Economic Revolution Of This Century

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Economic Recession Reversed in Matter of Days

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SUMMARY

HOW TO REVERSE WORLD RECESSION IN MATTER OF DAYS

A Method to Address Economic Recession, Remove Poverty, Terrorism, Improve Law and Order, Reduce Drug Abuse, Inflation And Taxes in an Interest Free Based Economy.

By: Dr. Niaz Ahmed Khan, FRCS, PhD

ABSTRACT:
I have developed a new financial instrument which will be much more valuable than the bonds or the treasury bills government sells in the open market to raise much needed funds to run the country. These are all interest based instruments and can only be used by institutions. The instrument I am proposing is without interest and will be used by everybody to purchased goods and services in the government and private sector resulting in up to 60% discounts. This is why these will be massively bought up front in large amounts in the shortest period of time of one month to run the country for at least a year and much more by the end of the year.

SUMMARY OF THE BOOK:
The world is facing many challenges with no solution in sight.
The main cause of all these ills is the POVERTY. Float bonds which can be used by everybody rich or poor and are not debt to the state so there is no question of interest.
How: Take the example of USA which is going through a great recession.
USA borrows money by selling treasury bills and the interest based bonds. The suggestion is to sell these bonds on non interest basis.
EXAMPLE: ONE dollar buys 5 bonds on the condition that the amount should be $100,000 or multiple of it. Fewer amounts will get the rate of four and three. This discount massive period is only for first month at the start of the implementation of this system. In the second month the rate will be 4 but the rate of 3 will apply to subsequent months for the same amount.
WHERE THESE BONDS WILL BE USED?
1. All state controlled services and commodities.
EXAMPLE: A bill of (any service or Commodity) $100 can be paid with 200 bonds and there will be no exception to this rule. A NET DISCOUNT OF 60%.
A simple formula will apply: Total bill in dollars x2 is the number of bonds surrendered. Price in bonds will not be less than the cost price but without the direct indirect taxes and the duties which are added to the present to make it very expensive.

It will attract at least 50 million people to take this opportunity as early as possible. And if one is sure of making 100% profit within 30 days there will be many more that will help themselves.

RESULT: Government gets at least $15 trillion within a very short period of time of few days and much more in the rest of the year. THIS IS NOT A DEBT AS STATE HAS SOLD BONDS (Commodity) WHICH IS AN ALTERNATE CURRENCY AND DO NOT CARRY ANY INTEREST. One immediately thinks who will join this club bear the loss and this loss to the state will not be more than total year budget of $2.5 trillion which it collects in one year with all the taxes and the duties but the bond price is simply a cost price without any kind of tax or duty. So there is a net gain of approximately 2.5 trillion within a short period of time.

WHO WILL SELL THESE BONDS?

State will float tenders to will select a private agency (USMF) UNITED STATES MONITORY FUND JUST A NAME GIVEN TO THIS ORGANIZATION with the lowest bid WHERE AS second, third and fourth bidders will be auditors of USMF. This agency will employ at least 20 million unemployed on 10% commission basis and without any salary. These agents will have to pay $500 as an annual fee to USMF in order to build the infrastructure for the sale of bonds. Agents' quota will be $300,000 per month or they will be allowed to sell their whole year quota in one day or in a month. This will only materialize if the agent shares his commission with the would be buyer. Greater the share of commission quicker the sale. This investor or a buyer will sell these bonds at the same rate of 5 per dollar and his bonds will sell like hot cakes every day as there is no condition of the amount of money to purchase of bonds. In this way even the poorest person will get the same rate or near the same rate as the investor except for the commission which he takes from the agent who makes almost 100% profit by only investing $100,000. He will sell these bonds repeatedly and will keep at least 6% profit every day till the demand lasts. NOW THINK HOW MUCH STATE HAS ACCUMULATED Much more than few years budget in matter of only one month.

