockholders and consumers have as many votes as they would in a regular election.

# COMPETITIVE DISPUTE RESOLUTION

GILL 11/63

**[PREFORM CONFIDENTIAL]**

What is the concept I propose? By way of introduction, I recommend the editorials which appeared in the Santa Ana Register, January 12, 1962, entitled "Democracy With a Small d" and "Majority Becomes Monopoly Control". Reprints of this editorial are available from the CCI bookshelf.

Government does not exist in nature. It was not discovered. It was invented by man and exists only in the mind of man. It is a concept and nothing more. As such, there is nothing immutable about its nature. It is a tool designed to do a job. That job is the protection of property, and I use Galambos' definition of property (man's life, his freedom, and the fruits of that life.) The protection of property is a very important job which must be adequately accomplished, but government as we know it today is not necessarily the only tool fitted to the task, in fact I contend it is a very inferior tool.

Let's examine briefly the basic nature of government as it exists today. Primitive man and the tree ape before him lived in tribes. Their nature was such that individually they could not survive but collectively they could dominate a position on the ecology. Within the collective, differences between individuals were evident. Some individuals had more muscles or better skills with weapons. The strongest declared himself to be tribal chief. He seized whatever property he desired by virtue of his strength and he extended his dominion over anyone and everyone within reach of his physical strength.

This seemed to those of the tribe to be the natural order of things. One had four choices. Continue to live under the current chief, leave one's home, and friends, etc. and journey to another tribe to live under their chief, go off and attempt to survive alone, or begin a secret muscle building course and eventually become chief oneself.

To primitive man it seemed natural that if one had muscles one used them on all within reach. At a further stage of development feudal barons had vastly improved the technology of force.

The muscled individual was replaced by the small organized army, the horse, the sword, and the bow, but to the baron it also seemed perfectly natural that if one had an army one used it to the limit of effectiveness. Consequently the boundaries of baronies are geographical barriers which rendered further invasion difficult and uneconomical. Gradually barons discovered that a man given more freedom would produce more for himself and more for the baron. Gradually slave holders discovered that a slave leased to himself would earn more for his owner than a slave with little freedom. Gradually the actions of those who called themselves government were limited. The Magna Carta, the Declaration of Independence, the Constitution.

But never has a government been erected which did not include the concept of the collective. That all persons within this geographical area must belong to this government. Every government that has ever existed has claimed a franchise. That is, an exclusive right to be the one and only government in that area. The justification of that franchise has only been the ability to make it stick through the use of force

against those who would dissent. It is this franchise which I wish to dispute tonight and since we will be talking at length about two kinds of dispute resolving mechanisms, those which claim an exclusive franchise, and those which do not, I propose the following terms: FDR which stands for Franchised Dispute Resolver, and CDR which stands for Competitive Dispute Resolver.

There is only one essential difference between a CDR and an FDR, and that is the CDR does not demand for any reason that you must do business with it. In all other things a CDR could be identical to an FDR but in practice this one change will result in many improvements. I should repeat that as it has been pointed out before, Free Isles, if it constructs new land can properly establish an FDR on that land whose franchise is based on contractual acceptance of the FDR by immigrants. Such an FDR would be the first moral FDR ever initiate. However with the birth of the first child within the territory of that FDR the traditional choice would arise again. The FDR can take the position that the child may decide for himself whether he wishes to contract with the FDR or ignore it. If the FDR takes this position it has become a CDR. Or the FDR may take the position that because the child was born in "its" territory he must contract with the FDR. The justification? There is none based on principle and usually the justification abandons principle for expediency: such as, unless everyone supports us how can we accomplish our objectives? Lastly there have been some attempts to mitigate this coercion practiced by FDR's. In place of "pay up or go to jail", there has been "pay up or get out", and there has been suggested "pay up or do without our type of service, and we will prevent you from buying from any of our competitors." Are each of these practices coercion? "Pay up or go to jail" is essentially "your money or your life, or a portion thereof." This is so obviously coercion that it has fallen into disrepute except for those countries that build walls around their borders. Most nations have substituted "pay up or get out". Before examining that for coercion I want to establish a point. The president is an individual human being just like you or I. A soldier or policeman or judge is just like you or I. Those who call themselves government representatives are no different than anyone else. If it's all right for the president to do something to me, then it's right for me to do the same thing to the president. I am trying to dispel that connotation of something a little bit different and special that used to apply to the "king" and I'm afraid still applies to "Government". Whatever is right or wrong is equally so for all men.

