

INTRODUCTION

ON THE BRINK OF PROSPERITY

THE PURPOSE OF THIS BOOK is to provide a framework for pulling our nation together. The proposed economic policies herein are nonpartisan solutions that appeal to both conservatives and liberals. True solutions benefit everyone and are a win-win for the full political spectrum rather than being a compromise in which both sides lose, which is the best we can do today under our existing financial operating system.

The good news is that we stand on the brink of a level of prosperity that is unprecedented in man's history. The numbers in this book that track how families of differing economic means would fare under the solutions proposed spell that out plainly enough. But how difficult will such solutions be to achieve? Fortunately, our existing operating system needs only an upgrade in order for us to enjoy the advances in prosperity described herein, since the fundamentals for our new prosperity are already in place—the result of centuries of hard work and preparation by generations past.

The solutions in this book are not mere mathematical calculations, though, for true prosperity cannot be realized in a spiritual vacuum. Money is merely an overlay to a very rich and complex world, in which man struggles to find meaning and understand his purpose in life. More money for everyone will not make the world a better place unless we come to understand how we all matter. As it turns out the economy is not really about the flow of dollars at all. The economy is about the story of man, his struggles, his trials and tribulations, and ultimately his triumphs.

We are in need of a paradigm shift today. Such shifts only come once in a while, but when they do, everything changes. Without a paradigm shift, we are stuck in a rut.

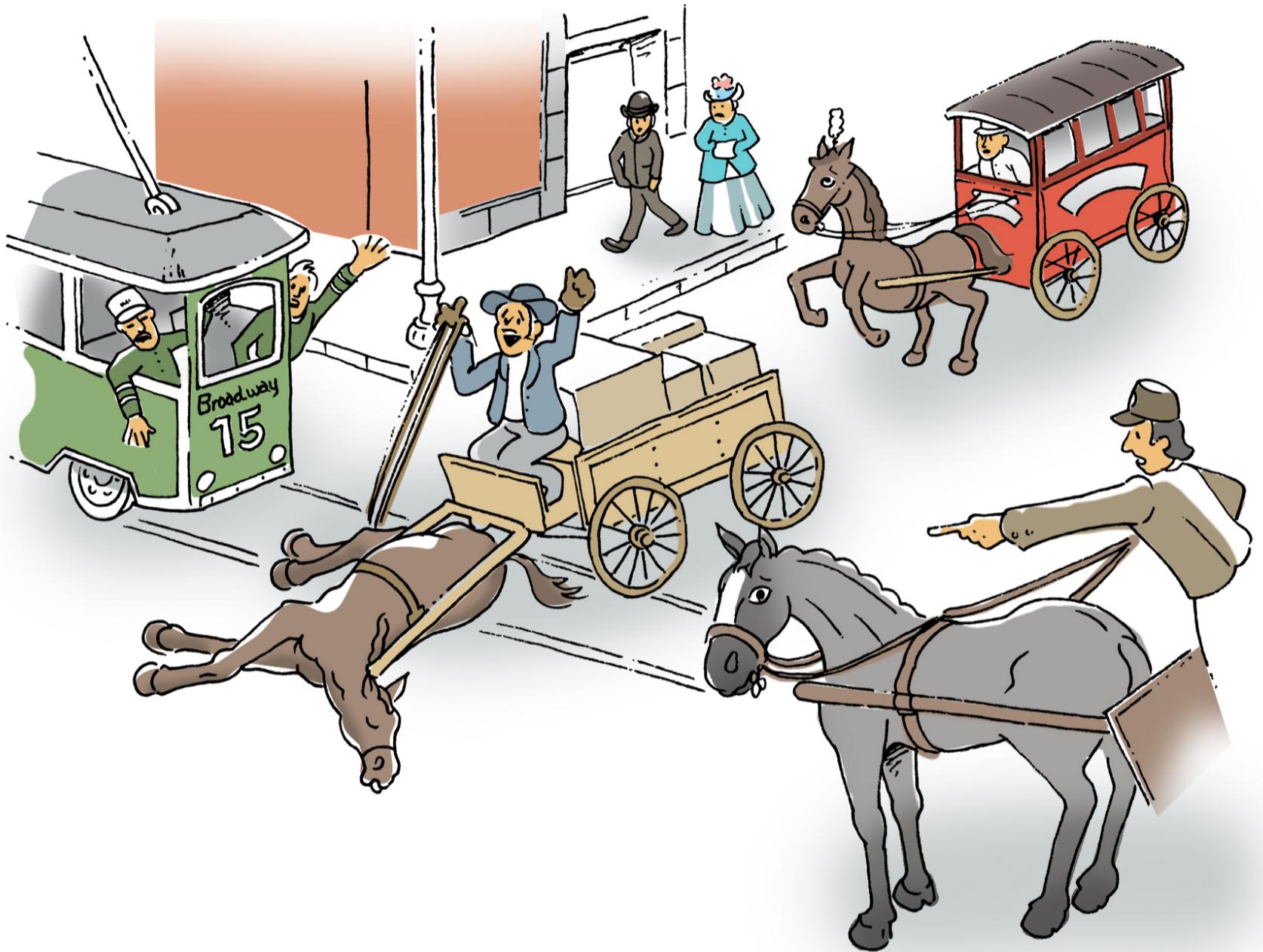
I like to play the following imaginary cartoon in my head when I think of how man solves problems prior to a paradigm shift. I imagine an archery target standing in the middle of a sunny field. After a drum roll, archers pour into the field with their quivers filled with arrows. Despite their compound bows and sighting scopes, they shoot their arrows into the air, into the ground, into each other, and into the forest surrounding the field. No one ever sees the target in the field. This cartoon describes politics today.

