THE FINANCIAL FREEDOM ACT

A New Operating System For the American Economy

The New Benefits We Can Afford While Paying Less in Taxes Than We do Today

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One Page Summary

The Financial Freedom Act (FFA) scraps the current antiquated taxation system in favor of a 21st century approach that can accelerate economic vitality for all. The package is entirely nonpartisan, with the potential for broad appeal, and goes far in solving a spectrum of issues plaguing our country today. We are taxing the wrong thing when we tax income and ignore 99.7% of our economy. The income of everyone in the nation comes to $16 trillion, which is only 0.3% of the $5,000 trillion in payments flowing through our economy each year. Even with high income tax rates, we have a trillion-dollar deficit. If instead of taxing income we placed a miniscule fee of 0.2% on each payment, here's what would happen:

- You'd no longer have to pay any income, sales, or property taxes, and we'd eliminate the IRS. Instead, the bank would deduct 20 cents per $100 deposited into your account. You'd no longer have to file tax forms, and taxes on $100,000 would plummet from $40,000 to just $200.
- The budget would finally be balanced, and we could pay $24,000 per year in basic income to every citizen, which would increase to $30,000 per year for everyone over 69. This would end poverty and provide a minimum retirement for all, while replacing our archaic welfare and social security systems.
- A payments tax could even provide basic healthcare and college for all, plus an Earned Income Credit of 50% for jobs up to $10k, 35% for jobs $10k to $20k, and 25% for jobs $20k to $30k, and we could pay off the national debt in less than ten years.
- The FFA also upgrades the banking system in a way that would enable interest-free mortgages, which would cut your mortgage payment nearly in half.

How Four Families Would Benefit from the FFA

A Couple Without Any Income

	Today	FFA
Basic Income	$0	$48,000
Welfare	$10,000	$0
Minus Federal Taxes	-$0	-$96
Disposable Income	**$10,000**	**$47,904**

A Retired Couple Aged 70+

	Today	FFA
Basic Income	$0	$60,000
Social Security	$15,000	$0
Minus Federal Taxes	-$0	-$120
Disposable Income	**$15,000**	**$59,880**

A Couple Earning $30K

	Today	FFA
Salary	$30,000	$30,000
Basic Income	$0	$48,000
Minus Healthcare	-$4,000	$0
Earned Income Credit*	$0	$10,500
Minus Federal Taxes	-$1,000	-$177
Disposable Income	**$25,000**	**$88,323**

A Family Earning $250K

	Today	FFA
Salary	$250,000	$250,000
Basic Income	$0	$48,000
Minus Healthcare	-$14,000	$0
$500K Mortgage	-$32,205	-$16,667
Minus Federal Taxes	-$58,077	-$596
Disposable Income	**$145,718**	**$280,737**

*Presumes the couple earns $15,000 each

INTRODUCTION

ON THE BRINK OF PROSPERITY

OUR ECONOMIC problems today are reminiscent of the challenges we faced with horses in 1900, when four million pounds of manure was being deposited on the streets of New York every day. The manure was piling up faster than it could be hauled away, so the smell was horrific. Worse still, there were so many horses packed in the city they could not be properly rested, and as a result, thousands of horses dropped dead in their tracks from exhaustion each year, snarling traffic and adding to the stench.

Naturally, a great public outcry arose over the situation, so New York's city leaders convened an international conference to find solutions to what was heralded a global crisis, as the problem was growing in cities throughout the world. The conference was a complete failure, though, as the world's experts concluded there simply was no answer to the problem.

Soon after, the automobile surprised everyone as being the answer. Even though a few cars were already on the road when the conference was held, none of the experts could see them as being the solution. Instead the paradigm shift took place right under their noses, until what was once a problem was merely forgotten.

Just as the car solved the problems we once faced with horses, this book presents a transformative new solution to our economic problems. In a few years we will likely forget we ever paid high taxes, had a deficit, or owed trillions of dollars in national debt. For a hint as to why, let us take a look at deficit spending in a new light.

Consider for a moment, that if we really could not afford the schools, roads, and aircraft our government builds each year, we would run out of human and natural resources before they were complete. That does not happen, of course. And since we do not actually lack the resources to finish such projects, there must be something seriously wrong with *how* we are going about paying for them that causes the deficit. Perhaps a tweak or two to our financial system could fix the problem.

I saw this problem in a different light when I met with Alan Stern, who led the New Horizons space mission to Pluto. He said the most challenging part of the entire project was financing the mission. Though ironic for a program that tested the limits of technology, it did not surprise me. Many projects fail only for lack of money. I asked Alan what the limits to space exploration would be if money was not the issue. Did we have the ability to launch a new probe to Pluto every year? "Of course!" he replied, "That would be easy! We just don't have the money." That begs the question of what our lives would be like if we solved this problem. *In other words, how much are we missing out on today because of our archaic financial operating system?*

THIS IS THE QUESTION that sent me on a mission to find answers to our nation's top economic problems. I wanted solutions that would appeal equally to both conservatives and liberals. From the perspective of physics, you might say I was seeking a unified field theory: a general principal that could serve as a new solution to a wide range of problems. I wanted an overarching answer 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. At first, this seemed impossible, until I found a unique approach to healthcare and college that could satisfy both left and right. But that only left me with the most daunting challenge of all: *how to pay for everything.*

For many years I remained at a loss as to how we could fund the programs we need while also reducing taxes and balancing the budget. Based on the solutions I had found I knew what the budget would be, and it was clear we could not fund it under our existing tax system. It was not until the Federal Reserve and the Bank for International Settlements teamed to study the flow of money in our economy that an alternative became evident. The data from that study, which the BIS now publishes annually in 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.

Currently I am codifying the plan into a bill called the Financial Freedom Act. If the bill is passed by Congress, you would receive basic income, a guaranteed retirement, free basic healthcare, and free college. In addition, the act would balance the budget, and pay off the national debt. Remarkably, the act would even greatly reduce your taxes, since it eliminates the need for income, sales, and property taxes at both the federal and state levels. Instead, the act relies on a small payments tax that would enable us to afford the benefits described above without having to pay high taxes. In this way, the act serves both rich and poor, young and old, liberal and conservative.

The reason we do not have win-win policies today is because we approach taxation, and policy in general, as a zero-sum game; in other words, a gain for one means a loss for someone else. But progress is not about winners and losers. Disruptive technologies make life better for all. We enjoy what we have today not because someone else lost out, but because progress improved life across the board. When someone builds a house, for example, the crew that works on the house also benefits. The owner of the house does not receive a new house because someone else took a fall. That would be absurd, and yet our current economic policies do not emulate this principle.

We are shackled to the zero-sum policies that we have today because we failed to grasp the relationship between 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 on a different set of rules.

