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1: A New Perspective

If Congress spends \$4 trillion into the economy but only taxes back 3, what happens to the remaining trillion? It stays in the economy, right?

Congress alone has the sovereign authority to issue the US Dollar—either directly by appropriation, or indirectly as credit (loans) by Fed member banks serving as licensed agents of Congress.

This federal spending creates new US dollars (and reserves) for the private sector in order to, among other things, “provide for the common defense and the general welfare”. [per USC Art 1 Sec 8]

These dollars circulate in the private sector, to be saved or spent until they are removed— either temporarily in exchange for US Treasury securities (TSYS), or permanently through federal taxes.

As the sovereign currency issuer, Congress *must* run fiscal deficits to create any net savings for the private sector in US Dollars. The accumulated deficit is referred to as the “national debt”.

And we've been doing this for half a century now. Congress has run *massive* federal deficits under every GOP administration from Reagan onward, followed by austerity (deficit reduction) under Democratic presidencies since Carter.

Meanwhile, wages have flatlined and wealth inequality has skyrocketed. This should not be blamed on anyone in the private sector, who simply plays by the rules. Clearly it is a *direct result* of regressive US fiscal policy.

It's not THAT we need to run deficits, but HOW those deficits are incurred that determines “fiscal responsibility”. We need a change in perspective, from our current supply-side, anti-federalist regime, to a healthier *demand-side* view.

Specifically, I offer the following proposals:

- Raise the standard deduction to \$100k, take any “pay-for” beyond that, and reduce or eliminate regressive taxes on payroll and sales;
- Issue per-capita federal grants to every city, county and state government in the nation for infrastructure upgrade and public services;
- Guarantee benefits to every American citizen, including full pensions, health insurance, and educational funding.

These would produce an immediate resurgence of American capitalism, all within a federal system of public finance. The US could then reassert itself as leader of the free world, beacon of liberty and prosperity, and cradle of the American dream.

And while these proposals can be argued exclusive of each other and in a manner of degrees, any negotiation or debate is *useless* unless we can elect candidates for US Congress who will put these arguments to the floor.

America needs leaders to stand for office, and those candidates need your votes to win. That's how democracy works, and that's the only way we're going to save America.

As a candidate for US Congress, this is my offer—to my hometown, to my nation, and to you, the American citizen.

2: On Federal Taxes

How can the US Treasury ever “go broke” in the currency that Congress alone can issue? The US can never be forced into default except by the choice of Congress itself.

The simple fact is that federal spending precedes federal taxes and is not constrained by them.

This is not the case for state and local governments, who are users of the US Dollar just like households and firms. We are “solvency constrained”. We can go broke, the US government cannot.

The essential function of the federal income tax is to remove money from the economy, providing for a stable currency with a perceived inflation rate.

How this money is removed affects the distribution of net income within the private sector.

Raising the standard deduction on the income tax to \$100k would only cost \$220bn, and would remove over 90% of the population from the tax entirely.

Beyond this standard deduction, it doesn't matter if the rate is flat, progressive, or curly-Q—so long as sufficient USD are relieved.

The “pay-for” (PF) rate would only be levied on income beyond this \$100k deduction. A PF rate of 7-1/2% would generate \$1T in revenue.

Now we'll see who wants to balance the federal budget. Perhaps a little deficit is healthy?

State sales and income taxes only need to be collected because federal spending won't cover their operational budgets. They could be removed at a price tag of \$660 billion.

FICA taxes could be suspended at a cost of \$1.6T, but only with a guarantee of benefits.

This doesn't mean we should reduce or eliminate the federal debt, or that every proposal needs to levy taxes to compensate. Please, stop worrying about inflation and learn how deficits actually work.

Federal spending creates excess reserves in the banking system. Checks drawn against the US Treasury clear through its general funds account (GFA) held at the Fed, increasing both private deposits and bank reserves in one payment.

The GFA can be overdraft, serving as an asset to the Fed; however, it is current law that US Treasury securities be issued in the amount of any deficit, thus “borrowing” those excess reserves *back* to the GFA and balancing the account.

The Fed Funds Rate, or “overnight rate”, is set by the Fed through the FOMC by setting the interest rate on US Treasury securities (TSYS). This debt service hits the Congressional budget as non-discretionary spending.