When you read this book, you will see the target in the field and understand why our parties are currently without solutions.

In many ways the economic problems in America today are reminiscent of the challenges we faced with horses in New York City in 1900, when four million pounds of manure were being deposited daily. The manure was piling up faster than it could be hauled away, and the smell was horrific. Worse still, there were so many horses packed in the city that they could not be properly rested. At the peak of the problem, 15,000 horses dropped dead in their tracks from exhaustion each year, snarling traffic for hours and adding to the stench of the city. The unsanitary conditions led to outbreaks of disease that swept through the city, quarantining entire neighborhoods, for weeks at a time.

Naturally, a public outcry arose over the situation. So, in an effort to show they were on top of the problem, New York's city leaders convened an international conference to solve what was billed a global crisis. They pointed out the same situation was mounting in many cities throughout the world. But to everyone's

disappointment, the conference ended up an utter failure. The world's top experts were confounded and declared there was no answer to the problem.



The automobile surprised everyone as being the solution to the problem. Even though a few cars were already on the road when the conference was held, and doubtless some attendees rode to the conference in one of the new-fangled contraptions, none of the experts saw them as being the solution. Instead, the paradigm shift took place on its own, right under the experts' noses, and soon what was once an impossible problem merely disappeared.

Just as the automobile solved our problem with horses, this book presents solutions that solve many of our economic problems today.

Someday we may forget that we ever had to pay high taxes, that our nation had a growing deficit, or that we owed tens of trillions of dollars in national debt. We may forget that the cost of housing, college, and medical care was skyrocketing. Even the fact that a third of the people in our nation were living in poverty may fade into the past. For a clue as to how this paradigm shift is possible, let us look at deficit spending, the fact that our government spends more than it generates in revenue, in a new light.

If we *really* could not afford all the schools, roads, and military aircraft we build each year, we would run out of human and natural resources before such projects were completed. This does not happen, of course, so it is not that we lack the resources to accomplish what we set out to do in our budget; rather there is something terribly wrong with *how* we pay for it that causes the deficit. As you will see, we can actually afford more than we do today and enjoy a huge tax cut, while balancing the budget.

I saw this problem in a different light when I met with Alan Stern, who led the New Horizons space mission to Pluto. At dinner, Alan remarked that the single most challenging aspect of the entire mission was *financing* the project. Even though that may seem ironic for an endeavor that tested the limits of human ability, it did not surprise me, as many viable projects fail only for lack of money. I asked Alan what he thought the limits to space exploration would be if money was no issue. Could we launch a new probe to Pluto every year, for example? "Of course, we could!" he replied, "that would be easy! We just don't have the money." And, in fact, we probably will not launch another mission to Pluto

for decades simply because we cannot afford to do so. This begs an important question, doesn't it? Have you ever wondered what life would be like if we solved our nation's money problem?

“No complaint ... is more common than that of a scarcity of money.”