Now if I walk up to you and demand, "Pay up or get out," your first question would be, "Is this your house?", and if I answered, "No, it's your house, but that's what you're going to pay me for, to accept partial ownership of your house," I think you would conclude I was practicing coercion, and if it's coercion for me, it's coercion for FI [free isles?] or any other FDR.

The other version: Pay up or do without our type of service, and we will prevent you from buying from any of our competitors.

If I announce to you that I will be glad to sell you matches at 50¢ a box, but that you are under no obligation to buy, and that I would shoot you if you bought from one of my competitors, I think you would agree this is coercion.

It was coercion when Kruger used it to sell matches, it's coercion when the federal government uses it to sell postal service, and it's still coercion when used to sell the basic dispute resolving service itself.

Can an FDR be morally established and maintained? I have not yet heard of a contract set forth which can accomplish this. Nor have I been able to generate such a contract myself. I strongly suspect that there is no moral way in which such an organization could be perpetuated.

To summarize this first portion: A CDR is a dispute resolver that asks to serve you, an FDR demands your business.

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We have two problems to solve. Legal plunder, and illegal plunder. Government was established to prevent illegal plunder and it's simply not doing the job. I'll give you briefly two personal examples to support this contention. In July of 1958 a panel truck was reported stolen to the L.A. Police. In September 1958 I purchased that truck from a used car lot and the pink slip was sent to Sacramento. In February 1959 it was first listed by the police as a wanted vehicle. It was erroneously listed as a pickup instead of a panel and for identifying marks they referred to the license plate. Not mentioned was the fact that it was painted gold with blue fenders, or that it was covered on all sides with large signs advertising "Lopez T.V. Service." For five years the police hunted for this vehicle. During that five years I sent in a yearly license renewal, three change of addresses on the vehicle registration, and received a citation from an L.A. City Policeman for speeding in the truck. Finally in March of 1963 I received a phone call from the police asking if I had such a truck. The other instance was a burglary which in effect stole 6 to 12 months of my life. Police patrols to prevent such occurrences were apparently almost nonexistent. The policeman sent to investigate was a semi-literate sergeant whose job seemed to be to explain that the job of protecting property is immensely difficult if not impossible, and although they try very hard, don't expect too much.

I don't wish to spend my life on a treadmill, generating property for the benefit of thieves, therefor I consider the improvement of property protection from illegal plunderers to be just as important as the elimination of legal plunder.

Suppose I were to announce the formation of a new company to manufacture and distribute gasoline. Suppose I were to ask you as a potential customer, what the octane rating of my gasoline should be, and what color the gas stations should be painted, and who should be the vice president in charge of plant maintenance. Suppose I were to expect you and everyone else to become an expert on petroleum engineering, and management, and marketing, and then expected everyone to come to my office periodically, and without compensation, give me expert answers to all my managerial questions. Suppose I were to announce that I was searching for a man of outstanding ability to manage this enterprise and would choose him by summating all of the individual opinions.

Would it surprise you if only a few people bothered to give me their opinions, and of those few practically no one attempted to become an expert in these fields? Would it surprise you that men of ability would not work under such a system, but instead mediocre men would be attracted by its lack of individual responsibility?

What I propose seems to be shot through with weaknesses, and yet, what I propose is gasoline produced through democratic processes. If democracy is so worthwhile when applied to government, then why is it not advantageous when applied to the production of gasoline? The answer is that the weaknesses of such a mechanism are

apparent when contrasted with the superior mechanism which has been in use producing gasoline.

