THE FINANCIAL FREEDOM PLAN

THE **TEN-YEAR PLAN** TO MODERNIZE AMERICA, ELIMINATE THE TAX TRAP, RETIRE THE NATIONAL DEBT, AND RESTORE THE AMERICAN DREAM

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The Financial Freedom Plan

The Ten-Year Plan to Modernize America,
End the Tax Trap, Retire the Debt, and
Restore the American Dream

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Introduction
A New Era of Prosperity

In the Future, taxes will no longer consume half of what we earn. The cost of living will no longer spiral out of control. The national debt will be gone. Interest will disappear from mortgages, cutting the cost of homeownership in half. Families will no longer sacrifice a third of their income to health insurance, because healthcare—and even college—will be fully funded. And every adult citizen will receive a basic income in addition to what they earn.

When we imagine a future made prosperous by technology, we do not imagine a nation weighed down by taxes, debt, and inflation. We imagine high-speed Maglev trains connecting our cities, state-of-the-art manufacturing producing all that we need, advanced biologics keeping us healthy, and space travel opening new frontiers.

How much further must technology advance before that future becomes our reality? The answer may surprise you: technology has already reached that stage. What stands in our way today is not a lack of innovation, but an outdated financial operating system that traps us in scarcity. This book proposes an upgrade to that system—one that will unlock the future described above and launch the next era of American prosperity.

Fifty years ago, we took it for granted that we'd be better off than our parents because of technology. But while technology has advanced, the cost of the cornerstones of our standard of living—housing, owning a car, healthcare, and education have outpaced the rate that most American salaries have grown. In 1950, for example, health insurance cost 1.5% of the average college graduate's salary. Today, it costs 39%.

Many such expenses are not factored into the CPI, the measure we use to track inflation. As a result, inflation as reported fails to capture the true rise in our cost of living. The sobering truth is that many necessities now consume a greater share of our income than they did in the past, which is why 85% of Americans are falling behind despite the advances in our technology.

This is happening because our financial system adds unnecessary costs to our supply chain, which drives prices up, while technology does the opposite—enabling us to produce more for less. When our nation was founded, for example, we needed ninety percent of our population to grow our food, today, we only need 1% of our population to farm.

Thus, if it weren't for our flawed financial operating system, technology would be driving costs down relative to our incomes. I first saw this flaw in our system when I helped launch the mortgage-backed securities industry in the early '90s. When underwriting loans on apartment complexes, I saw how most of the rent paid by the tenants went to the financial sector, not to those who build and maintain the apartment complex.

That led me to see the economy in a new light. There are really two economies, not one.

- There is the material economy—the production and consumption of goods and services, and

- There is the monetary economy—the creation and trade of financial assets.

In Adam Smith's book, *The Wealth of Nations*, he opines on which economic system best facilitates the production of wealth in a nation.

He understood that the wealth of nations is created in the material economy and that it is the monetary economy's role to catalyze this production of wealth. Our nation doesn't derive its wealth from financial assets. It derives its wealth from the production of goods and services. The monetary economy only allocates this wealth—it does not produce it.

To see the flaw in how our monetary economy interfaces with our material economy today, one need only to look at what happened during the two years of the pandemic. While millions lost their jobs and countless small businesses collapsed, the stock market boomed, the world's ten richest men doubled their net worth, and a new billionaire was minted every 26 hours.[1] Our nation's wealth did not increase during this period, it was reallocated.

The lesson I learned from underwriting apartment loans was reinforced when the mortgage-backed securities industry grew to the point that a hundred trillion dollars in the securities I helped architect were issued over thirty years, generating a trading volume of tens of thousands of trillions of dollars. That caused me to investigate just how big the monetary economy is when compared to the material economy. As it turns out, the flow of money in the monetary economy eclipses the material economy by more than 200:1.

This difference in size between the economies opens the door to an elegant solution to taxation. While our material economy is $32 trillion per year, as measured by the GDP, our monetary economy generates $6,125 trillion in money flow each year.

We are simply taxing the wrong thing when we tax our material economy. Taxing our income and supply chain hurts our material

[1] "Ten richest men double their fortunes in pandemic while incomes of 99 percent of humanity fall," Oxfam International, January 17, 2022, https://www.oxfam.org/en/press-releases/.

economy—the source of our nation's wealth. Instead, we should tax the alternative.

Ending Today's Tax Trap

The Financial Freedom Plan eliminates all existing taxes—income taxes, sales taxes, capital gains taxes, property taxes, excise taxes gasoline taxes, and more. To eliminate these taxes, the plan charges a tiny 0.5% fee on the flow of money. A Flow Tax ends today's tax trap. That's all we need to turn things around.