Money is the most powerful tool for organizing human activity that man has ever invented. The purpose of the monetary economy is to grease the skids for the material economy. In recent times, though, the monetary economy has grown to be much larger than the material economy. Today it has become the tail that wags the dog, which has serious ramifications. Our latest recessions, for example, have all been because of issues in the monetary economy, such as when unbridled lending led to a liquidity crisis. We do not have recessions today because of problems in the material economy, such as running out of resources, or because people no longer want to work or buy goods.

We would do well to remember the monetary economy is for supporting the material economy, not undermining it. Think of the monetary economy as an operating system that supports the material economy like a computer operating system supports apps. Since our system of taxation and banking was founded way back in 1913, we should not be surprised that our operating system is a little stale.

The good news is we have created a remarkable engine for producing goods and services in 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 operating system to unleash this engine's capacity in order to realize the prosperity we are capable of. And that is what the Financial Freedom Act is designed to do. It tweaks our operating system so the monetary economy will do a better job of stoking the material economy.

My earliest inkling that there could be a solution to our government's revenue problem occurred years ago when I attended a dinner in New York with two traders. They were celebrating a series of trades they had completed, the value of which exceeded the world's GDP. I was stunned to hear this, and it proved a pivotal moment for me. I reasoned that if those few trades exceeded the GDP of the world, our collective income must be a very small fraction of the total payments in our economy, and that could be the basis for a better tax system. Perhaps a small fee on the movement of money could replace the crushing burden of taxes, which would supercharge the material economy.

To understand just how well this can work, look at the tables below, which show how the Financial Freedom Act would affect three families. Note that both rich and poor do better. And note that both left and right would be happy with the outcome; greater prosperity coupled with a huge tax break and a balanced budget.

A COUPLE WITHOUT ANY INCOME

	Today	Proposed
Basic Income	$0	$48,000
Welfare	$10,000	$0
Minus Federal Taxes	$0	$96
Net Disposable Income	**$10,000**	**$47,904**

A COUPLE EARNING $30K

	Today	Proposed
Salary	$30,000	$30,000
Basic Income	$0	$48,000
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A FAMILY EARNING $250K

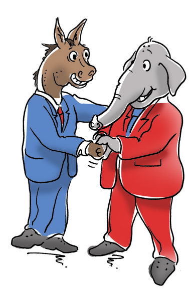
	Today	Proposed
Salary	$250,000	$250,000
Basic Income	$0	$48,000
Healthcare	-$14,000	$0
$500K Mortgage Payments	-$32,205	-$16,667
Minus Federal Taxes	-$58,077	-$596
Net Disposable Income	**$145,718**	**$280,737**

No doubt you will look at these tables with a degree of skepticism. How could they be possible? The answer is they are only possible if we switch to a more efficient tax system, as it would cost us $10 trillion per year to pay for the above benefits and balance our budget. Even if we doubled the tax rate under our current system, which would mean a family earning $250,000 would pay over $116,000 in taxes, we would still have a deficit. Collectively, we only earn $16 trillion each year, which is why it is so difficult for us to cover the $5 trillion our government spends annually at the federal, state, and local levels today.

The solution is found in the amount of payments made in our economy each year, which, according to the Fed, totals over $5,000 trillion. Compare this to the $16 trillion we collectively earn, and you find that the payments in the monetary economy exceed the income of everyone in our nation by over 300-times! Even the entire NYSE represents only one percent of the payments in our economy.

Simply by placing a small fee of 20 cents on every $100 that anyone receives, we could drop the tax rate from 39% to 0.2% and eliminate all income, sales, and property taxes. Thus, taxes for someone earning $250,000 would be only $450, which would be sufficient to provide $24,000 per year in basic income for every adult citizen, plus retirement, healthcare and college for all. That is how the above tables are possible.

It turns out the core values of both the liberals and the conservatives are sound. We have merely outgrown our operating system. It is possible to transform the world we live in without slighting either end of the political spectrum. Just like the disruptive technologies that have changed our lives for the better, the Financial Freedom Act is a plan that would improve life for everyone. How we accomplish this is the subject of this book.



CHAPTER 1

THE END OF INCOME TAXES

MOST PEOPLE have the same reaction when receiving their first paycheck. They are shocked at how much has been deducted for taxes. Over time we tend to forget how much we pay in taxes and we think of our salaries as the net amount of our paychecks. In this chapter you'll be reminded of how much you pay in taxes—not to depress you, but to illustrate how much more you would have if we adopted a new means of paying for government spending.

The problem with our current system is that it is based on taxing income. When you think of it, even the money for sales and property taxes comes from income. And this is a problem because income is a shrinking component within the overall economy—you will see why shortly.

In 1913, when income taxes were first imposed, income was the right thing to tax. Henry Ford shocked the world when he paid his workers five dollars per hour, which helped ignite the era of a growing middle class. Technology made this possible. By specializing, workers were able to produce more goods with machines than they could by hand, so the value of the worker increased. Both income and production grew in lockstep for decades.

All that changed in the 1970s when the Japanese began automating their factories, and we had to do the same. It was technology that fueled this revolution, too, but now it marginalized the worker, and wages flattened even though production rose. In terms of real dollars, our wages have never recovered. They have remained flat since the 1970s, while the economy has grown in leaps and bounds.

It should not come as a surprise to a student of history that it is time to change the tax base. Before income taxes, over 80% of the government's revenue came solely from taxes on alcohol and tobacco.[1] Today we could only cover 5% of the government's spending if we relied on taxing alcohol and tobacco. The same thing will happen if we stick to taxing income.

THE KEY to a better tax base can be found in how the economy responded to automation. The trivialization of production gave rise to financialization. Since the 1980s, the highest paying jobs have been in the financial sector. Thus, the monetary economy began a sustained period of growth until it overshadowed the material economy.

The material economy involves goods and services. The monetary economy is comprised of the movement of the many intangible forms of money. The key issue is the relative size of the two economies.

The material economy is roughly the size of our Gross Domestic Product (GDP), which is about $19 trillion.[2] Another way to size the material economy is to total our collective incomes, which came to $16 trillion in 2016.[3]

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[1] http://www.eoearth.org/view/article/153529/
[2] https://www.bea.gov/iTable/iTable.cfm?ReqID=9&step=1#reqid=9&step=3&isuri=1&903=5
[3] https://www.bea.gov/iTable/iTable.cfm?ReqID=9&step=1#reqid=9&step=3&isuri=1&903=58

As it turns out, the sheer volume of payments that flow through the monetary economy vastly outsizes the material economy. The Federal Reserve tracks these payments, and the Bank for International Settlements in Basel, Switzerland publishes this information in its annual Red Book, which tracks payments for almost all the nations in the world.