FLOOD GATES OF MONEY AND TURNING POINT

This is only the first flood gate of money and there are seven of these yet to open so at the end of 30 days or even much earlier the government declares tax free country for ever. With the removal of all kinds of direct and indirect taxes and duties the price of oil electricity telephone and of all types on other items under government control is almost 60% less than before as these are being purchased by bonds (which is the cost price) and not with dollars. The production cost of everything has come down tremendously.

SECOND OPTION

STATE ALSO OFFERS 10 MILLION DUTY FREE IF ONE DEPOSITS $100,000 NON REFUNDABLE. THIS BRINGS OUT ALL THE BLACK AND SPARE MONEY WHICH STATE WAS NOT ABLE TO GET BEFORE AND AS THERE IS NO TAX AND HENCE NO TAX EVASION SO ALL THE MONEY IS WHITE AS IT IS BEING GIVEN TO GOVERNMENT.

This was the second flood gate of money which is even bigger than the first one and the exact amount is impossible to asses unless the system is implemented.
In order to provide cheep bonds throughout the year government offers three types of registration fees.
1. Pay $100,000 in the start of the year and get the rate of 5 for the rest of the year and this will suit the professional's and salaried person'
2. Pay $10,000 yearly and get 20,000 new bonds at the rate 5 every month but one has to collect 10,000 bonds (equal to fee) to get this cheap rate throughout the year. Higher the registration fee more the entitlement of cheep bonds. This registration will suit any small time business who will sell his product cheaper provided 15% bonds are also paid with rest of cash money by the customer SEE THE NEXT REGISTRATION FOR FARTHER EXPLANATION 15%BONDS. This will apply to all goods in private sector and does not apply to the government sector. This is a big incentive to accept bonds in the private sector as the business accepting more bonds will have more business than the trader not accepting the bonds so the bonds market will multiply and there will be a constant need for bonds in the open market.
3. Third type of registration will be of $100,000 which will entitle the business to sell its products through USMF. The value of merchandise sold through this source will help the business to get the 5 bond per dollar rate equal to the amount sold or opt for the duty free option equal the amount sold. But with one condition of surrendering 15% bonds at each sale in dollars.
EXAMPLE:
MERCHANDISED SOLD THROUGH USMF $1000. BONDS SURRENDERED 150 ARE DEPOSITED IN STATE ACCOUNT TO BE SOLD AGAIN SO THE CYCLE OF BONDS IS ESTABLISHED .A receipt of bonds surrendered is obtained from USMF for evidence of sale of merchandise and this receipt will entitle the traders to get cheep bonds or the duty free option throughout the year BUT THE SAME RECEIPT CAN BE USED ONCE ONLY.
WHAT IS THE BENEFIT TO BUSINESS?
1. CHEEP BONDS THROUGH OUT THE YEAR
2. DUTY FREE OPTION WILL HELP INDUSTRY.
3. The quota which can be sold is ten times the amount of Registration but not more unless the registration fee is increased. Now all the business will opt for this registration in order to reduce the cost of production. These 15% bonds the business will get back through a chain of dealers sub dealers and ultimately the customer will pay this bond portion as he will get the end product very cheap because of tremendous cut in the cost of production by the factors already mentioned. This will replace the GST or the VAT or the two price system seen all over USA. Almost everybody will sell their product through this channel as it will be much costlier to sell the product outside this system as cheap bonds are not available otherwise.
According to rough estimate at least $10 trillion transactions are carried out every day in US and at each transaction 15% bonds are being surrendered, the price 15 bonds is $3. So 3% of 10 trillion will be $300 billion which goes into government account without any compulsion every day (UNBELIEVABLE) this is the third