Today's tax system chips away at every step in the supply chain. And since 99% of the flow of money in the monetary economy has nothing to do with the supply chain, the critical fact in this equation, a Flow Tax shifts the tax burden away from our supply chain and our hard-earned wages, which would greatly stimulate the production of wealth in our nation.

Instead of paying $40,000 in taxes for every $100,000 you earn, you'd only pay $500. Imagine the impact that would have on your personal financial freedom! And it would have a corresponding cascading effect on the entire economy as well.

Not only would this enable us to pay off our national debt, but it could also provide every adult citizen with basic income, free healthcare and college, and we could finally replace our chronic deficit with an enormous surplus that would fuel the growth in our nation's infrastructure and technology that is badly needed.

Fixing the Cost of Money

Just like today's tax system, our banking system also exacts an enormous tax on the material economy in the form of interest. The Financial Freedom Plan introduces Banking 2.0, which transforms the Federal Reserve into a true central bank owned by the people and for the people. Instead of a depository-based lending system, we'd have a reserve-based lending system. Here's what that means:

- Mortgages and car loans would be *interest free*, costing us much less than they do today, and
- Banks could provide many valuable services that they cannot today—such as providing capital to startups.

The Roots of Inflation

If you buy a new home under our current banking system and pay your mortgage over thirty years, you'll pay more in interest to the bank than you paid to the seller of the home. The same is true for *all the infrastructure in the supply chain*. Mines, factories, trucks, and stores are all financed, often with the cost of interest exceeding the cost of the infrastructure over time.

- The cost of interest is passed along at each level of the supply chain, cumulatively adding to the cost of goods,
- The cost of corporate and personal taxes is also passed along at each level of the supply chain,
- These costs compound to fuel inflation.

Thus, our financial operating system is responsible for much of the cost in the products you buy today!

The graph on the next page compares the rising price of bread to the cost of the wheat used in a loaf of bread. While the price of wheat has increased modestly, the price of bread has skyrocketed because of the layers in the supply chain that it takes to produce bread.[2]

[2] https://fred.stlouisfed.org/series/APU0000702212, https://fred.stlouisfed.org/series/WPU0121

THE PRICE OF BREAD VERSUS WHEAT

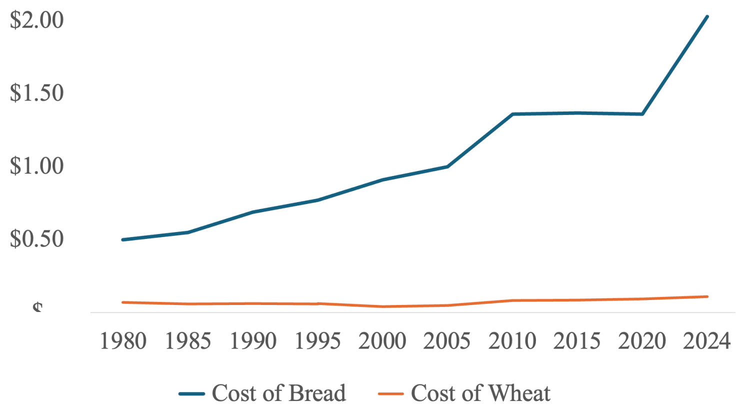


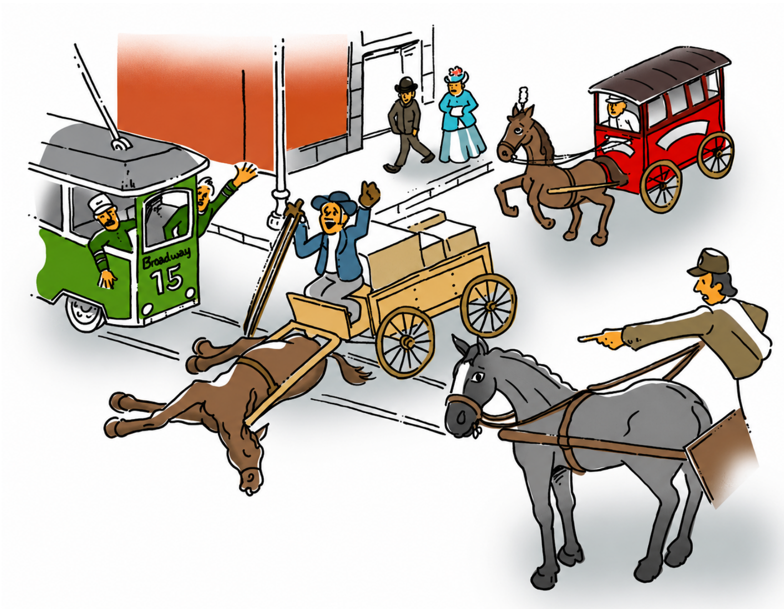
FIG. 1

By eliminating our current tax system and depository-based banking, the Financial Freedom Plan helps mitigate the inherent escalation of prices that we see today.