Is Democracy an inferior mechanism, and if it is, why was it applied to government in the first place? Democracy itself is a wasteful ineffective device. It was not conceived or promoted as being able to accomplish anything quickly, thoroughly, or properly. It was desired solely as a method of control appropriate to an FDR. A CDR is controlled instead by direct economic dependence on its customers, therefore many of the control devices appropriate to an FDR are not necessary to a CDR.

Legal plunder is of course common and obvious and therefore has generated a great demand for control of government, but, controls on government greatly hamper its ability to provide property protection services. Most people prefer protection against the government at a cost of loss of protection against unorganized thieves, hence the evolution of government away from kings and toward elections, constitutions, juries, and codified law. These are control devices designed to prevent government from doing the wrong thing. This was of course a wise evolution. An FDR without these controls is a terrible thing.

However, when considering a CDR society we must re-evaluate the assorted control devices which we have come to consider as necessary adjuncts to an FDR society. This is an instance where emotional evaluation will almost invariably provide the wrong answers.

If I suggest that a CDR should not have a jury system your emotional evaluation would probably be one of doubt and uneasiness, for the knowledge from which you are summatting this emotion is based on a life time of living and thinking in terms of FDR's. I urge you in evaluating CDR's and the ramifications inherent in them not to use emotions as a tool of cognition.

I have demonstrated the weaknesses in the democratic process in the gasoline analogy, I'll go into the jury system and codified law a little later. It is my opinion that people will not choose the ineffective protection and expensive inefficiency of a CDR which incorporates the traditional FDR control devices. I think they will choose instead a CDR organized along corporate lines. This more efficient structure is the primary reason for expecting an improvement in the performance of the property protection function.

Next there is by the very nature of a CDR certain actions which it cannot undertake.

There are two kinds of actions which an organization or individual can practice in a relationship with you. Actions which you desire which I will call positive, and actions you do not desire which I will call negative. For instance a gas station provides you with gasoline. This is a positive. It also requires you to pay for the gasoline. This is a negative. For a business to succeed it must maximize the positive to negative ration. The gas station does this by adding additional positives: restrooms, windshield washing, etc. and also tries to eliminate or minimize negatives: defer payment, lower prices, provide broad sweeping driveways for easy entrance, provide convenient hours of operation. It is unthinkable that an enterprise operating in the market place could or would hand you a complex set of regulations such as the vehicle code and demand that you read, memorize, and behave accordingly. This is a negative and a very strong one. However, FDR's can and do generate many negatives. Since a CDR cannot

successfully generate negatives a CDR society will not contain many negative elements familiar to us today. What are some of the negative elements generated by FDR's:

- Compulsory Building Code
- Compulsory fire, sanitation, and safety codes
- Zoning
- Regulation of stock exchanged
- Regulation of banking
- Denial of freedom to coin money
- Compulsory bookkeeping standards
- Compulsory business structures, that is defining what a corporation must be and forbidding any variation.
- Compulsory marriage contracts
- Curfews on individuals
- Forced closing of businesses on election days, on Sundays, or at certain hours.
- Antitrust
- Vehicle Registration
- Real estate registration
- Gun registration
- Licenses to do business
- Licenses to bear arms
- Licenses for medicine, dentistry, and pharmacy patents
- Copyrights

A CDR that offered one or more of these negatives would lose business to a CDR which offered fewer negatives. It can be argued that a group of individuals could band together to force other individuals to close on Sunday, or to impress their will on others in any of the above ways. This would be a group organizing for coercion and will be analyzed later. The point I'm making here is that individuals will not voluntarily contract for one of the above negatives if a competing CDR offers him equal positives without the negative.

Of course negatives and positives are not always easy to identify and there are many problems in the definition of property and justice that are very difficult to analyze. An advantage in a CDR society is the existence of a number of CDR managers. Paid experts competing against each other to reach an ever better definition of property and justice.

These same paid experts have another function, that of critics. It is in their own best interest to uncover the mistakes of their competitors and publicize them as a part of their regular advertising campaigns.