flood gate of money AND IS CALLED THE GOLD MINE 4. Now the state is sitting in the driving seat and all the money in banks of private sector have transferred into government account and banks are no more the lenders but are borrower from the state which is the only source left and will invest in business with sound feasibility study checked by the state bank. The state will offer to invest 80% and the bank will bring investor who is willing to pool rest 20%. This 20% will be deposited in the bank and the bank will oversee the running the business, running expenses will be given to the investor from its share of 20%. There will be no collateral and share of the profit and loss will be shared in the ratio of 60 and 40. The bank will share the 60% with the investor and 40% will go to state funds and the state will provide everything under its control below cost which will farther reduce the cost of production and at the same time will MARKEDLY improve the profit margins OF ALL THE BUSINESSES. No major business can refuse this offer. Any bank showing repeated loss will go out of business as there will be no more funds available from the government source and all other interest based sources are not available any more. Interest based banking is gone forever or it may be at a very small scale and the state will not offer debts on interest as these are not any more profitable and risk free as there is no collateral. The amount of profit government will share will be unimaginable and this is the 5th flood gate opened.

THEN WHY NOT INVEST ON PROFIT AND LOSS SHARING BASIS

Last but not the least government will acquire all the land on lease without any force and will provide all the needs to the formers THROUGH CORPORATE FARMING SECTOR HIRED BY THE STATE below cost and will become the shareholder according to the mutual contract with the land owner this is the 6th flood gate of money.

DRUG ABUSE ELIMINATED

When all the possible land is being cultivated by best agriculture engineers there will be much better yield and much more profit to land owner then who will not join hands with the government.

THE OBVIOUS BENEFIT WILL BE THERE WILL BE NO MORE POPPY CULTIVATION IN COUNTRIES WHICH ARE POOR AND LARGELY DEPEND ON THE POPPY CROP. NOW THERE IS NO MORE POPPY AND NO MORE DRUGS.

All the above claims have been proved to be true except the terrorism.

HOW TERRORISM WILL BE ELIMINATED?

We have to look at root cause and its POVERTY and NOT the religion which is being falsely blamed. The going rate for a suicide bomber is $1,000 in Pakistan, Iraq and in Afghanistan. Can one believe that anyone having at least two meals a day will blow himself? Never the areas of the countries where these attacks are happening are extremely poor and the extremist elements who themselves are or were poor exploit these very poor people to carry out attacks for money to save their families from dying from hunger and is open secret. Extreme elements has large force that is recruited from poor areas as there in no job anywhere and he provides these raw recruits with only food and shelter and at same time brainwash them and train some of them to carry out these attacks by giving them enough money in their lives to support their dependents. You might mention few isolated cases of being well to do and still carried out these attacks. Once the poverty is removed in these areas by implementing this system these attacks will come to an end immediately. This system is not only meant for USA but will be easily applicable to every country.

MY ANALYSIS AND PREDICTION ABOUT US ECONOMY
The U.S economy is like a giant oak tree that has rotten roots, hollow stems, and dying leaves, and it is quite possible that this mighty tree will fall and bury every nation relaxing under its shade. MBCS is the fertilizer that can bring the U.S. economic tree back to life.
This prediction is available on internet and written in a book entitled ISLAMIC ECONOMIC REVOLUTION OF THE CENTURY published in USA and UK in 2006.

A strong effort is being made to reach economic team of Barack Hussein Obama. But so far there has been no success. I have the blue print of real and practical solution to get US forces out of prosperous, peaceful and stable Iraq and Afghanistan without violence in matter of 6 months. If all the above impossible claims I have made are possible and true to the last detail then there is no reason that this message should not reach to the highest authority in the Barack Hussein Obama administration for their prompt future course of action.

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CHAPTER 1

INTRODUCTION

There is nothing certain but death and taxes. Since the earliest days of human history, governments have collected taxes. Ancient, Chinese, Egyptian, and Indian farmers and European feudal serfs paid tithes on their lands. With the rise of the middle classes, accountable governments have levied taxes on incomes, goods, capital and wealth, inheritance, and even windows. Although taxes are an inevitable part of life, societies have had to solve several problems associated with obtaining the money needed to run their governments and maintain their infrastructures: how much money to collect, how to collect it, where to collect it, who will collect it, and how to spend it. Some societies have used religion to guide their tax collection and laws, and other societies have used pragmatism and common sense to create the procedures for collecting taxes and establish laws.