According to the Red Book, new deposits made in bank accounts totaled $1,567 trillion in 2015, while new deposits in non-bank accounts, such as credit unions, totaled $171 trillion. If we taxed new deposits in banks and credit unions at a rate of a little more than 0.2%, it would pay for federal spending and we could completely eliminate income taxes! But why stop there? There are more payments than that.

Trades on the New York Stock Exchange and Nasdaq totaled $36 trillion in 2015. Note that $36 trillion is really not that much when compared to the total volume of payments made, which is why a financial transactions tax on the stock exchange isn't the answer.

Further in the Red Book, we find customers were paid $1,231 trillion through the NSCC and the FICC, and $408 trillion through the DTC and the Fed in 2015. Customers received payments of $311 trillion for selling FX assets and $310 trillion for selling OTC IR derivatives on other platforms, while customers at the CME were paid $1,000 trillion for selling commodity contracts. The tally below totals the above figures:

New deposits in banks	$1,567 trillion
New deposits in nonbanks	$171 trillion
Stock exchange trades	$36 trillion
NSCC and FICC transactions	$1,231 trillion
DT and Fed transactions	$408 trillion
FX trades	$311 trillion
OTC IR trades	$310 trillion
CME commodity trades	$1,000 trillion
Total payments	$5,034 trillion

The total comes to over $5,000 trillion in payments in the U.S. for the year 2015. The footnote below details the sources used to arrive at this figure, listed in the order they were quoted on the previous page.[4]

The 5 *quadrillion* dollars that change hands each year is *300 times greater than our collective income*. Thus, the total income of everyone in America, $16 trillion, amounts to only *a third of one percent* (0.3%) of the total payments made in our nation each year. As automation displaces more workers, and as the monetary economy continues to expand, our collective income will be a smaller percentage of the total payments in the economy each year.

[4] Table 11 in the Red Book (http://www.bis.org) shows CHIPS, Fedwire, checks, ACH, and on-us payments in 2015 totaled $1,567 trillion among banks. Table 8 shows the use of payment instruments, ACH, cards and checks in 2015 totaled $171 trillion among non-banks. Table 21 shows transactions at the NSCC and FICC in 2015 totaled $1,231 trillion. Table 26 shows transactions at the DTC and the Fed in 2015 totaled $408 trillion. Table 18 shows trades on the NYSE and Nasdaq in 2015 totaled $36 trillion. Table 6 in the BIS' FX Turnover Publication shows U.S. FX trades at $311 trillion in 2015. Table D12.2 in the BIS's OTC IR Derivative publication show U.S. trades at $310 trillion in 2015. Trades at the CME have exceeded $1,000 trillion annually since 2014 (http://openmarkets.cmegroup.com/9685/todays-number-more-than-1-quadrillion-traded-in-2014).

Financialization is the primary reason income is a shrinking portion of the overall economy. The vast majority of the payments made each year have little to do with what most of us regard as being the real economy—the purchase of goods and services and the supply chain for creating those goods and services. The monetary economy has been growing faster than the material economy. Our GDP is less than a third of one percent of the total payments in the economy. Once we understand the big picture, the answer is obvious. We should be taxing payments instead of income.

The merit of a payments tax becomes even more clear if we look at taxation from yet a different perspective. Why does the government need to impose taxes in the first place? If it has the right to create money, why doesn't it just print the money it needs?

These are valid questions, because back in the day when we used gold for money the government was in the same boat as everyone else; it had to obtain the money it needed from an outside source. A ruler's choices were limited to taxes, plunder, or venture (financing spice voyages, mining). But with fiat money the government can print the money it needs. The problem is if the government simply prints the money it needs to pay for spending, it would balloon the money supply, which would result in inflation. This has happened to many nations in the past, so it is not just a theoretical construct.

The better way to look at taxation today is as a means of pulling money out of the money supply to counterbalance government spending in order to avoid inflation. If we see taxes in this way, then keeping the tax base as broad as possible makes even more sense, because it minimizes the impact of taxes on any given sector within the economy. Clearly, it is best to take as tiny of an amount as possible out of every payment in every sector of the economy. That would provide the lowest tax rate possible, while not burdening any one economic sector over another.

Our current tax system is the complete antithesis to this. We have placed the tax burden on one relatively small sector of payments within the overall economy (our income and retail sales). Ironically, it is also the sector that has the greatest impact on our own financial wellbeing, as well as the sector that the rest of the economy is indexed to. Taxing payments would reduce the burden on this sector by three-hundred-fold! Taxing payments instead of taxing income makes sense for a multitude of reasons.

LET US LOOK at how the math works for a payments tax versus income taxes. Personal income in 2016 totaled $16 trillion,[5] while federal, state and local government spending came to about $5 trillion.[6] Paying for $5 trillion in spending from $16 trillion in income would require a flat tax of 31%, without allowing for any deductions.

5 trillion divided by 16 trillion = 0.31, or 31%

We cannot bring ourselves to tax income this heavily, so we settle for a combination of taxes. Meanwhile our annual deficit is close to a trillion dollars and our national debt is over $22 trillion. In other words, the math does not work in our current system.

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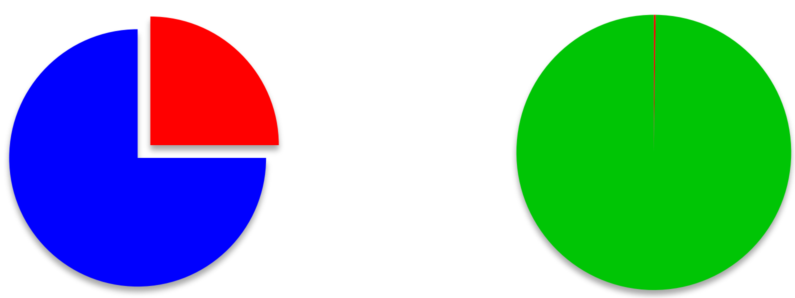
[5]https://www.bea.gov/iTable/iTable.cfm?ReqID=9&step=1#reqid=9&step=3&isuri=1&903=58
[6]https://www.whitehouse.gov/sites/default/files/omb/budget/fy2017/assets/tables.pdf

Let us look at how the math works for taxing payments. Remember that the total amount of payments in 2015 was over $5,000 trillion. Dividing $5 trillion of government spending by $5,000 trillion in payments yields a very small number indeed: just 1/10th of a percent, or 0.1%.

5 trillion divided by 5,000 trillion = 0.0001, or 0.1%

This would be the new tax rate; the tiny percentage that would have to be deducted from each payment in order to cover federal spending and all state and local budgets. At the low rate of 0.1%, a payments tax would eliminate the need for all personal and corporate federal and state income taxes, Social Security taxes, Medicare taxes, capital gains taxes, estate taxes, gift taxes, excise taxes, customs taxes, sales taxes, and even property taxes!

