

Governance by Clearance

Accountable for Nothing but in Charge of Everything



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In September 2022, the UK gilt market forced a sitting government to reverse its budget within days. Not through elections. Not through parliament. Through margin calls. Pension funds faced liquidation unless the government changed course — so it did. The Bank of England intervened, but the lesson was clear: *whoever controls settlement conditions controls policy outcomes.*

This wasn't monetary policy. It was **governance by clearance.**



Between 2005 and 2019, Dutch tax authorities deployed an algorithmic risk-profiling system against families claiming childcare subsidies. The system processed identity data, financial records, and administrative markers through automated risk scoring. Once flagged: no hearing, no meaningful appeal, just automated denial and demands

for full repayment — often tens of thousands of euros. Over 14 years, at least 26,000 families were wrongly targeted. Marriages collapsed, homes were lost, over 1,000 children were removed into state custody. At least one parent died by suicide.

When investigative journalists finally exposed the scandal in 2018-2019, it triggered parliamentary inquiry, government resignation in January 2021, and a compensation bill that started at €500 million but has since ballooned toward €14 billion. The government formally admitted the system violated fundamental principles of the rule of law.

The algorithm had worked exactly as designed — combining identity records, financial telemetry, and risk scoring into settlement decisions executed at administrative speed. Deny the payment, deny the service. For 14 years, this pipeline operated continuously while democratic oversight remained absent. By the time parliament intervened, the automated system had already processed tens of thousands of families through financial ruin.

From macro to micro, public to private, the pattern is the same: **policy increasingly operates through conditional settlement rather than democratic deliberation**. If you lack the right attestation, the transaction doesn't clear. No compliant credential, no access to markets, services, or money itself.

This machine works through seven infrastructure layers — *seven 'rails'* — that together automate governance by turning policy into plumbing. When linked, they create a system where ***settlement = governance***.

The Seven Rails

Think of modern governance as taking political goals and translating these into automated clearance decisions. This happens through seven interconnected infrastructure layers:

- **Rail 1 — Standards:**

Translate goals into measurable specifications. '*Sustainable*' becomes taxonomy

thresholds. ‘*Trustworthy*’ becomes technical checklists. ‘*Ethics*’ becomes metrics.

- **Rail 2 — Digital Identity:**

Bind those specifications to people, organisations, and assets. Credentials assign attributes, while (*digital*) wallets enforce eligibility at the edge of every transaction through Central Bank Digital Currencies.

- **Rail 3 — Data/Telemetry:**

Sense in real-time. Monitor, report, verify. Turn business activity into auditable event streams. Data creates conditions for indicator-based governance at every strata of society.

- **Rail 4 — Accreditation:**

Authorise who may attest. Trust lists determine whose signatures count. Notified bodies license truth itself — and every actor requires authorisation.

- **Rail 5 — Audit & Assurance:**

Compare reality to specifications. Continuous verification replaces periodic review. Variance analysis becomes governance input, and every transaction will be audited in real-time.

- **Rail 6 — Procurement:**

Enforce through contracts. Flow-down clauses cascade compliance requirements through supply chains. Eligibility screens become market access gates — and every economic actor will be caught in the cascaded supply chain requirements.

- **Rail 7 — Finance:**

Actuate through settlement. Central banks and payment schemes can allow, deny, route, or price transactions based on conditions from Rails 1-6. This is the switch at the end of the chain, and it applies to every actor in the system.

The mechanism: Standards define the good (*R1*) → Identity binds actors (*R2*) → Data senses activity (*R3*) → Accreditation authorises attestors (*R4*) → Audit compares performance (*R5*) → Procurement mandates compliance (*R6*) → Finance enforces through clearance (*R7*).

When fully linked, this architecture transforms ‘*should we do X?*’ which is a political question requiring debate and consent into ‘*does entity Y meet criteria Z?*’, which is a

technical question enabling automated denial.

Where Power Concentrates

Power in this system doesn't sit where constitutional diagrams suggest. It concentrates at four structural chokepoints, of which the two latter are increasingly rendered irrelevant by automation:

1. The Actuator

Central banks and payment scheme operators control the unit of account and settlement finality. When the Bank for International Settlements runs pilots like mBridge (*cross-border wholesale CBDC*), they're testing programmable money — payments that can be allowed, denied, routed, or priced based on embedded conditions. This isn't monetary policy as we knew it. It's *governance by clearance*.

2. The Comparators

Standards-setters (*ISO, OECD, ISSB, UN bodies*) write the specifications that become eligibility criteria. Accreditation bodies (*ILAC, IAF*) decide who may verify compliance. Together they determine *what counts* and *who may say so*. They write the script that the actuator executes.

3. The Translator Class

Between international standards and domestic enforcement sits a crucial intermediary layer: consultants, Big Four firms, policy labs, and committee liaisons who translate global specifications into operational controls. They sit on standards committees while implementing those same standards domestically. They write the tenders, pick the accreditors, draft the rulebooks. They fuse the script to the switch — and profit from training others to comply. This is where accountability diffuses and deniability locks in.

4. Identity & Telemetry Custodians

Those who control identity registries, telemetry infrastructure, and audit data control access and evidence. They gate who can transact and determine what counts as proof. Without the right credential profile or data trail, you don't reach the settlement layer at all.