While everyone pays taxes, ordinary, often poorer citizens who cannot pay for good tax advice carry the largest tax burden. From their ranks come the teachers, engineers, doctors, nurses, lawyers, scientists, and other high-value citizens without whom most societies would be so much poorer. It seems unfair that the people who contribute the most to a society's well-being are forced to carry the largest tax load. Modern-day people would be much better off if they lived in a tax-free society.

A world without taxes would be a paradise to many people, but it seems unimaginable, a pipe dream, an illusion. It seems an impossible dream to find a system that eliminates taxes; however, using the mutual benefit bond system (MBCS), it is possible to create a tax-free world. Although people may laugh at the idea of a tax-free world, many people also laughed at the idea of landing astronauts on the moon, splitting the atom, or curing diseases. Using MBCS, it is possible to:

1. abolish all taxes,
2. fund governments in new and productive ways,
3. create incentives for rich and poor citizens,
4. promote sensible public and private investment,
5. make governments more accountable for spending,
6. improve the quality of life for all people, and
7. eliminate poverty and illiteracy and the social ills caused by them.

Although MBCS seems like another fad, another 5-minute wonder, it is a system that can achieve this utopian ideal.

MBCS is based on incentive based principles, and it is designed to:

1. eliminate unfair financial burdens from all sectors of society;
2. remove taxes, duties, and levies;
3. revolutionize government revenue collection and liquidity;
4. eliminate poverty;
5. rebuild national infrastructures;
6. restore law and order; and
7. provide all citizens with equal opportunities.

This book describes MBCS and how it works. It discusses the weaknesses of the present taxation system and its adverse effect on the lives of billions of people. The World Bank and International Monetary Fund (IMF) and their effect on the economies of developing countries are examined. This book compares MBCS in USA and the United Kingdom and present financial instruments.

There is a discussion about the role of the interest free banking system when MBCS is instituted, and a description of how different countries

collect taxes. In addition, this book explains how MBCS can help eliminate the drug trade, terrorism, poverty, taxes and reverse recession in matter of days with a massive jump start in the economy of every country implementing this system.

CHAPTER 2

MBCS
(MUTUAL BENEFIT BOND SYSTEM)
HOW MBCS WORKS:
A CASE STUDY OF U.S.A

MBCS is a simple system. In this system, all goods and services under government control are offered to end users and consumers at two prices. The first price is the current or prevailing market price and includes all types of taxes and a duty a government collects to meet its budget requirements. This price is much higher than the price offered through MBCS, and it includes most of the taxes and duties. The second price is much lower than current market price because it is offered at almost cost price by the government if purchased by bonds and not dollar at the cheapest price (i.e., five bonds per dollar) So it all depends on the price of MBCS bond at the time of purchase. This lower price is the incentive for consumers and end users to participate in MBCS.

In order to obtain this lower price, the buyer has to pay for a commodity or service under government control with a certain number of MBCS bonds. The number of bonds will be shown on the bill provided by the government authority. In addition, the bill will also show the current prevailing price, the reduced price can be easily calculated by the purchaser because it will always be double the amount of bonds of the current price in dollars: For example, 10 dollars is the present price, which can be paid by 20 bonds. The number of bonds will be two times the amount of dollars. Two prices are used in MBCS in order to calculate the bond price of a commodity or service. In addition, the current price is kept because it shows how expensive a good or service would cost if a consumer decides not to use MBCS bonds. The savings to the buyer can range from 20% to 60% or more, depending on the rate of bond. As a result, the consumer gets more for less.