THE FEDERAL BUDGET COMPARED TO
INCOME AND PAYMENTS



The graph on the left illustrates the bite the budget (red) would take out of our income (blue) if we were to try to balance the budget by taxing income. The graph on the right shows the bite the budget (the thin red line) would take from payments (the green circle) if we were to tax them. The illustrations below and on the next page compare income taxes to a payments tax from a different perspective.

Today, if you are a single person making $100,000 a year, you pay around $40,000 in federal, state, and local taxes. With a payments tax your total tax would be $100. Plus, you would be able to go shopping without paying an additional 8% in sales taxes. You would pay less for gas, your phone service, and airline tickets because there would not be any excise taxes. And if you are a homeowner, you can appreciate how much eliminating property taxes would save you.

In addition to providing you with a whopping tax cut, a payments tax would free you from the burden of filing tax returns and having the government pry into your personal life. It would also protect you from the threat of tax liens, the cost of complying with cumbersome tax laws, and it would give you back a measure of privacy.

SO HOW would we implement a payments tax? Very simply, the new system would involve taxing a very small amount of each and every payment that anyone *received*. When you *buy* something, you *would not be taxed*, the person you paid would be taxed. A payments tax, then, is paid only on the receiving end of the transaction.

The payments tax would involve a single adjustment to the automated clearing process for financial institutions. If you deposited a check for $1,000 into your bank account, the bank would automatically deduct the standard tax on payments and credit you $999. There would be no need for any new government agencies, nor would it require 75,000 pages of tax code like our current system does.

Instead of taking the money deducted from a payment and crediting it to an account for transfer to the Treasury Department, as we do today with income taxes, the money deducted under a payments tax would *not be credited to any account at all*. The idea of not crediting money to an account can be a bit challenging to conceptualize, but it would serve a critical purpose. It would delete money from the money supply. From the taxpayers' point of view, it would simply appear as a fee applied to the clearing process.

If we implemented the payments tax in this way, we could utilize the Federal Reserve to create the money the government spends. The money created by the Fed would enter the economy via government spending, essentially replacing the money deleted by the payments tax. This would balance the money supply and mitigate inflation.

There are several advantages to implementing the payments tax in this way. First, it would be highly efficient, since it would eliminate the overhead associated with having to aggregate tax revenues and transfer them to the Treasury. Second, it would eliminate the need for financing the inevitable gaps between the process of collecting taxes and spending. And third, it would enable the payments tax to be utilized as an economic stabilizer.

The fact that a payments tax can be used to stabilize the economy is especially compelling. If the economy slows down, the amount of money being removed from the money supply by the payments tax would also decline. Thus, any spending that exceeds the amount of money removed by the payments tax would serve as a stimulus that warms the economy. Likewise, should the economy heat up, the amount of money removed from the money supply by the payments tax would increase, serving to cool the economy. Using the payments tax in this way would be a better way to regulate economic activity than how the Fed moderates interest rates today.

THE IMPLICATIONS of implementing a payments tax and what it would do for our nation are exciting. Because a payments tax would put more money in our pockets, consumer spending would increase, and our nation's GDP would increase. Since businesses would no longer pay corporate or FICA taxes, they would have more money to expand and hire new employees. In addition, the cost of complying with our complex tax code would be eliminated, so businesses could put that money to productive use. And without a deficit, our national debt would no longer increase. Together, these factors would propel our economy to new heights. But the benefits go beyond this.

Under a payments tax, companies would no longer use foreign nations to hide from U.S. taxes. Foreign tax rates are higher than the payments tax, so the problem of "inversions," or companies moving their headquarters offshore, would be solved. Instead, we would see a return of the dollars that multinational companies have stashed offshore, which would increase the volume of payments. Eliminating income taxes would also bring a flood of money to our country from overseas, resulting in increased investment in our nation and even more payments.

Finally, the payments tax would save Social Security. According to current estimates by the Social Security Administration, the trust funds supplementing the payment of benefits will soon be exhausted. At that time, benefits to retirees will need to be cut and/or FICA taxes increased. In other words, the Social Security program is already insolvent, with expenditures exceeding receipts; the program is in its final stages of unraveling.[7] The payments tax would end this ticking time bomb and bring solvency to Social Security.

[7] http://www.ssa.gov/policy/docs/ssb/v70n3/v70n3p111.html.

Chapter 2

Benefits We Can Afford

Taxing payments opens the door to solving numerous economic problems. This chapter explores what our lives would be like if Congress passed the Financial Freedom Act, which would eliminate income taxes and tax payments at the low rate of just two tenths of one percent. In other words, if you earn $100,000 per year, your tax bill would drop from $40,000 to just $200, and you would receive all the benefits in this chapter.

Basic Income

At a rate of just 0.2%, a payments tax would generate enough to pay $24,000 per year in basic income to every adult American citizen, regardless of his or her financial status, and $30,000 per year to all citizens age 70 and over. The total tab would be $5.5 trillion, though we could subtract $1.5 trillion because basic income would eliminate the need for programs like Social Security and welfare.

It is important to understand why basic income's a win for the economy. The secret is we would be increasing our collective prosperity, which depends upon two factors:

- Our ability to *produce* what we need, and
- Our ability to *buy* what we produce.

Because of the extraordinary times we live in, the ability of our production engine to produce more than it does today is not a problem. Instead, the problem is keeping the consumers' ability to buy up with the ability of our businesses to produce.

General Motors, for example, could produce more cars than they do today, but they limit their production to what they can sell. If a study showed that demand for cars was going to triple, GM's management would not wring their hands, they would celebrate!

Think of the difference between the current level of production at GM and the level of production that GM could reach if there was no limit to the number of cars they could sell. That difference essentially defines the amount of unrealized or latent wealth within GM. And it is the same for almost all producers. As a nation we are sitting on a gold mine of unrealized wealth, we just need a better operating system to tap it.

By replacing income taxes with a payments tax, we'd be making a big step forward in putting more money in the pockets of consumers. Basic income would be another leap forward. As you will see, there are even more programs we can implement that do the same. I will recap the net improvement in our collective prosperity from the Financial Freedom Act in Chapter 4. For now, there are two cardinal rules we must remember when designing programs to improve our collective prosperity:

- First, we cannot balloon the money supply, and
- Second, we cannot stimulate demand beyond the level that our factories can support.

Violating either of these two rules will cause inflation. As we have seen, a payments tax keeps the money supply from ballooning by deleting money at the same rate the Fed creates money. The amount that consumer demand can be increased without causing inflation (the second bullet point above) is a function of how much additional capacity exists within our production engine. That figure would include the amount that factories both within the U.S. and outside our borders can ramp up over time.

A quick and dirty way of assessing this figure is to look at the GDP and apply a percentage to it. For example, if our production engine is currently producing $20 trillion per year, and on average each factory could produce 25% more than it does now, then an extra $5 trillion in the hands of consumers won't be inflationary.