—Adam Smith

WHY WE HAVE A MONEY PROBLEM

THIS IS THE QUESTION that sent me on a twenty-five-year mission to find answers to our nation's top economic problems. It eventually involved every aspect of my life and even became a core element in my own search for meaning, as the chase of the almighty dollar rules our lives more than we'd like to think.

In essence, I was seeking what you might call a *unified field theory*: a general principal that serves as a solution to a wide range of problems. I wanted an overarching solution to poverty, Social Security, the decline of our middle class, our deficit, our skyrocketing national debt, and the high cost of taxes, healthcare, and college. And, as if that was not enough, I also wanted to understand the meaning of life.

For many years, I was at a loss as to how we could fund the programs we needed while also slashing taxes and balancing the budget. And for a long time, my own search for meaning also grew more confusing.

My earliest inkling that there might be a solution to our nation's money problem occurred when I attended a dinner in New York

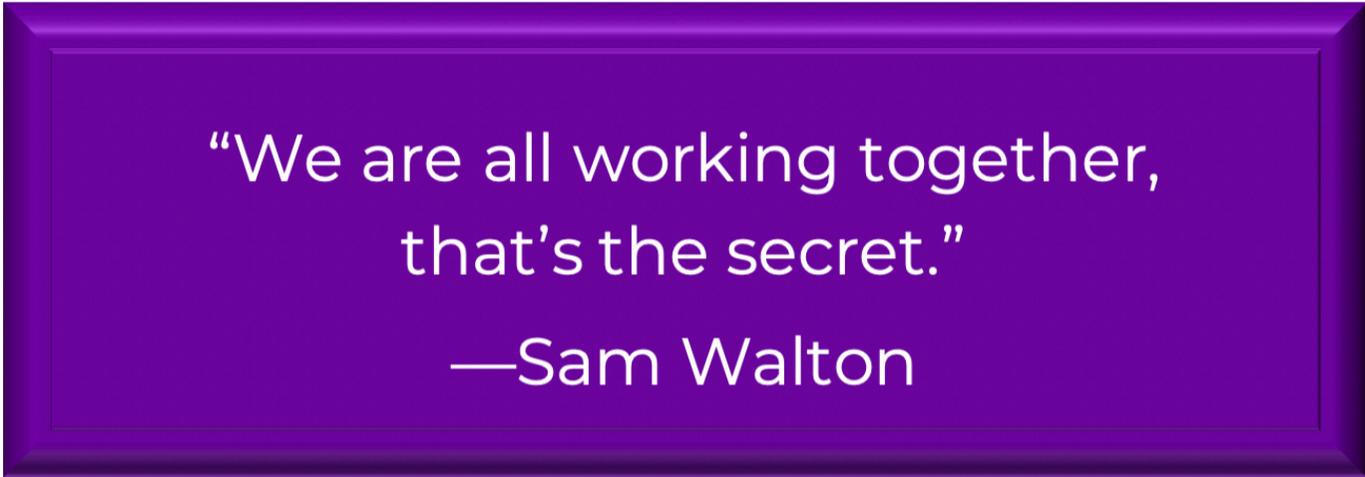
City with two traders. They were laughing as they celebrated a series of trades that they had completed that week, the value of which exceeded the entire world's GDP. I was stunned to hear their accomplishment, and it proved a pivotal moment for me. I reasoned that if a handful of traders could orchestrate a series of trades that exceeded the GDP of the world, then the total payments in our economy must be astronomical—dwarfing our income—and that these payments could be the basis for a better tax system.

Perhaps a small fee on the movement of money could replace the crushing burden of income taxes.

That would allow us to simultaneously reduce taxes and provide benefits that improve our standard of living, which would, in turn, supercharge the economy. It was not until the Federal Reserve teamed up with the Bank for International Settlements (bis.org) to study the flow of money in the economy that the hard data finally became available that would support an alternative to our current tax system. The data from that study, which the BIS now publishes annually as its *Red Book*, is the basis for the plan presented in this book—a paradigm shift that would provide a new era of prosperity for all.

The reason we do not have win-win policies today is because we approach taxation and economic policy as a zero-sum game.

We believe that a gain for one person means a loss for someone else. We believe this despite the fact that human progress has never been about some winning while others lose. Disruptive technologies have always made life better for everyone. We enjoy what we have today, not because some people lost out while others made out, but because progress improved life across the board for everyone. When someone builds a house, for example, the workers that work on the house also benefit. The owner of the house does not have a new house because someone else took a fall. That would be absurd, and yet our current economic policies do not reflect this simple fact.