A permanent near-zero interest rate would minimize both the expense and the fear of federal debt.

Shifting the burden of federal income taxes to the upper most brackets is a simple matter of fairness, and was part of the original law a century ago.

Raising the standard deduction would thus be a fair, systemic, and market-based solution to income and wealth inequality— as a benefit provided to each and every American citizen.

Any of these proposals would stimulate sales, encourage wage growth in tandem with GDP, and would give needed tax relief to the great majority of the private sector— firms and workers alike.

Congress has the authority to make this change, and only the voters of our Congressional district can force the issue.

3: On Federal Grants

Why are American cities and rural towns in such financial straits? We have the resources; we have the idle capacity and the unemployed; all we don't seem to have is... money?

American infrastructure is physically crumbling. Repairs alone are estimated at over \$3.5 trillion, or \$300bn/yr. State and local budgets simply cannot afford this additional cost.

America's federal system allows for Congress to finance this spending, with the administration of funds left to provincial state and local governments to which they are granted.

Congress could thus provide the funding for public infrastructure and service upgrades on behalf of all *citizens in residence*— with part going to the states, and the rest directly to local governments.

This per-capita apportionment of funding could be determined by voter registration lists, reinforcing our democratic institutions and encouraging wider participation in the electoral process.

These federal grants would generate an immediate and direct stimulus for every local economy across the nation— all without relying on provincial tax increases or bond issues.

Problem solved.

The question of local corruption, the redirection of public funds for narrow, private interests, *might* be circumvented by issuing these grants as fully funded mandates.

However, under our federal system, we should rely on elected local councils and state legislatures to administer public funds without earmarking every dollar sent in their support.

Roads and bridges, voter registration and elections, public utilities, EMS services, education, libraries, parks, etc.— these are examples of responsibilities of state and local government (S/LG).

S/LG taxes and bond issues cannot be expected to carry the burden of this investment. The “race to the bottom” over the past decades has led us to the very “infrastructure deficit” we are facing today.

Federal government is not solvency constrained; state and local governments are—just like private households and firms.

And when states “go broke”, they must rely on the sovereign currency issuer, Congress, to bail them out; that, or they’re forced to liquidate public assets through privatization—which solves nothing.

Federal funding is a practical strategy for public finance that takes full advantage of the nation’s monetary sovereignty.

Systemic federal grants would reduce the burden of S/LG on the private sector, remove the solvency concern, and provide tax relief across the country.

We should still rely on land and severance taxes to drive demand for the USD and allow for enclosure of the “commons” to the private sector.

These “pigovian taxes” should only supplement S/LG budgets as they do now. They should not be used as the primary source of funding for any particular state or local spending priority.

By making payments to S/LG on behalf of each American citizen, Congress will be investing into every nook and cranny of America itself.

Federal spending can thus minimize or remove local taxes, stabilize provincial budgets, and stimulate local economies, all without new regressive taxes.

It's a solid plan.

4: On Federal Benefits

How can we secure for all citizens the rights to life, liberty and the pursuit of happiness without the commitment of Congress?

American citizens, rich or poor, able or disabled, have a right to equal protection under the law. Our market economy simply cannot function without liberty and justice for all.

We rely on the private sector to produce and distribute the goods and services of our society, and to employ the majority of our population. We are not a “socialist” country.

Congress has the constitutional authority to lift the financial burden of dependency from the private sector, thus providing equal protection of life and liberty for each and every American citizen.

Provision for the general welfare includes federal spending on public infrastructure, which itself should include direct *citizen benefits* such as pensions, medical insurance, and education.

Social Security and Medicare were originally set up to provide a pension to every citizen for old age and disability. Rather than expanding these benefits, we are currently faced with losing them.

Medical insurance could be provided as a federal benefit, without FICA taxes or private insurance premiums. We could “repeal and replace” ACA with a single payer system.

Universal health insurance (UHI) would cost about \$1.5T on top of current spending while removing equivalent costs of insurance premiums.

The constraint on SSA and UHI is political, not financial. Congress could simply guarantee these benefits and suspend the regressive tax.

State and local funding of K-12 could be reduced or replaced with federal grants.

Higher education is also funded by state taxes, *and* by student loans now approaching \$2 trillion. Free tuition at state universities could be provided for eligible citizens as a direct federal benefit.