In addition to lower prices, MBCS encourages buyers to participate in the scheme by offering discounts on bulk buys of bonds. As a result, a buyer can establish a price for a commodity or service by timing the purchase of bonds to take advantage of discounts. These discounts also include allowances for duty-free imports instead of cheap bonds or both, and they are offered in the first, second, and third months of a financial year. After the discount period expires, the rate will be fixed for the rest of the year. MBCS bonds would be available from a non government organization (NGO) and its agents, and the name of this agency will depend on the government. For example, in USA, this agency could be called the United States Monetary Fund (USMF). Organizations would bid for the right to sell bonds, and the agency selected to operate the monetary fund would employ agents about 20 million unemployed and on social security at present. They would receive a 10% commission on all bond sales and there will be a fixed quota for a year for each agent. The organization with the lowest bid and the ability to put the scheme into operation in the shortest time would receive the contract. The second-, third-, or fourth-lowest bidders as well as the government would audit the monetary fund. These auditors would work independently on a fixed fee paid by the monetary fund plus a 50% penalty imposed on USMF, which would be 10 times the amount of any discrepancy or fraud. The government would receive the remaining 50% of the penalty. No rational business, organization, or individual can afford to ignore this scheme if it is offered; therefore, it is reasonable to assume the following:

1. People, businesses, and organizations will purchase large quantities of bonds.
2. They will purchase them in the early part of the year in order to take advantage of discounts.
3. Bonds will be purchased for a number of reasons other than simply paying bills: for example, saving bonds, speculating in sales later in the year, and holding bonds as a hedge against unexpected expenses.
4. Bonds will be used at every opportunity to reduce the cost of

producing goods and services, from government imports to the point of sale to the end user.

In addition to lower costs, MBCS would include lucky draws everyday, which are like a lottery but without any cost to a person. These draws would encourage people to hold their bonds in the hopes of winning the draw. As a result, the government would have more money than expected because bonds are not being used, the government is not paying interest on them, and they would not be recalled unless the value drops below a certain level. If the value drops below (6 per dollar) a certain level, the government would buy back the bonds at a low rate (5.5) in order to increase the value of the bonds.

MBCS has a number of benefits for a government that is having problems collecting enough revenue to meet its needs:

1. At the beginning of each year, the monetary fund would offer MBCS bonds for sale without restriction. MBCS bonds would cover all government-controlled goods and services throughout the entire economic chain; therefore, there should be a large demand for these bonds. The cash raised by the sale of these bonds would go straight to the government through the monetary fund. In many developing countries, the initial sale of bonds will produce enough funds to cover the financial needs of a government for several years because the underground economy will merge with the mainstream economy.
2. In this scheme, a government takes the lead in price reductions by discounting fuel, electricity, telephones, and so forth, which would reduce household, agricultural, and industrial costs. This would have a significant, positive impact on economic activity because a reduction in the prices of all essential goods and services with free imports would bring down factory prices and, at the same time, increase profitability, which will be an attractive incentive for new

investment.

3. A government would benefit from increased liquidity, investment, and economic activity. In addition, as the economy grows, the government would sell more bonds.
4. This new economy is attractive to all parties, and people engaged in the black economy found in many developing countries will migrate to MBCS. It will no longer be attractive to work outside the system because it will be impossible to compete with it on price.

MBCS is a unique, risk-free approach to raising revenue for governments. It does not require a government to give up its current system of revenue generation until MBCS proves that it is capable of raising enough money to meet a government’s needs. Once the system is in place, it will transform dysfunctional economies often found in the developing world into open, transparent, free markets in which the government and citizens co-operate to drive prices down, create surplus budgets, and increase investment. Once a government has accumulated more than enough money to run the country for a year, it would announce a complete tax holiday in which no further income tax would be imposed on any person or businesses. This is the starting point for an industrial revolution.