The last advantage that I will cover now is the elimination of the vehicle for plunder. Hitler did not organize Germany, he merely assumed control of a ready-made collective. Do you think Hitler or Kruschev could successfully organize a giant corporation? I don't. The same mistakes that result in their failure to protect property would result in failure of any activity attempted in the open market. Such men can and do gain the approval of a disinterested, uninformed, majority and thus gain control of a massive organization of force. This is the only means by which such men

can peacefully attain such a position, and therefore the elimination of the vehicle itself will contribute immensely to the elimination of plunder.

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Now let's explore some of the ramifications of CDR's.

If men have freedom to select their means of protection not all men will choose correctly. Some will contract with an inferior CDR and receive inferior services. Some will choose not to contract for this service and will not be personally adequate to protect themselves. Socialized medicine provides mediocre medical service to all. Capitalism provides superior medical service to almost everyone; socialized schools provide mediocre education to all, capitalism provides superior education to almost everyone; socialized government (and that's exactly what an FDR is) provides mediocre protection for all, capitalism (and that's what a CDR is) offers superior protection to almost everyone.

A CDR is an enterprise operating under laissez faire capitalism. It is not the cornerstone of society, or of an individual's life. It is simply another enterprise performing one of the many necessary services. This overwhelming force that we have always lived with no longer exists in a CDR society. With the removal of the source of coercion, laissez faire capitalism automatically exists.

With the elimination of the State, certain practices peculiar to it are eliminated. There is no such thing as a crime against society. The only crime possible is an attack upon the property of an individual, hence the fiction "the state versus Jones" is not valid. A dispute always involves two or more individuals. We have in this country two legal systems: criminal and civil. Disputes are arbitrarily divided into two classes. Disputes between individuals decided by civil courts and disputes with the state decided in criminal courts. Since all disputes are between individuals only one system of resolving disputes would be erected.

As I have stated before I consider the definition of property and attainment of justice to be a very difficult job. Like creative art or the practice of medicine I consider it to be on the frontier of man's knowledge. I don't believe that an artist can yet operate from a handbook of formulas and tables, nor do I believe a doctor who sought to practice medicine from a handbook with no real personal understanding of his subject would be acceptable. Similarly it is my evaluation that a dispute resolver must be professional; I believe those who decide to contract with an economy dispute resolver whose representatives are not personally qualified to define property and are equipped instead with a handbook, will find they have made a serious mistake. I believe that CDR managers will be almost universally intelligent, capable men; the best among us and not the worst.

Such men will not follow orders blindly. They will, as a requirement of their profession, consider carefully the full implications of their every use of force. There are not special rules for these men. A mistake (that is an act of coercion) is fully punishable by others. The following excuses would no longer be valid:

I don't make the laws, I just enforce them.

The courts will decide that.

That's the court's job. I just operate the gas chamber. What kind of a monster would operate a gas chamber without knowing that what he is doing is right? Men

like Adolph Eichmann, and they do exist in this world, and perhaps they will, but in a CDR society they'll have to pay for their mistakes.

Because the responsibility for the use of force rests with the man who is to use it, he and he alone can pass final judgment on whether it should be used and how it should be used. Court type functions will serve to obtain evidence, to ponder the nature of property, and to develop a better understanding of how to attain justice, but the product of the court must then be submitted to the enforcer who must be the final judge.

There is no jury in such a court. A jury is a control device designed to restrict FDR's. FDR's could not be trusted with this power and so it was turned over to twelve citizens. In practice a jury is twelve people, none of whom feel particularly responsible and none of whom are working at full mental capacity. A one man jury would at least generate in that individual from assuming full responsibility for the acts which they collectively perform.

If the legislator was required to operate the gas chamber, he'd think a little more deeply before prescribing the death penalty for selling narcotics. If the juror was required to execute his decision he would think more carefully, and the same applies to the judge, and if all of them were aware that their actions would be reviewed by another court and they would be held to account for their errors, they would think very, very carefully, particularly the man who operates the gas chamber.