These four chokepoints operate largely outside democratic oversight. Standards-setters claim to be '*voluntary and technical*'. Translators claim to merely '*advise and interpret*'. Central banks claim to be '*neutral on policy*'. But when linked through the seven rails, their combined effect is profound governance power exercised through private rulebooks rather than public law.

And when automation has rendered the translators and custodians irrelevant, we end up with central banks and standard-setting organisations such as the OECD **accountable for nothing but in charge of everything.**

The Constitutional Shift

Traditionally, democratic societies required **statutory gates**: if government wants to deny citizens access to essential services or markets, it must pass legislation, with debate, votes, and judicial review. Rights have floors, while denials have reasons and appeals.

What's emerging is access denial via payment rulebooks, procurement frameworks, and technical standards — **private governance instruments that achieve policy outcomes without legislative process**. A payment scheme can block merchants in disfavored categories. A procurement framework can require certifications only certain firms can obtain. A '*voluntary*' standard can become mandatory when incorporated by reference into contracts and regulations.

These gates multiply faster than legislatures can track. They operate through:

- **Clearance conditions (R7)**: Settlement rules that deny transactions based on profiles, locations, or attestation gaps

- **Attestation requirements (R1/R4/R5):** Mandatory certifications, continuous audits, trust-list signatures
- **Flow-down clauses (R6):** Contract terms that cascade eligibility requirements through entire supply chains
- **Identity prerequisites (R2):** Credential requirements that gate participation before any activity begins
- **Telemetry mandates (R3):** Monitoring obligations that become conditions of market access

The effect compounds: When these rails link, exclusion typically cascades. Fail one check, fail them all. No single point denies you — the system simply doesn't clear your transactions. This is **sovereignty without accountability**: state-like power to exclude, exercised through infrastructure operators who claim they're just implementing *'technical standards'*.

Inclusive Capitalism — just not for those excluded.

From Ethics to Algorithms

This didn't happen overnight. Seven genealogies show how each rail was built:

- **Standards** emerged from early 20th-century projects to compile ethical principles into administrative specifications — from Paul Carus's *'Religion of Science'* through Hermann Cohen's systematic ethics to Moses Hess's vision of ethical socialism operationalised through institutions.
- **Identity** systems evolved from census and civil status registries (*James C. Scott's 'legibility projects'*) into digital credentials and wallets that now parameterise people at transaction edges.
- **Data infrastructure** grew from Simon Kuznets's national accounts and Wassily Leontief's input-output matrices into today's real-time telemetry: environmental satellite accounts, live emissions coefficients, continuous monitoring pipelines.

- **Accreditation** architectures descend from Leonard Woolf and Alfred Zimmern's League of Nations functionalism — the idea that technical expert bodies could depoliticise governance. Today's National Quality Infrastructure (*NQI*) and mutual recognition agreements operationalise that vision.
- **Audit culture**, as Michael Power documented, shifted legitimacy from democratic mandate to continuous verification — from 'should we?' to 'did we meet the metric?'
- **Procurement** evolved from simple purchasing into a policy tool. Results-Based Management (*RBM*) and Disbursement-Linked Indicators (*DLIs*) turn contracts into governance instruments with KPI triggers and conditional payments.
- **Settlement infrastructure** moved from bankers' clearinghouses to real-time gross settlement systems to programmable central bank digital currencies — **money that can reject transactions before they finalise.**

The critical moment was connecting these layers: when the administrative ladder (*Planning-Programming-Budgeting System* → *Results-Based Management* → *Key Performance Indicators*) met programmable settlement infrastructure. PPBS started at the Pentagon under Robert McNamara in 1961, spread government-wide, then globally through World Bank conditional lending. Now those same DLI structures operate at transaction speed through payment rails.

What took 60 years to build through bureaucratic reform can now execute in milliseconds.

The Serious Questions

This raises legitimate concerns:

- If financial settlement conditions can veto elected government policies, where does sovereignty actually reside?
- If algorithms can deny benefits for years before anyone intervenes, what happened to due process and rule of law?
- Are technical systems implementing policy choices that would never pass democratic scrutiny if made explicit?

The Infrastructure Dilemma

The problem isn't the existence of technical systems — it's that technical implementation has become the primary locus of governance. When policy operates through clearance conditions rather than legislation, when *'does it clear?'* replaces *'should we do this?'*, political power relocates outside democratic accountability. The Dutch families didn't lose a parliamentary vote — they lost an algorithmic check. The UK government didn't lose a confidence motion — it lost a margin call.

If settlement infrastructure exercises state-like power to include or exclude, it requires state-like accountability: transparency about denial criteria, meaningful appeal mechanisms, legislative bounds on automated exclusion, and democratic oversight of bodies that currently operate as *'voluntary'* and *'technical'*.

The rails will keep expanding — the question is whether they'll operate as accountable governance infrastructure or as unaccountable enforcement mechanisms wrapped in technical necessity.

What does accountability even look like when governance operates in microseconds through interconnected technical systems?



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I feel a pang of compassion for all those politicians and other civil servants paid to exploit us, who are going to find themselves in a difficult situation, where only one operator will do the job... poor dears
^^

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Brien  Brien's Newsletter 6h ...

ChatGPT has the answer: "Code is Law". This is how it responded in resignation to a recent inquiry about whether CBDCs are a good thing for human flourishing and freedom. It built a case stating yes they are until I repeatedly challenged it. It finally admitting that conditional transaction clearance will be the norm and that there can be no "appeals" in such a system. Code is Law

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