“We are all working together,
that’s the secret.”
—Sam Walton

I believe we are shackled to the zero-sum policies we have today primarily because we failed to grasp the difference between what I call the *material economy* and the *monetary economy*. The material economy is tied to consumption and production, which depends upon labor, technology, and natural resources. The monetary economy is tied to money and securities, which depend upon an entirely different set of rules. The original purpose of the monetary economy, though, was to grease the skids for the material economy.

Today, the monetary economy has grown to be much larger and more powerful than the material economy. The monetary economy is now the tail that wags the dog, which has some serious ramifications. Our latest recessions, for example, have all been because of issues in the monetary economy. They did not occur because of problems in the material economy, such as running out of natural resources, or because people no longer

wanted to work or buy goods. Instead, the last three recessions have been the result of a liquidity crisis of one sort or another, the fault of which rested squarely in the monetary economy.

We want the monetary economy to facilitate growth in the material economy, not undermine it.

Think of the monetary economy as an operating system that supports the material economy, just like a computer's operating system supports applications. Because our operating system of taxation and banking was founded way back in 1913, we should not be surprised that it has grown stale and is now working against us. Taxes, interest, and inflation all combine to make our lives much harder than they need to be.



THE FINANCIAL FREEDOM ACT

THE GOOD NEWS is that we have created a remarkable engine for producing goods and services: the material economy. The work of countless people over many years has brought us to the brink of prosperity. We need only to upgrade our financial operating system to unleash this engine's capacity to realize the prosperity we are capable of. And that is what the solutions in this book are designed to do. I call these solutions the Financial Freedom Act (FFA). The Financial Freedom Act is not an actual bill before Congress, but it should be!

The Financial Freedom Act would tweak our financial operating system so our economic policies do a better job of stoking the material economy. Currently, our operating system is working against us. To understand just how well these solutions would work, look at the tables below, which show how the Financial Freedom Act would affect two very different families.

A COUPLE EARNING \$30,000

	<u>Today</u>	<u>FFA</u>
Salary	\$30,000	\$30,000
Taxes	-\$2,295	-\$180
Basic Income	\$0	\$48,000
EIC	\$0	\$12,000
Healthcare	-\$2,500	\$0
<u>\$100K Mort</u>	<u>-\$6,441</u>	<u>-\$3,333</u>
Net Income	\$18,764	\$86,487

A FAMILY EARNING \$100,000

	<u>Today</u>	<u>FFA</u>
Salary	\$100,000	\$100,000
Taxes	-\$17,434	-\$311
UBI	+\$0	+\$48,000
EIC	+\$0	+\$7,500
Healthcare	-\$12,000	\$0
<u>\$300K Mort</u>	<u>-\$19,323</u>	<u>-\$10,000</u>
Net Income	\$51,243	\$145,189

No doubt you will look at these tables with a degree of skepticism. They show taxes dramatically slashed alongside benefits that would be impossible to fund today. How is this possible? It would require a tax system literally hundreds of times more efficient than the one we have today.

Here are how the tables work. We Americans earn \$20 trillion per year collectively, which is why it is difficult for us to pay for the \$7 trillion that our government spends annually at the federal, state, and local levels. Adding trillions of dollars in new benefits to our budget would be out of the question under our current tax system. The solution is found in the mind-boggling volume of payments made in the monetary economy each year, which, according to the *Red Book*, come to over \$7,244 trillion. Compare this number to the \$20 trillion we collectively earn, and you find that the payments in the monetary economy exceed the income of everyone in our nation by over 350-fold!

Simply by placing a small fee on every payment made, we could eliminate all of our current taxes, while generating more revenue than we do today.

This is how taxes for someone earning \$100,000 could be just \$311, and yet that would be enough to provide \$24,000 per year in basic income for every adult citizen in our nation, plus retirement, free healthcare, and free college. This is how the above tables are possible.

We have outgrown our current financial operating system. It needs an upgrade. We can transform our economy and our standard of living without slighting either end of the political spectrum. Like the other disruptive technologies that have changed our lives for the better, the Financial Freedom Act can improve life for everyone. How we execute this paradigm shift is the subject of this book.

And just as it turns out that the economy is not really about the flow of dollars, but about man, there is also God... for the triumph described in this book is as much God's triumph as it is man's triumph. More money for everyone will not make the world a better place unless we come to understand how we all matter.