It's important, at this point, to take note of a critical difference between welfare and basic income. Welfare is a safety net that *disqualifies recipients from future benefits if they get a job*, even at minimum wage. This discourages recipients from seeking employment, creating what is known as the welfare trap.

Because basic income is paid regardless of other income, it eliminates the welfare trap. And unlike it is with welfare, taking a job when you are receiving basic income, even if you are earning a minimum wage, would materially improve your financial wellbeing. Thus, basic income can serve to encourage employment.

Think of basic income as an economic stimulus designed to bring consumer demand up to the productive capacity of our economy. Basic income would enable the citizens of our nation to enjoy the benefits of technological progress, rather than becoming victims of technology. Basic income would go a long way toward solving the problem of rising inequality and stagnating working-class incomes.

EARNED INCOME CREDITS

WE ARE far from the day that automation will replace all our jobs, so in order to have enough workers to meet the increased demand that basic income would create, the Financial Freedom Act includes earned income credits to encourage employment. A payments tax of 0.2% would generate more than enough revenue to pay both basic income and the schedule of earned income credits set forth on the next page.

Income Bracket	Earned Income Credit
$0–$10,000	50%
$10,001–$20,000	35%
$20,001–$30,000	25%

Based on this schedule, someone who takes a job and earns $10,000 would actually receive $15,000. And if you add basic income, they would be making a total of $39,000, which makes it well worth getting a job. The above schedule for earned income credits would cost the nation a total of $273 billion, but even that would not exhaust our budget, so let's look at some of the other benefits we can afford with the Financial Freedom Act.

Basic Healthcare

Let us look next at healthcare. Today we pay about $10,000 annually per person for healthcare in the U.S. Meanwhile, the four countries having the best healthcare in the world, Israel, Hong Kong, Singapore and South Korea, all which have a similar cost of living to us, pay less than a third of what we pay. Israel tops the efficiency list, coming in at just $2,000 per person.

There are two key problems with our current healthcare system:

- Whenever healthcare is managed by a third party it will be a bureaucratic nightmare. It does not matter if it is the government or an insurance company, third party management will always add a layer of expense and bureaucracy to healthcare.
- Whenever doctors are paid on a reimbursable basis, they are being incentivized to perform more tests and procedures than necessary, which will drive up the cost of healthcare.

The Financial Freedom Act opens the door to an alternative that solves these problems. Plus, it is a solution that appeals to both conservatives and liberals. The solution is called the American Medical Plan (AMP), and it provides you with a monthly credit that you choose how to spend.

You could spend your credit on private insurance, for example, and stay in the existing system, or you could choose to join a private provider group. The provider group would receive cash flow from your AMP credit each month in exchange for taking care of you. If you become unhappy with your provider group, you have the right to switch to another group at any time. Patients would have the ability to rate their provider group online, so you could see how others feel before trying a group yourself.

The Financial Freedom Act would bring free market principles back into healthcare. Under the AMP, the provider's gross monthly revenue would be based on how many patients the group has. The cash flow received by the group would be similar to the premiums paid to an insurance company, except they would be going directly to the provider.

Because provider groups would not have to submit claims for reimbursements, their overhead would be greatly reduced. There would no longer be a middle man to drive costs up. The overhead surrounding the submission and processing of medical claims today adds greatly to the total cost of healthcare.

There are already some provider groups that exist as alternatives to our current healthcare system. They had their genesis when doctors organized themselves into groups, realizing that collectively they had the ability to care for anything their patients needed. Instead of having their patients pay monthly premiums to an insurance company, the doctors had their patients pay a monthly fee directly to them. The fee provided the doctors with sufficient income to pay themselves and cover the overhead of the practice.

Under the AMP, the government would send your monthly credit to the provider group you picked, and they would be responsible for giving you basic healthcare at little to no cost. The doctor would no longer be reimbursed on a per-procedure basis. Decisions about the procedures you need would be left solely to you and your doctor. The AMP would thus put doctors back in charge of:

- Keeping their patients happy, and
- Controlling expenses.

This would bring the cost of healthcare down because doctors would no longer be incentivized to perform tests and procedures that were not essential. Instead, they would be focused on how to get the best results possible at the lowest cost, which is how the rest of the world operates. It would be doctors that would put pressure on the pharmaceutical companies and the medical device industry to provide more effective and economical solutions.

The AMP would include tort reform to reduce the cost of malpractice insurance, which significantly increases the cost of healthcare today. There would be a standard national schedule for medical accidents that each group would need to insure against, but the schedule would be modest—there would be no more million-dollar lawsuits. If a patient wanted protection over and beyond the standard schedule, they would have the ability to buy malpractice insurance, which would be administered on a no-fault basis.

In terms of the change management necessary for the healthcare industry to comply with the AMP, there would be no changes forced on the industry at all. The free market would set the rate of change. Doctors would form provider groups as they saw fit, and consumers would switch to provider groups when they saw a benefit in doing so. The AMP would not put limits on the types of doctors that a provider group employed. That would be left to the free market to determine.

The Financial Freedom Act would provide you with greater choice and better care at a lower cost than what you pay today. Based upon the current cost of providing Medicare and Medicaid, the AMP would work on the following schedule:

Demographic Group	Annual Benefit
76 million children	$2,500/year
64 million adults (19–34)	$3,500/year
77 million adults (35–54)	$5,000/year
50 million adults (55–69)	$7,500/year
17 million adults (70–79)	$10,000/year
11 million adults (80+)	$15,000/year
10 million blind/disabled	$10,000/year

Based upon this schedule, the total cost for the AMP would be $1.6 trillion. The Financial Freedom Act would replace our current public healthcare programs with AMP, saving over a trillion dollars in government spending, and it would save employers and citizens countless dollars in insurance premiums and out of pocket medical expenses.

POST-SECONDARY EDUCATION

THUS FAR, the Financial Freedom Act has freed us from high taxes, provided basic income, extra money at retirement, earned income credits, and basic healthcare. But with a payments tax of 0.2%, there is still money left over—enough for free college, if the program is designed properly.

Today the escalating cost of college is an enormous hurdle for most; total student debt now exceeds $1.6 trillion, which means our approach to higher education is in need of change. Our student loan program is not only costly to students, it has unwittingly contributed to the high cost of higher education. Just as easy credit for home buyers leads to unrealistically high home prices, easy credit for students has enabled college tuition that is too high.

We need a program for free college that does not drive up the cost of college but encourages the creation of cost effective post-secondary options for students that lead to meaningful jobs. The Challenge Program does this. It provides qualified students a free education if they can find a school that offers a full year's tuition at a cost of $10,000 or less. The Challenge Program does not permit students to use their benefit to go towards tuition at a school where the cost of tuition is higher than $10,000, thus challenging students and educators in the following way:

- Students are faced with the choice of receiving a free ride from the government for an efficiently priced education versus electing to take out loans and/or directly pay for a conventionally priced education.
- Colleges are incentivized to deliver a year's worth of education for just $10,000, in order to attract an abundance of students.