MBCS in USA: A Case Study

The US has the largest and most technologically powerful economy in the world, with a per capita GDP of $48,000. In this market-oriented economy, private individuals and business firms make most of the decisions, and the federal and state governments buy needed goods and services predominantly in the private marketplace. US business firms enjoy greater flexibility than their counterparts in Western Europe and Japan in decisions to expand capital plant, to lay off surplus workers, and to develop new products. At the same time, they face higher barriers to enter their rivals' home markets than foreign firms face entering US markets. US firms are at or near the forefront in technological advances, especially in computers and in medical, aerospace, and military equipment; their advantage has narrowed since the end of World War II. The onrush of technology largely explains the gradual development of a "two-tier labor market" in which those at the bottom lack the education and the professional/technical skills of those at the top and, more and more, fail to get comparable pay raises, health insurance coverage, and other benefits. Since 1975, practically all the gains in household income have gone to the top 20% of households. The war in March-April 2003 between a US-led coalition and Iraq, and the subsequent occupation of Iraq, required major shifts in national resources to the military. Hurricane Katrina caused extensive damage in the Gulf Coast region in August 2005, but had a small impact on overall GDP growth for the year. Soaring oil prices between 2005 and the first half of 2008 threatened inflation and unemployment, as higher gasoline prices ate into consumers' budgets. Imported oil accounts for about two-thirds of US consumption. Long-term problems include inadequate investment in economic infrastructure, rapidly rising medical and pension costs of an aging population, sizable trade and budget deficits, and stagnation of family income in the lower economic groups. The merchandise trade deficit reached a record $847 billion in 2007, but declined to $810 billion in 2008, as a depreciating exchange rate for the dollar against most major currencies discouraged US imports and made US exports more competitive abroad. The global economic downturn, the sub-prime mortgage crisis, investment bank failures, falling home prices, and tight credit pushed the United States into a recession by mid-2008. To help stabilize financial markets, the US Congress established a $700 billion Troubled Asset Relief Program (TARP) in October 2008. The government used some of these funds to purchase equity in US banks and other industrial corporations. In January 2009 the US Congress passed and President Barack Obama signed a bill providing an additional $787 billion fiscal stimulus - two-thirds on additional spending and one-third on tax cuts - to create jobs and to help the economy recover.

Table 1. 5-Year Government of USA Budget Analysis

Budget Totals	2006	2007	2008	2009	2010
Receipts	2.407	2.540	2.662	2.798	2.955
Outlays	2.655	2.902	2.902	2.985	3.049
Deficit(-) / Surplus(+)	-248	-244	-239	-187	-94

http://www.whitehouse.gov/omb/rewrite/budget/fy2008/summarytables.html

b = billion

Note: Deficit will exceed US$1.8 trillion by the end of 30 September 2009

USA's Current Economic System

The following definitions describe USA's current economic system:

Cost: Cost is the actual expenses incurred manufacturing goods or producing services. It includes:

1. Manufacturing/production expenses,
2. Raw material costs,
3 Custom duties and other levies paid on imports, and
4 Conversion costs (i.e., price of electricity, telephone service, gas, and all types of taxes and levies charged during the production process)

Price: Price is the selling price of any commodity or service that includes the cost of a good or service plus profit (i.e., Cost + Profit = Price).

The U.S. tax system is complicated. Most people find it difficult to understand, and the United States spends millions of dollars every year collecting taxes. MBCS would eliminate this complicated system and enable the United States to spend the money used to collect taxes on more useful projects. Although tax consultants would not be necessary in MBCS, they would be able to find employment in this system.

The following list of taxes shows that the U.S. tax system is quite complex:

1. Corporate Taxation: Corporate profits are taxed at a corporate tax rate, and dividends paid to shareholders are taxed at a separate rate. This system is called double taxation because corporate profits paid to shareholders are taxed twice.
2. Individual Taxation: Wages and salaries, pensions, bonuses, commissions, business income, dividends, interest, capital gains, rent, and royalties are taxed in the United States. Taxes are also collected for any overseas investments of a U.S. citizen. In addition, U.S. citizens and residents must pay an estate tax on inheritances.
3. International Company Taxation: U.S. companies that operate overseas must pay taxes on their profits. The laws concerning these taxes are very complex and require professional help to avoid penalties.