State and local governments cannot provide these levels of benefit, not without massive tax increases causing the flight of citizens and capital to more “competitive” states.

And while the majority of educational funding is administered by state and local governments, our pensions and health benefits should not be dependent on state residency.

These protections should not be dependent on charity either. Your rights as an American should hold just the same as for every other citizen in every state and territory that flies the US flag.

All of these subsidies are “means tested”—not necessarily based on income, but limited by strict eligibility requirements such as age, medical condition or academic merit.

Congress should act to remove the financial burden of health, education and welfare from the private sector. It is entirely moral and within the powers of our Congress to do so.

Again, this has nothing to do with “socialism”, and it is a mistake to say otherwise. Federal finance into the private sector, providing for the common defense and general welfare, is the American way.

American citizens deserve the full commitment of our Congress to their immediate protection. In fact, we should insist.

5: On Bank Reform

Do you live in mortal fear of federal debt? What if our Congress would simply instruct the Fed to retire all securities accounts into reserve accounts?

No more “federal debt”. You’re welcome.

The Federal Reserve is an independent government agency serving as *fiscal agent* for Congress.

The central bank, through its member banks, provides us with a payment system at par value for the US Dollar. It also provides us with a secure source of credit for private citizens and firms.

The Fed backstops bank liquidity, and the FDIC insures against bank failure. As banks are funded without limit by the central bank, true market discipline rests entirely on the “asset side” where credit risk originates.

The merger of the financial sector with banking under a general policy of deregulation has exposed Congress to a much greater risk than if only the banking sector was being secured.

The world funding market for USD has been the Eurodollar, handled by the London Exchange. As such, this derivatives market is completely beyond the control of the Fed or US lawmakers.

Accounting control fraud and market speculation are inherent threats under our current deregulatory regime. These banking proposals would remove the systemic corruption that drives it.

We *really should* separate our banking system from the financial sector, thus minimizing our exposure to these derivatives markets that now stand at many times over our entire GDP.

And it needs separated *soon*, before the next crisis.

As agents of Congress, banks should be prohibited from reselling mortgages, contracting in LIBOR, holding financial assets as collateral, loaning off shore, or creating subsidiaries.

The Fed should offer unlimited, unsecured loans to member banks through the Fed funds market. Credit default insurance (CDI) should be prohibited, except perhaps as offered by the Fed itself.

We should remove the cap on FDIC to insure all deposits, and remove the “bank tax”. The FDIC should be entirely funded by the US Treasury.

We can also minimize the impact of debt service on the Congressional budget by setting the overnight rate to $\frac{1}{4}\%$, carving it in a rock, and leaving it there—effectively ending “monetary policy”.

The Fed could continue offering interest on excess reserves (IOER), dispensing with TSYS altogether, and using the GFA overdraft as a Fed asset.

A permanent zero or near-zero Fed funds rate would shift the burden of economic stability and growth—from monetary policy where it has been for decades, to fiscal policy where it belongs.

Non-transferrable US Savings Bonds could still be offered to private citizens at a higher rate, providing for secure personal savings accounts.

As long as we can ensure confidence in our banking system, the private sector should be free to invest and transact business in search of the very wages and profits that define our GDP.

Bank reform is an urgent matter that only Congress can resolve, and should.

6:



On Trade Policy

How does overseas investment and importation to the US hurt the American citizen? The US is a net *importer*, meaning we run a trade deficit. They send us stuff; we send them “money”.

Net *exporters* used to be called “colonies”. A trade deficit is a net benefit to us, and a net loss to the “surplus nation”, in terms of real resources and manufactured goods.

Our trade deficit is a poor excuse for unemployment and “job loss”. The perception that US jobs are “shipped overseas” diverts from the domestic fiscal policies that are, in fact, directly responsible.

It's quite simple; we can drive productivity in communities across the nation by spending USD directly into them— via federal grants and benefits, and by lifting the burden of regressive taxes.

The more local firms that can operate profitably and independently, the less pressure there is to provide government jobs or public assistance.

A nation with a trade deficit must run an even *greater* fiscal deficit, as a percentage of GDP, in order for the private, domestic sector to remain in surplus. That's a simple fact of accounting.

