The Browser Economy
Executive Summary
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An effective state is fundamental to the operation of free markets, as essential as their ready and willing buyers and sellers. More than a necessary expense, the state is an integral institution of an economy's capital and like all capital must be adequately maintained for the efficient provision of final goods and services. The question for anyone with an interest in policy effectiveness in such provision is simple; along the spectrum of possible governmental scope of operations, from basic policing, to provision of infrastructure, to a comprehensive safety net, to public ownership of components of the productive apparatus, where should we place our policy target? We take it for granted that any implemented policy should be amended or discarded, if deemed ineffective. We feel some urgency in the determination of this target, given the recent global recession with its anemic recovery. We use the myth of a pre-market Browser Economy to elucidate the oft-unrecognized disparate nature of utility and value in current economic thinking.

It is the premise of this piece that the principal goal of policy in a modern economy must be to insure "life, liberty, and the pursuit of happiness" for its citizenry and welcome guests. It need not attempt to guarantee that happiness, in fact it cannot, but it should not allow that pursuit by one club to impede the pursuit by others. In a market economy in which virtually every good or service consumed in the satisfaction of this goal involves a monetary exchange and in which the pursuit of this goal by some private parties results over short time horizons in an upheaval of production, trade, and employment that for many is the only access to money for such exchange, maintenance of the necessary liquidity cannot be assured by private funding and is the ultimate responsibility of the public sector. In fact it is the responsibility of Congress alone according to the Constitution to "coin Money," and "regulate the Value thereof", though the general consensus has permitted the creation of money through the issuance of private banking debt since well before that document's creation.

We find in this study that for a given level of liquidity, as quantified by expenditures on final consumption and on capital goods and services, where capital expenditures include both public and private sectors, an optimum equilibrium ratio of 0.618… for

(1) final consumption to total expenditures

is equal to that of

(2) capital to final consumption expenditures.

Conditions favorable to overall economic growth, meaning a rise in the general standard of living, are indicated by ratios somewhat below the optimum for (1) and above that figure for (2).

Examination of World Bank data for the period 1970 to 2013 shows a ratio range for the world economy of a few percentage points below (1) and for the OECD nation average of a similar range, before rising above (1) in 2009. Some notable economies trending several points above the target for this duration are Greece, Mexico, and until 2004, Brazil and India. The U.S. trend rose above (1) in 1982 during the Reagan administration with the implementation of supply side policy and has risen gradually, with the exception of most of the Clinton tenure when it stabilized, to a current level of approximately 7 points above the mark.

With this optimization level in mind, we analyze the Z.1 Federal Reserve September 2014 data of U.S. sector and combined accounts, comparing the annual values for 1975, 2005, and 2013 as a percent of GDP and total asset value, with respect to structural changes based on those percentage differences between 1975 and 2005, 1975 and 2013, and 2005 and 2013. As compared with 1975, as of 2013 there was a 16.1% sector swing in percent of domestic net worth to households at 11.1% and ROW at 5.0%, from the business and public sectors, most noticeably in a reduction of Nonfinancial Noncorporate business of 3.9% and Federal government of 7.8%. We might expect this from supply side policies over this period, though the NN business figure is perhaps surprising, but what is more surprising, given the prognostications and promises of the Hayekian school, is that the return on total domestic wealth as measured by GDP as a percentage of Personal Sector asset value, decreased by 5.9% from to 21.0% in 1975 to 15.1% in 2005 before the financial crisis, before recovering slightly to a 5.4% differential in 2013 at 15.6% after modest market intervention. The differential figures using Personal Sector net worth are 0.2% less.

In final summaries of consolidated accounts, we add figures for land, infrastructure, and human capital to the national balance sheet to demonstrate the unfounded concern among some parties about the size of the national debt and to emphasize the lack of wisdom in failing to maintain public infrastructure and human capital. We also state why, in the context of free competition in the production of commodity final consumption products, labor is reduced to a commodity level, defined as compensation to abundant, fungible labor for no more than the cost of paycheck to paycheck costs of living. As a result, employers producing commodity goods for the global competitive markets cannot compensate such labor, regardless of skill set, for sunk education costs or long-term medical and retirement costs.

In light of these developments, United States policy recommendations are made for restructuring of business and personal taxes so as to target costs of common or public goods and services use and to get rid of arbitrary income taxes and thereby all loopholes with replacement through the use of electronic fiat currency as a Universal Basic Income equally for all citizens as a right of citizenship, to decouple long term social from immediate product costs in worker compensation, and to provide for a clear separation of basic public and premium private provision and insurance in health, education, property and finance, such as FDIC coverage. This latter matter indicates a separation of private and publicly backed banks and an end to “too big to fail” status. The intent of all envisioned policy is to free up entrepreneurial efforts to grow and succeed or fail on their own as private concerns and to provide for a rational, comprehensive public safety net, secured against ill-advised privatization.

The following is the link to the unpublished working paper:
https://uniservent.org/political-economy/
To the I.8.5+V Initiative:
https://uniservent.org/i-8-5-5-initiative/