As described in chapter 2, MBCS is an incentive-based system that will greatly reduce the cost of living for average people and reduce production costs for businesses. It will also produce more than enough money for the U.S. government to balance its budgets and eliminate its debts. Table 18 shows the effects MBCS will have on the United States' financial situation.

Table 2. The Effects of MBCS on the United States' Financial Situation

Current System (amount in trillions)	MBCS (amount in trillions)
total budget = $2.798	projected budget = $50 trillion
unemployment = 9.6%	unemployment = 0%
current debt (approx) = $65 trillion	total debt = $0.00
current VAT on retail sales = 15%	government-controlled aid = 3% (gives incentive)
inflation @ 3.2% per annum (approx)	total deflation
industrial production growth rate = 3.2%	industrial production growth rate above 100%
black money runs into trillions of dollars	no black money

USA's Economic System under MBCS

The following definitions describe USA's economic system under MBCS:

$. Value: $ value is a current prevailing market price. This price is not applicable to consumers and is only used to calculate the numbers of bonds needed to purchase a good or service. According to the most conservative estimates, if all the indirect taxes were abolished, production cost would be reduced by 50%. This reduced cost, which includes actual cost and profit, is the dollar value in MBCS.

Bond Value: The MBCS bond value is the price of goods and services, which is twice the value of a current dollar value.

Bond: A MBCS bond replaces all indirect taxes, custom duties, excise taxes, surcharges, and all other levies. The cheaper the bond, the less tax paid by a consumer or business.

Actual Price: In MBCS, the actual selling price is the price a subscriber or consumer has to pay, and this price depends on the cost of bonds. The cheaper the bond, the cheaper the price of the commodity or service provided by the government.

Production Cost: In MBCS, production costs will be reduced by 50% because all direct and indirect taxes, duties, surcharges, and other levies are abolished and replaced by bonds. These taxes are eliminated because the government is able to collect enough money within a few days of implementing MBCS to meets it annual budget.

In USA, 25% of the population (i.e., 75 million people) can easily spend $50,000 in the first few days to reduce their daily bills by two thirds of the previous cost. This will raise $3.75 trillion for the government, which is more than enough money to meet the government's budgetary needs. Once this money is raised, USA would be declared a tax-free heaven, even for the foreign investor. This is one of the doors through which money will flood into Govt.'s treasury. There are five more doors through which money will flow to the government, and these will be described later in this chapter.

Philosophy of MBCS

In MBCS, a current prevailing market price is the U.S. dollar value, and the other price is the bond value. The bond value is a subsidized price, with an average discount of 40% to 60% compared to the prevailing market price. The price of a bond will vary between three and five bonds per dollars, depending on the amount purchased, time of purchase, or whether they are purchased under special registration rules (up to five bonds per dollars during the whole year, depending on the type of registration).

These bonds will reduce the cost of production by at least 40%, which will reduce the cost of living. This reduced price will not be below the actual cost of a good or service and will carry at least a 10% mark-up on the cost price provided by the government.

In MBCS, it is possible for businesses to use a duty-free option. It would increase the import of technically and extremely useful high-tech industry products more than 10 times the present rate. MBCS would also increase all other types of imports because of the demand and supply factor. This duty-free environment would not hurt the government because all these imports would be carried out by the private sector, and the only role played by the government would be the removal of these unnecessary duties. As a result of the duties, the private sector imports goods from neighboring countries where these products are cheaper than they would be if American businesses tried to produce them. In MBCS, the duty on fuel would be almost nonexistent.

Tax as a Burden

In 2006, the Government of USA collected US$2.4 trillion in direct and indirect taxes. This is equal to US$8,053 for every man, woman, and child in USA (*CIA Country Yearbook*, 2006).

1. These people are gainfully employed, and many of them are owner/managers or professionals. (Private Sector)
2. Income tax is paid by at least 15 % of population but everybody pays indirect taxes.