Because this is an activity which stresses personal responsibility and personal ability, there will be no gigantic corporations; just as there is no General Motors in the medical profession, there will be none in the protection industry. There will be loose associations but the members of those associations will refrain from contractual agreements which would require them to use force in a manner they would not individually approve.

We come now to codified law. The written code of conduct. Several billion words that each of us has read, memorized, and obeyed every moment of our lives. This is another control device and the thinking behind it was, that if we just knew that government was going to do we could bear it, so we'll write down all the things that government can and must do, and forbid it to do anything more. And so the job was started. They've been writing for hundreds of years, and the job is barely started. In truth the job is impossible. It was started in desperation. In an atmosphere of, "but what else can we do", it seemed better to try than to do nothing at all. The object of codified law is to completely eliminate the arbitrary decisions of governmental representatives, but if this end were attained would you care to live in such a society? If a thief develops a new method of stealing your property will you be satisfied with an explanation that none had thought of that particular way of doing it, and therefore it's not in the code, and we can't do anything about it, but don't worry we'll write it into the code right away and we'll catch the next one?

If the concept of codified law were ever practiced completely hordes of thieves would constantly be one step ahead of legislation in exploiting loopholes, by inventing new attacks on property.

In addition to being unworkable, codified law is impossible to write. It should not contain such words as enough, sufficient, safe, glaring, glare, plainly, and clearly. These seven words were all found on one page picked at random from the vehicle code

and some were used several times. Each of these words calls for a judgment and defeats the whole purpose of codified law. If the judge can decide whose headlights are glaring by a formula known only to himself, how has he been restrained?

The final overwhelming flaw in codified law is that it is written before the fact. An attempt is made to write a universal answer to all problems before they occur. For instance a man offers a 6 year old a lollipop in exchange for twenty years of contracted labor. In anticipating this action I think we would agree that a law should be written which declares such a contract void, a law which establishes that the government would not enforce the terms of the contract. Now consider the case of a six year old dying of cancer whose life can be saved by a million dollar operation and a doctor is willing to gamble on its success to the extent that he will perform the operation in exchange for twenty years of contracted labor. Such a contract would only be valid if government would honor it and therefore in anticipating this occurrence I think we would agree that the law should allow this type of contract. The first law might state for instance that six year olds cannot sign contracts. The second attempt might modify that to healthy six year olds cannot sign contracts, but whatever the wording and no matter how complex and seemingly all-inclusive the law may become I can propose an additional circumstance which falls on the wrong side of the law.

It is relatively easier to examine an occurrence, to discover all of the facts in a particular situation, and then determine where justice lies, than it is to attempt to write all-inclusive answers to all the hypothetical problems that may arise.

In a CDR society an understanding of justice will exist, just as an understanding of good automobile design exists today. There is no force requiring auto manufacturers to build cars like their competition, and different companies in their engineering manuals will express their knowledge in different terms, but now is building model "T's". If one company should start to produce model "T's" it would find no market for them. Customers demand that auto manufacturers embody all of the knowledge available on how to build a better product.

Similarly a CDR must comprehend and practice the best procedure yet evolved for obtaining justice, not because a super embodiment of force requires it to do so, but because competition in the marketplace demands that it do so.

This body of knowledge will not be expressed in any official language or be printed in any official book. It will probably never be reduced to any one book, for it will always be improving. Any man of ability can add to this knowledge, the only requirement is that he must be right.

A CDR will attempt to collect this knowledge. They will not consider it as codified law however, it will instead be a starting point. All of the careful thought that has been done in the past as a basis from which to make a decision regarding a specific event in the present.

There is one more function that a written law serves, that is as an excuse for an action. Statements such as "We had no choice but to pull you in, according to ordinance 7466" will no longer be acceptable. If a thing is wrong it's wrong no matter where it is written. In a CDR society you needn't worry about what is written in complicated volumes of law. You needn't memorize several billion words. Ask yourself the following question. Am I damaging anyone? If you can answer no according to your own common sense then you can feel secure anywhere in a CDR society. If you're

not too sure go to your local profit-making library and rent a book on property. Don't memorize the words, grasp the idea. That's all that's required of a CDR citizen.