Today the high rate of tuition, even when paid for with student loans, helps defray the cost of scholarships for students who do not pay anything. If colleges were to receive $10,000 for every one of their students, most would be better off than they are today. The Challenge Program would even work for Ivy League schools. And it would not be limited to four-year colleges. We need to encourage the proliferation of numerous short-term programs that train students for tech and vocational jobs.

There are 24 million college students in our nation. If all of them were to elect the Challenge Program, the annual bill would be $240 billion, and we'd still have a balanced budget.

CHAPTER 3

BANKING 2.0

OUR NATION'S operating system encompasses more than taxes and benefits. It also includes our banking system. Let's now look to see how banking can be redesigned to better serve us.

Today's banking system is rooted in the days when we used gold as money. Back then, a primary purpose of banks was to ensure there was sufficient gold available to support transactions in the economy. Thus, banks had to aggregate gold, and because that was expensive, it led to there being a "cost of funds." In other words, banks had to pay for deposits, so to earn profits the banks would loan the money they received at interest.

Today the financial sector has grown to the point that it garners almost 40% of our nation's profits.[8] This is not good for our economy. The role of the monetary economy is to facilitate growth in the material economy, not deplete it. Any excess we pay to the financial sector saps production and increases our cost of living. Excess in the banking industry acts as friction, devouring the production of our material economy.

Rather than impeding growth, we want banks to stoke the production engine in our material economy. We need banks to provide financial services, but we want them to create as little friction as possible.

Today banks still aggregate money, just as they have for centuries, so they have a cost of funds. The truth is we no longer need banks to aggregate money, because the authority to create money has been given to the Federal Reserve. Under Banking 2.0 the Fed would no longer be privately owned, but would be an agency of the federal government, owned by and for the people.

Under Banking 2.0 banks would act as financial service agents; originating and underwriting loans, servicing loans, foreclosing in the event of a default, managing lines of credit, and doing all that they do now—except they'd be doing it *as intermediaries for the Federal Reserve.*

Thus, the customer's money would actually be held by the Fed, with the bank providing the interface for deposits and withdrawals. This would eliminate the possibility of bank failures and the loss of customers' deposits. And because banks would be lending the Fed's money instead of their depositors' money, a little bank could have the same lending power as a big bank, opening the door to increased competition.

BANKING 2.0 would open the door for our banks to provide both domestic and international finance on an unprecedented level, which would strengthen our nation's global influence and allow the U.S. to better compete with China. With banks serving as intermediaries for the Fed, the capital available for investment would be unlimited and none of it would come out of the taxpayers' pockets. The Fed has the ability to generate, at no cost, whatever reserves are necessary to support any projects, whether domestic or foreign. The returns on the investments that our banks made in

[8] From bea.gov data; see the chart at http://blogs.reuters.com/felix-salmon/2011/03/30/chart-of-the-day-us-financial-profits/

foreign countries would be highly beneficial, providing profits to our nation that could be passed on to citizens in the form of Fed dividends.

One of the greatest benefits of Banking 2.0, however, is that it would eliminate the need for interest. Throughout history, interest has often been prohibited. Buddhism, Christianity, Hinduism, Islam, and Judaism all banned interest. Even Adam Smith, despite his advocacy of *laissez-fair* economics, believed in limiting interest.

It was not for moral reasons that interest was banned in the past. It was because there's a serious logistical problem with interest. Remember learning in school about the effect of compounding interest? Since an interest-bearing account grows in perpetuity, it would seem like it should be able to grow to the point that it would eventually contain all the money in the world. That can't actually happen because everyone's accounts earn interest simultaneously. Thus, the money supply grows over time to make up for this problem, which is why the value of money declines with time when interest is allowed.

Under Banking 2.0, borrowing from a bank would still entail origination and service fees, and you'd have to pay the loan principal back, but you would *no longer be charged interest,* so loans would cost you less. The elimination of interest would:

- Drop the payment on a $400,000 mortgage from $2,147 to $1,111, saving $372,960. [9]
- Drop the payment on a $100,000 student loan from $763 to $417, saving $83,040. [10]

Slashing the cost of credit would help us on a personal level as well as benefiting the economy. The money we'd save by not paying interest would be plowed back into the economy. Interest-free mortgages would cut the monthly cost of home ownership nearly in half. Today when banks qualify a borrower for a mortgage, they permit up to 1/3 of the borrower's income to be spent on their mortgage. That rule would have to change under Banking 2.0 so home prices don't double. With Banking 2.0 we could shrink the cost of housing from one third of our income to just one sixth of our income, which is what technology is all about!

The last recession exemplified how punishing interest is. Not only did millions of people lose their homes, we spent billions bailing out the banks. We'd have spent less and avoided many foreclosures if we had been able to roll back interest rates. The root cause of the recession was actually the monetary economy. There was nothing wrong with the material economy—the financial sector was simply costing us too much. Our last recession would never have occurred with Banking 2.0.

In the next chapter we'll look at how Banking 2.0, plus a payments tax and the benefits discussed in Chapter 2, would impact our bottom line.

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[9] The difference between 5% interest and 0% with a 30-year amortization.
[10] The difference between 6.8% interest and 0% with a 20-year amortization.

CHAPTER 4

OUR NEW BOTTOM LINE

LET'S LOOK at our new bottom line based on all the solutions presented in the first three chapters of this book. The following tables show how six different families would fare. Note that I've not included state income, sales, or property taxes in the below tables because they vary so much by state, so the families would be doing even better than shown.

A COUPLE WITH NO JOB

	Today	Proposed
Basic Income	$0	$48,000
Welfare	$10,000	$0
Minus Federal Taxes	$0	$96
Net Disposable Income	**$10,000**	**$47,904**

A RETIRED COUPLE AGED 70+

	Today	Proposed
Basic Income	$0	$60,000
Social Security	$15,000	$0
Minus Federal Taxes	$0	-$120
Net Disposable Income	**$15,000**	**$59,880**

A COUPLE EARNING $10K

	Today	Proposed
Salary	$10,000	$10,000
Basic Income	$0	$48,000
Earned Income Credit	$4,010	$5,000
Minus Federal Taxes	-$765	-$126
Net Disposable Income	**$13,245**	**$62,874**

A COUPLE EARNING $30K

	Today	Proposed
Salary	$30,000	$30,000
Basic Income	$0	$48,000
Minus Healthcare	-$4,000	$0
Earned Income Credit	$0	$10,500
Minus Federal Taxes	-$1,000	-$177
Net Disposable Income	**$25,000**	**$88,323**

A FAMILY EARNING $100K

	Today	Proposed
Salary	$100,000	$100,000
Basic Income	$0	$48,000
Cost of Healthcare	-$12,000	$0
$300K Mortgage payments	-$19,323	-$10,000
Minus Federal Taxes	-$17,434	-$296
Net Disposable Income	**$51,243**	**$137,704**

A FAMILY EARNING $250K

	Today	Proposed
Salary	$250,000	$250,000
Basic Income	$0	$48,000
Healthcare	-$14,000	$0
$500K Mortgage Payments	-$32,205	-$16,667
Minus Federal Taxes	-$58,077	-$596
Net Disposable Income	**$145,718**	**$280,737**

Note that every family does better, regardless of their financial status. The spreadsheet on the next page shows what our new federal, state and local budget would look like.