A Quick Analogy

New York City once faced a crisis that everyone was sure was unsolvable, just as we feel high taxes, our national debt, and the rising cost of living is insurmountable today. Over four million pounds of horse manure accumulated in the city's streets each year, more than could be removed, while over 15,000 horses dropped dead of exhaustion per year, blocking traffic and creating a stench that was making the city unlivable.

The city convened a meeting to find a solution. It ended with the experts concluding there was no answer. No one saw the automobile as the solution, even though there were already cars on the streets. The shift happened on its own and soon the "unsolvable" became a memory. It's the same for our financial problems today; we've simply failed to see the solution is already within our grasp.



This quote from Helen Keller, written a century ago in 1927, neatly sums up the essence of the Financial Freedom Plan:

> "We might remember that in 1880 certain men knew that flying machines could be equipped and rendered safe; but few would listen to them because such a thing had never been done. So, flying came slowly, as the achievement of a small, faithful minority laboring in an atmosphere of ridicule.
>
> There are other funds of knowledge building up. We know, for instance, that it is possible to plan the economic systems in the world so that we could all be much richer and freer and happier in producing comforts and pleasures than we are today."

— Helen Keller, *Light in My Darkness*

A Future Worth Living

The Financial Freedom Plan solves today's financial crisis in the way that Keller envisioned a century ago, just as the automobile solved New York's horse crisis.

- Your paycheck would only be debited by 0.5%,
- You'd receive basic income plus free healthcare and a free higher education,
- Your mortgage and car payments would be much lower,
- We'd no longer have any national debt,
- We'd have a huge budget surplus instead of a deficit, and
- Spending that surplus as outlined in Chapter 7—*A New America*, would cause our economy to boom, and there'd be jobs and a prosperous future for all.

This isn't a dream—it's our reality.

> "The marvel of all of history is the patience with which men and women submit to burdens unnecessarily laid on them by their governments."
> —George Washington

SUMMARY
THE FINANCIAL FREEDOM PLAN

THE FINANCIAL FREEDOM PLAN (FFP) is a proposed bill for Congress that would positively impact all citizens of the United States by upgrading our nation's financial operating system. The FFP would replace all current taxes with a small fee on the flow of money and upgrade our banking system by turning the Fed into a true central bank that would provide interest-free mortgages to U.S. citizens.

By transitioning the federal government's revenue away from a tax of up to 39% on the $23 trillion we citizens earn each year to a small fee of just 0.5% on the $6,125 trillion that flows through the monetary economy each year, we can:

- Eliminate the many onerous personal and corporate taxes we pay today,
- Provide all citizens with universal basic income, a basic healthcare program, and free higher education, and
- Eliminate the government's deficit, replace it with a surplus, and pay off the national debt in eight years.

By upgrading our banking system so the Federal Reserve serves as a true central bank, owned by the people and for the people, the Fed can be the source of capital for our lending needs while more effectively managing the money supply. The Fed's member banks would thus become financial service providers as intermediaries to the Fed. By doing so, we can:

- Provide interest-free loans and mortgages to citizens and businesses,

- Eliminate the problem of fractional reserve lending and its impact on the money supply,
- Develop a better alignment between the material and monetary economies, and
- Enable a system for real time money supply management that will better control inflation.

The Financial Freedom Plan would provide a strong and robust economic foundation for the future of the United States, improving our overall standard of living, and leveling up the quality of life for the 80%-plus American citizens whose quality of life has stagnated from decades of inflation.

The Financial Freedom Plan

A proposed upgrade to America's financial operating system

The Financial Freedom Plan (FFP) would replace today's tax system with a small fee on the flow of money and upgrade banking so the Federal Reserve can support interest-free lending.

1. Replace Taxes with a Flow Fee

Today		FFP
Up to 39% tax on the $25 trillion Americans earn each year	→	0.5% fee on the $6,125 trillion that flows through the monetary economy each year

What this can fund

Eliminate personal and corporate taxes	Provide universal basic income	Fund basic healthcare and free higher education	Replace the deficit with a surplus and pay off the national debt in 8 years

2. Upgrade Banking

The Fed becomes a true central bank — owned by the people and for the people.

Federal Reserve	→	Member Banks	→	Citizens & Businesses
Source of capital		Financial service providers and intermediaries		*Borrowers*

What this changes

Provides interest-free loans and mortgages	Eliminates fractional reserve lending	Better aligns the material and monetary economies	Enables real-time money supply management to better control inflation

The Financial Freedom Plan would create a stronger economic foundation for the United States, improve the standard of living, and raise the quality of life for the 80%+ of Americans whose living standards have stagnated from decades of inflation.