If a misguided CDR seizes you and accuses you of violating technicality 7466 your own CDR asks only "What is the nature of your trespass?" It does not matter to your CDR whether anyone had ever foreseen such a trespass or written a description of it, or prescribed penalties against it or assigned it a number. Your CDR wishes only to know what is its nature, and if it's valid, to see that only proper damages are charged to you, and if it is invalid to defend you against unjust claims, and collect any valid damages due you for seizure, etc.

Consequently compiling extensive legal codes will be wasted effort. They will be a wasted effort since people will ignore them when they are unjust, and it is highly unlikely that people can be induced to agree contractually to abide by anything as lengthy and arbitrary as the vehicle code.

There has been some concern that the establishment of a number of CDR's would somehow place the individual in increased jeopardy of attack. That the present situation where overt force is legal only for the FDR is somehow safer. This is not true. We are presently surrounded by potential aggressors, individuals within this country, individuals and governments outside the country. These potential aggressors are not withholding their attack because we have not contracted with them, but because we are defended. Aggression does not require a legal stamp of approval but arises spontaneously where defense is inadequate. If a number of CDR's replace the one FDR it will not increase the total number of potential aggressors in the world but will instead further inhibit those already existing by improving the general level of protection.

Two general methods of financing a CDR are possible. First would be a pay as you go basis. When someone damages your property you contract with a dispute resolver to secure justice, either with cash or on credit. This is the system through which most people hire lawyers. The second method would be an insurance operation, in which a CDR would handle all your problems for a fixed monthly rate. I would guess the latter plan would be the more popular one.

It has been suggested that a CDR would tend to support the claims of its customers regardless of whether they are just or not. There will always be a small grey area where none is yet sure of where justice lies, but for the purposes of our analysis, let us assume an attack upon property that is obvious. Let us assume that Jones robs a bank. The bank's CDR notifies Jones that he must return the money and pay damages. Jones notifies his CDR that he's been paying for protection for 10 years and now he wants to receive his money's worth. Make these people stop picking on me. What he is demanding is that his CDR become the muscle behind his coercion. There are two avenues a CDR could follow in going along with this demand. They could do it knowingly, that is they could say to themselves, "There's money to be made in coercion and we'll go back into that business, we'll stop protecting property and begin to attack it, we'll cater exclusively to the bank robber trade." They also could do it unknowingly, that is, they could back up their customer simply because he is a customer, and fail to analyze the nature of his act. Both of these avenues lead to destruction of the CDR who takes them. We'll analyze the unknowing first.

A peaceful citizen requires very little protection; a bank robber operating openly requires a constant supply of force. The CDR that tries to protect a bank robber will

find its total expenses rising sharply. If the CDR is finances on an insurance type plan it will have to raise its monthly premium. The bank robber may be getting a bargain in protection but all of the peaceful customers are receiving no better protection than their neighbors and are paying higher premiums than those charged by CDR's who have not made the mistake of assuming the expense of protecting the bank robber. Just as automobile insurance companies will not issue policies to race car drivers a CDR will not offer its service to coercers.

If the CDR operates on a pay as you go basis, it could charge the bank robber for whatever force is necessary to protect him. The bank robber is then in a position of hiring his thugs through the CDR which would then be acting solely as an employment agency. I have been ignoring during this analysis the extremely bad publicity that would result from a CDR embracing any of these errors. The bank robber who pays the full cost of force hired from an unwitting CDR is in the same position as he would be if he hired that force from the CDR that knowingly decided to cater to bank robbers. In this case the question is "is bank robbing or any other kind of plundering a paying business?" Can a thief pay all of the costs required to be a thief and still show a profit? I will show later on that he cannot. That theft as a way of life is not economically viable.