NEW FEDERAL, STATE, AND LOCAL BUDGET

	Beneficiaries	Benefit	Cost
Basic Income			
Adults age 19–69	191M	$24,000	$4,584
Seniors age 70+	28M	$30,000	$840
Earned income credits			$273
Total			$5,697
Healthcare			
Children 0–18	76M	$2,500	$190
Adults 19–34	64M	$3,500	$224
Adults 35–54	77M	$5,000	$385
Adults 55–69	50M	$7,500	$375
Seniors 70–79	17M	$10,000	$170
Aged 80+	11M	$15,000	$165
Blind and disabled	10M	$10,000	$100
Total			$1,609
College			
Total	24M	$10,000	$240
New Budget			
Current federal, state, and local budgets			$5,000
Plus, the new programs above			$7,546
Minus, the programs that are replaced			-$2,600
New Budget			$9,946
Revenue from a payments tax			$10,000
Surplus/Deficit			+$54

If we were to try to fund this budget with income taxes, someone who earns $100,000 per year would have to pay over $76,000 in taxes. With a payments tax, however, the new budget would cost someone earning $100,000 per year just $200.

As astounding as our new bottom line might seem, our newfound prosperity would simply be the result of a new operating system. We still need one additional solution, however. The federal government is carrying over $22 trillion in debt. How can we pay off the national debt?

CHAPTER 5

PAYING OFF THE DEBT

WITH A SOLUTION in hand for balancing the budget, you'll be pleased at how easy it is to pay off the national debt. As you can see in the graph below, our debt took on epic proportions in the 1980s and has been doubling every ten years since. Years of deficit spending have left us with over $22 trillion in debt, which is almost $70k per citizen.

The government currently makes up the difference between what it receives in revenue and what it spends by selling Treasury bonds. The money the government receives from the sale of these bonds provides the additional money that the government needs to cover the cost of its operations; in other words, the government borrows to pay for its deficit spending.

Our national debt is the total amount of Treasury bonds outstanding. Treasury bonds are simply IOUs, or a promise on behalf of our government to repay the money it has borrowed. Under our current system, the government has no plans to repay the money it has borrowed, and the national debt is climbing with no end in sight.[11] Eliminating income taxes and replacing them with a payments tax would be a significant step in the right direction, stopping the growth of our debt in its tracks and opening the door to paying off the debt.

Let's look first at why it's so important to pay off our debt. For one, the interest payments on our debt cost the taxpayer over a quarter trillion dollars per year. That's money that could be spent on better things. And second, Treasury bonds devalue the dollar. When we flood the money supply with Treasury bonds, it's the same as flooding the money supply with new currency. Essentially, we've created two forms of money: currency and Treasury bonds. The only difference between the two is that Treasury bonds earn interest, which is what makes them problematic.

A form of Treasury bond, called a "bearer bond," helps illustrate why this is so. Bearer bonds could be transferred by hand from one person to another just like currency—the "bearer" owned the bond. The only difference between $100 bill and a $100 bearer bond is that the bearer bond has coupons printed on it, which represents the interest it earns. Every time a coupon matured, the owner clipped it off and redeemed it for cash at the bank. A new coupon matured every six months. The coupons represented future money. The fact that bonds *grow* over time illustrates the problem with interest: it inflates our money supply.

Because Treasury bonds earn interest, they are a bad form of money compared to currency, which doesn't earn interest. It is because our national debt bears interest that prices keep edging up. In the 1970s, for example, the cost of a four-year education at a prestigious college exceeded $10,000, and people were appalled. Paying $200,000 for college, the price of tuition at many colleges today, seemed preposterous then, just as the prospect of paying $4 million for college seems today—but both are 20-fold increases.

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[11] http://www.whitehouse.gov/omb/budget

Treasury bonds are the main reason a loaf of bread cost $3 today instead of ten cents as it did in the 1940s.[12] Imagine paying $60 for a loaf of bread someday or paying $4 million to go to college. You can see why saving for retirement is futile. The irony is that we end up paying the very taxes that we were trying to avoid by borrowing. We pay them through the inflated cost of goods over time. Such a system is not sustainable. Like our Social Security system, it's a ticking time bomb.

WE NEED to replace our nation's bad money with good money using a process called "Coupon Stripping." This solution relies on the fact that the damage from Treasury bonds has already been done. We have already paid for our past economic sins; we do not need to add to them by paying more interest.

Under Coupon Stripping, the Federal Reserve would replace our nation's bad money with good money by issuing new currency, which does not bear interest, and retiring Treasury bonds, which do bear interest. The Fed would not keep the bonds that it purchases under Coupon Stripping as it did under Quantitative Easing; *it would cancel the bonds,* which would remove them from our money supply.

There is irony in the fact that we chose to finance our nation's deficit by borrowing money instead of printing new money. We borrowed the money because it seemed irresponsible to print money. However, we would have inflated our money supply less if we had issued new money to pay the deficit each year instead of selling Treasury bonds, since new money would not have accrued interest as bonds do. The national debt represents the amount that we inflated our money supply, and the bulk of the national debt is due to interest.

The money tied up in Treasury bonds is essentially parked, doing nothing for our economy except accruing interest and inflating the money supply. Coupon Stripping provides the opportunity to reinvest this money, which is one of the best opportunities for economic growth we have ever had. We can't pay off the entire debt in a lump sum, though, as that amount is too great to be redeployed in new investments all at once. The schedule for repayment must be done over time so as not to disrupt the capital markets. The following three-phase plan would allow our nation to be debt-free in just six years, without disrupting the market:

Phase 1: About $5.5 trillion of our nation's debt is owned by trust funds *within* the U.S. government, such as Social Security.[13] Because the payments tax would eliminate the deficit, the bonds that agency trust funds rely upon for additional income would no longer be necessary. These bonds could be cancelled without having to create any new money.