This fact only applies to the US and other sovereign currency issuers, not to the Euro, to US states, nor monetary regimes using a gold or foreign currency standard (including IMF loans).

There is a good moral argument for balance of trade if we have concern for human rights abroad— but that's a question of diplomatic and even military policy, and not a failure of free trade.

Perhaps if our national interests were defined in terms of democracy and human rights, and not of resource and labor markets as they are now?

We promote “free trade” in order to secure the rights of US citizens investing, travelling, living, and holding bank accounts outside the immediate protections of US law. We do this by treaty.

Federal deficits are necessary to keep our domestic economy “in surplus”— if we expect to accumulate any net-savings in US Dollars, which we do.

Market economies are driven by *sales*— and sales drive production, driving employment, driving new investment, and ultimately generate the profits and wages of our entire private sector.

Tariffs are actually paid by our domestic economy, removing money from the private sector while reducing the import of real goods and services.

So, what happens if imports balance the other way, or simply end? Clearly we have lost a *real benefit* relative to the rest of the world, and our economy will therefore show a relative decline.

The foreign exchange rate for USD floats against the other currencies of the world, with \$4 *trillion* traded in the Fx market *every single day* to define this conversion rate.

All we require is a stable currency with a perceived inflation rate. If net exporters want balanced trade, all they need to do is buy stuff from us.

In the meantime, we should take advantage of our net-importer status by running demand-side fiscal deficits to compensate, thus driving our domestic sector into surplus where it belongs.

Foreign trade doesn't necessarily hurt anyone; and we should encourage free trade and free travel for American citizens throughout the world.

Populist issues like trade are just distractions from domestic fiscal policies suffered under our current monetarist regime. We should focus our attention on the real culprit, and do something about it.

7: Saving America

If you want to take money out of politics, take it out of your politics. If you want to occupy something, occupy your precinct. If you want to be a hero, run for US Congress.

The most direct challenge to an incumbent is in their primary, which is also where policy is best debated. If the primary challenge continues to grow, pressure is put toward a shift in policy.

A solid core of ten thousand voters is necessary to make any primary challenge viable. A campaign list of supporters is the key to victory and to making any policy proposals relevant.

One hundred precinct leaders in a US Congressional district would be sufficient to elect their candidate to the US House of Representatives, where bills on fiscal policy are introduced.

Change one Congressional district, you can change a hundred. Change a hundred seats in the House, and you've saved America.

Save America, and you've saved the world.

The function of policy, therefore, is to provide an agreement between these hundred or so active members, and to make sure their efforts are being appreciated by a trustworthy campaign.

The policies presented here are purely fiscal and monetary, and not a broad treatise on the whole of civil law. It is a moderate, federalist view of US government that Americans could embrace.

Most of us don't have a lot of money to contribute, but we do have spare time. The occasional 2 hours on a late Sunday morning working in tandem with other volunteers is all that's needed.

Ten members of an executive committee should be sufficient to handle communications, logistics, and legal filings for the campaign, allowing the candidate to focus on outreach.

Secure registration of volunteers as precinct leaders would allow a district headquarters to conduct coordinated and successful primary campaigns.

Finding candidates for other congressional districts, or as new candidates for subsequent campaigns, is something that should be developed as part of a chartered, national organization.

As a nationwide caucus, these district committees should be perpetual, going from one election cycle to the next until victory is achieved.

And since we are talking about spreading to all of the 435 US Congressional districts across America, this caucus should be bi-partisan, challenging the incumbencies of both major parties.

A national caucus or “party” would provide for a single, common membership, with active members assigned to their respective district committees.

This can all be worked out later. As it is, the candidate defines policy in hopes of recruiting the hundred or so precinct leaders needed to bring about victory— to make the policy relevant.

The only way to save America is to shift policy in Congress, from the current monetarist, supply-side mythos, to a sound and proven demand-side view of fiscal and monetary policy.

We can make this change. American citizens will support us with their votes.

But only you can decide for yourself what to do with your spare time. Join the campaign, do your part, and together we'll win. It's that easy.

“I am not leading this fight as a matter of aesthetic pleasure. I am leading because somebody must lead or else the fight would not be made at all.”

Teddy Roosevelt, 1916

Would you like to know more?

LibertyAmerica.US