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I first presented the basic concept that dispute resolvers must earn the voluntary support of individuals. Secondly I have presented a picture of many of the conditions that I reason will evolve in a CDR society. At this point I am going to describe a specific CDR. When someone suggests free enterprise roads, the question is immediately raised, "Who is going to operate these roads, and how is he going to do it?" Similarly there is a need for a concrete example of a CDR, but bear in mind that this example is the result of only a few hours of analysis. I would hardly go into any business with such shallow preparation, so my CDR should be considered only as a starting point for the further evaluation of CDR structures. Do not condemn the CDR system for the weakness in my ability to generate a CDR. If my CDR is a bad CDR the marketplace will quickly remove me from that activity.

I will call my CDR The Reliable Protection Co. Most of my customers pay a monthly premiums or a six month premium which earns them a discount. In exchange I have several protection engineers who periodically but at irregular intervals check the homes and businesses of my clients.

Since I pay bonuses for discovering stolen property, they are constantly on the lookout in pawn shops, used car lots, etc. In addition I subscribe to various worldwide organizations which pay fees to me for locating people and property and through which I can for a fee locate people and property. I read several trade magazines featuring new understandings of justice, and advertising new equipment and techniques as well as supporting services. I offer my customers a free, optional service through which my security representatives inspect their premises and recommend improvements in locks, lighting, and fences where needed. I offer advice on burglar alarms and for those who wish it, I will install an alarm system with a direct wire to my office.

I am happy to send a man out to stamp identifying marks and serial numbers on any piece of property, since this will make my job easier in the event of theft. To those of my customers who earn a high security rating I offer a discount.

It is in my best interest within reasonable economic limits to prevent acts of coercion against my customers. Conversely it is also in my best interest to keep my customers out of trouble, to encourage them not to coerce others. For this reason I publish a monthly newspaper in which I attempt to pass along to my customers, my basic understanding of justice, and tips on how to avoid damaging the property of others.

I of course consider myself responsible for every action I take. What's more important, other CDR managers will hold me responsible for my action. Therefore I must be very, very cautious with the use of force. I will not bring someone in for questioning since this is coercion if it proves unjustifiable. I do not arm my protection engineers with lethal weapons except in special instances. In general, hypodermic bullets, with almost instantaneous knockout capabilities are sufficient to deter coercion, and in the event of a mistake, an attempt can be made to compensate for the resulting damage.

A CDR manager stakes his livelihood, his property, and his freedom on every decision. If I am wrong, there are no excuses.

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I think it is generally the opinion among Preform participants that there are some advantages to a CDR, but the real controversy arises over whether a CDR society is stable or would degenerate in some manner. The answer as to whether or not a CDR is stable lies in the realm of economics.

Force is an economic commodity. It's derived from human labor. The man who carries a gun and the men who manufactured the gun. The creation of force and its use can be analyzed by economic principles.

First let's analyze the problem of organizing an enterprise for the purpose of making a profit through theft. The major expense of this organization will be for the generation of force to overcome the defense of its victims. The income of this enterprise will consist of the confiscated wealth of the victims. The profit will be the difference between these two figures. Let's examine the size of these three figures. How much will the coercer have to spend to overcome its victims? The answer is whatever it takes to do the job, probably slightly more than the amount the victim is able or willing to spend on his defense. How much is the victim willing to spend on his defense? The answer is everything he owns. If he succeeds he may be poor but he will still be free. The cross-over point between profit and loss for the plunder is the 50% point. If the coercer can manage to defeat his victim, when the victim has only managed to spend half his wealth in defense and the coercer manages to seize the other half intact, it is at best a break even operation for the coercer. Even if they clash and then draw back, such an encounter is a loss for the coercer. He has expended energy and wealth and accomplished nothing and will be discouraged from trying again. The potential victim however, considers it a victory. He has successfully repelled aggression and will be encouraged to do so again.

It has been suggested that competition pertains only to voluntary action. I consider war to be a kind of competition. A competitive measurement of force. The victors in a war large or small are necessarily those who are strongest.

The producers in this world create the greatest wealth and since wealth is convertible into force, they can if necessary generate the greatest force. In a CDR society they are allowed to retain control of their force. In an FDR society control of that force can be turned over to a Hitler by a popular vote.