Another $2.5 trillion of the national debt is held in the form of Treasury bonds owned by the Federal Reserve.[14] Under Quantitative Easing, the Fed bought Treasury bonds, which it kept on its balance sheet for resale. This means the bonds the Fed purchased under Quantitative Easing continue to earn interest. The Treasury bonds that the Fed owns should be cancelled in the same manner as those owned by agency trust funds, which would reduce our debt from $22 trillion to $14 trillion. It's astounding that our government's largest creditor is itself. Fortunately, that makes the problem all the easier to solve!

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[12] http://www.thepeoplehistory.com/70yearsofpricechange.html

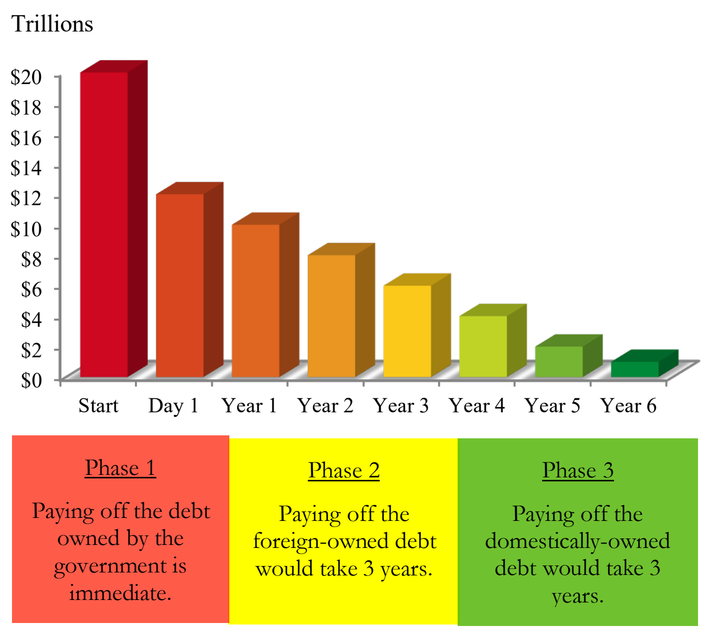
[13] http://www.treasurydirect.gov/NP/debt/current

[14] http://www.newyorkfed.org/markets/soma/sysopen_accholdings.html

Phase 2: The next step would be to pay off the debt we owe to foreign entities, which represents about a third of our debt.[15] One of the reasons China and Japan buy Treasury bonds is to keep our dollar strong, which keeps the price of their exports low. Using Coupon Stripping to repay our debt to foreign nations at a rate of about $2 trillion per year over a three-year period would not be inflationary.

Phase 3: As a final step, we could pay off the debt we owe to U.S. entities. These entities would re-invest the proceeds from repayment, which would serve to capitalize economic growth. With Coupon Stripping, the debt held domestically could be repaid at a rate of about $2 trillion per year over three years.

PAYING OFF THE NATIONAL DEBT



Within six years of implementing Coupon Stripping, our nation would be the only major debt-free, deficit-free, and income tax-free nation in the world. Our economy would be the envy of all and your future would be more secure.

[15] http://www.treasury.gov/resource-center/data-chart-center/tic/Documents/mfh.txt.

CHAPTER 6

BUT WAIT!
CAN THIS REALLY BE DONE?

BY NOW the ramifications of what I'm proposing are sinking in and you're probably wondering, "But wait! Can this really be done?" After all, who doesn't want lower taxes, extra income, and free medical care? There must be some catch, right?

The assertion that this is too good to be true reminds me of how Wall Street reacted when I promoted securitizing commercial mortgages in the early '90s: "If what you're proposing could work, we'd have done this a long time ago. There must be a catch. It's too good to be true."

Our nation was in the throes of the Savings & Loan crisis, and lenders had been instructed to steer clear of commercial real estate loans. Double-digit interest rates prevailed, and defaults were on the rise. The recession was serious and there didn't seem to be a way out of the mess we were in.

It was in this environment that I proposed a better methodology for financing commercial real estate loans. I had followed Lewis Ranieri's methodology for securitizing loans at Salomon Brothers in the '80s and felt there was a way to fund newly originated commercial real estate mortgages based upon his methodology. The gap between what Ranieri had done and what needed to be done to securitize newly originated commercial loans in the '90s was substantial though, and it was a challenge to get the investment bankers to see how it could be bridged.

Ranieri was able to obtain investment grade ratings for his pools by getting the S&Ls that originated the loans to promise to buy back any loans that went bad. That option didn't exist for conduit financing, nor would the government guarantee the performance of the bonds as it did with FNMA or the RTC.[16] Instead, we needed a stand-alone structure that would provide the credit necessary for a rating, and sufficient capital to fund the loans. That was my job.

The impact of my solution on the industry was profound. Mortgage rates dropped to less than five percent and there was an influx of new money in the market. Suddenly loans could be refinanced, which put an end to maturity defaults and falling real estate values. And to top it off, Wall Street earned some nice profits.

The '90s enjoyed a booming economy in part because of the disruptive approach to lending I helped pioneer. It's the new technology that makes the proposals in this book possible, too. But there's a greater truth that we must remember—*there are no magic solutions for our economic problems today.* Just as Wall Street abused securitization when it ignored the principles of solid underwriting, which led to the financial crisis of 2008, politicians could also abuse the payments tax and the benefits described herein. We need to keep our wits about us in implementing the programs I have proposed.

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[16] The Resolution Trust Corporation, a precursor to TARP (the Troubled Asset Relief Program), which was used in the latest financial crisis.

It is precisely my experience with both the good and the bad in securitization, as well as the challenges I've seen with startups birthing paradigm shifting technologies, that impressed upon me the need to create the final section of this book: the actual act that Congress would pass in order for the proposals herein to become a reality.

IN CLOSING this section, I'd suggest that the best way to think through the feasibility of the proposals herein is to compare them to what we're doing today. Let's suppose that there was already a small payments tax in place, our national budget was balanced, there was no federal debt, and you'd grown up receiving basic income, free healthcare and free college. Think of how you'd react to a proposal that required you to suddenly pay 40% of your income in taxes, 8% in sales taxes, a thousand dollars per month for health insurance with a seven-thousand-dollar deductible, and tens of thousands of dollars each year for college. You'd be sure the economy was going to crash under such a policy. And the proposal was topped off with the projection that we'd end up with a trillion-dollar deficit and $22 trillion in debt, you'd see it as being even more unrealistic.

When you stop and think about it, which is the greater stretch—the programs proposed in this book, or the system we're barely managing to survive today? That's the nature of a paradigm shift; it offers us a new perspective that we'd never thought possible. And then the old way of thinking becomes impossible.

In this case, it's a disruptive new operating system that gives rise to the paradigm shift, allowing us freedoms we never thought possible: freedom from income taxes, sales taxes, and property taxes, freedom from poverty, freedom from the expense of basic healthcare and college, freedom from the ravages of interest, freedom from deficit spending, and freedom from national debt. Once in place, it will be our old operating system that seems impossible.