Since I have shown that it is impossible to make a profit by attacking victims for their wealth it would follow that any coercion such as jailing atheists, nudists, or homosexual as undesirables, would be even more expensive and self-limiting since absolutely no income would be derived to defray the expense of the operation.

As far as protection being an area related product, it is somewhat area related in the watchmen function, but otherwise a CDR can service a fairly large area.

I have already pointed out that a CDR cannot afford to defend a customer such as a bank robber. For the same reason a CDR cannot render unjust decisions in favor of a subsidiary company, and thus generate profits. Any deviation from justice becomes an expensive experiment in coercion. This added expense will more than use up the profits acquired by the subsidiary. If the CDR attempts to pass the added expense along to the other customers of the CDR through higher rates or reduced service, it will destroy its competitive position.

It has been suggested that a very large CDR could devote just one policeman to coercion and no one would detect the difference in the service or rates of the CDR. This is the same argument that proposes, that out of the thousands of General Motors employees, one man could be put to work in a corner somewhere making bolts, and since General Motors would be paying his salary he could sell his bolts cheaper than anyone else and eventually dominate the bolt industry. This of course is not true. To whatever extent the bolt manufacturer was subsidized, the auto manufacturer was sapped. There is no escape from economics. To whatever extent the CDR diverts its resources into the business of attacking property, it diminishes its resources in the business of property protection.

The last point I want to cover is the contention that it might work in a moral society but not in an immoral society.

If we were living today in a society as moral as that which existed two hundred years ago I don't think I would be worrying about this problem, and looking for improvement. If I lived in that society, I would conclude that it's not perfect, it may not be completely moral, but it's acceptable. Within this framework I can live a productive life.

But morality has degenerated, and I find it unacceptable to be forced into a collective with the present population. My desire for an improved system stems directly from the rise of immorality.

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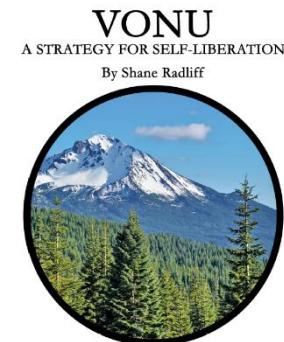
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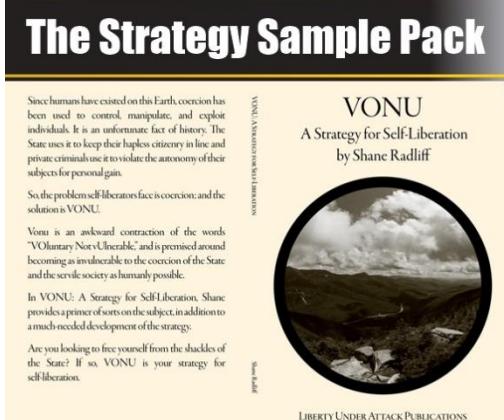
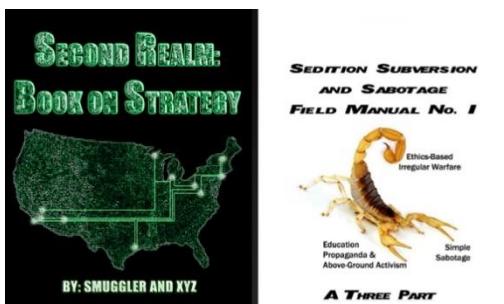
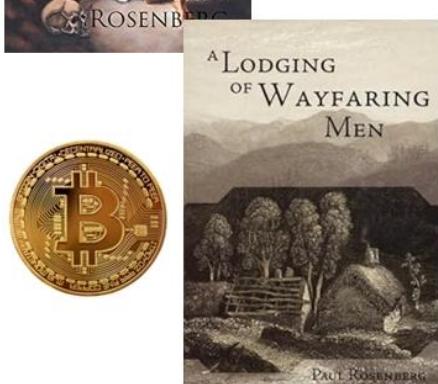


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