Given that the per capita Gross Domestic Product (GDP) of USA is $48,000, the tax burden being carried by this small group of taxpayers is absurd.

Why MBCS Can Work for USA

USA's current revenue system requires indirect taxes, import duties, government duties, and price controls. In addition, higher prices for controlled goods and services, as a means of collecting revenue in an economy that is performing but with the help of very high indirect taxes is unpopular.

In order to create a successful revenue collection system in USA, it is necessary to ensure that the revenue net is spread as far as possible, and there must be a general consensus among those within the net that co-operation is worthwhile.

Changing the American Mindset

MBCS provides a revenue collection system for the Government of USA, and it is based on a nationwide, dual pricing system for all goods and services and associated profits. This applies not only to Govt.-controlled goods and services, but also to goods and services provided by the private sector. In order to enjoy lower prices, citizens prepay for a MBCS bond that is used for buying goods and services that have two prices. The revenue from the sale of these bonds goes to the government through a national monetary fund that sells bonds and collects money. In USA, this national organization would be called the United States Monetary Fund (a private contractor) (USMF), and it would pay revenue collected from the sale of bonds directly to Govt. accounts. MBCS is a revenue system, not a tax system. In effect, the scheme asks businesses and consumers to help the government, and it encourages people to use this system by offering lower prices for goods and services. MBCS is attractive to consumers because it appeals to people's desire to find the best deal for a good or service.

MBCS' Economic Appeal

In MBCS, there is no statutory obligation to buy bonds. The scheme relies entirely on the basic human instinct of getting the best deal for the money. Unlike USA's current indirect tax system, MBCS will attract people because it offers guaranteed discounts on goods and services.

The lower prices available with MBCS bonds will attract at least 25% of the population. In addition, it will attract consumers because they will pay a higher price (present price) without bonds. MBCS will eventually attract enough participants to enable USA to eliminate its current indirect tax system. In addition, because bonds will be bought at the start of a financial year, the government will know exactly how much money it will have to fulfill its obligations during the year.

A Microeconomic Case for MBCS

MBCS will affect the micro economy of USA in the following ways:

1. **All transactions involving the use of money or credit for goods and services can operate under the scheme. (Govt. Sector)**
2. **MBCS applies to the entire economy, including non profit organisations.**
3. **MBCS will reduce household and business costs, which will increase consumer net disposable income (NDI) and**

business profitability.

4. **MBCS will have an immediate, favorable impact on economic activity, employment, and government revenues.**
5. **MBCS will affect the supply (e.g., imports, manufacturing, agriculture, and services) and demand (e.g., individuals, households, and business) sides of USA's economy and eliminate supply/demand curve imbalances.**
6. **MBCS revenues will reflect the level of economic activity in the macro economy and the system will grow proportionately with the growth of GDP.**
7. **MBCS incentives will reduce the need for a large bank balance and encourage more people to participate in the open economy as bond accounts will be much more profitable than interest based accounts.**

MBCS in Outline

In MBCS, an American consumer would use a prepaid bond (i.e., in the form of a plastic card/voucher) when purchasing any goods or service (under Govt. Control). The consumer who uses a bond would be entitled to significant discounts on the listed sales price/cost of utility bills and other purchases.

While the scheme requires the government to discount, in some cases, its indirect tax rate/fixed pricing to people using bonds, it will increase upfront cash flows to the government. The short-, medium-, and long-term benefits of increased and timely revenue collection will far outweigh a theoretical reduction in indirect tax rates/price controls.

MBSC will work in the favor of consumers, and businesses will gain significant, preferential advantages by using bonds. Businesses will be drawn into the scheme by the simple pressure of lower prices offered by businesses that participate in MBCS.

MBCS will increase USA's GDP, and this will substantially outweigh the discount aspect of the system. In addition, MBCS will cause massive foreign currency outside USA to migrate into MBCS-based transactions and increase Govt.'s revenue net (see Figure 1).

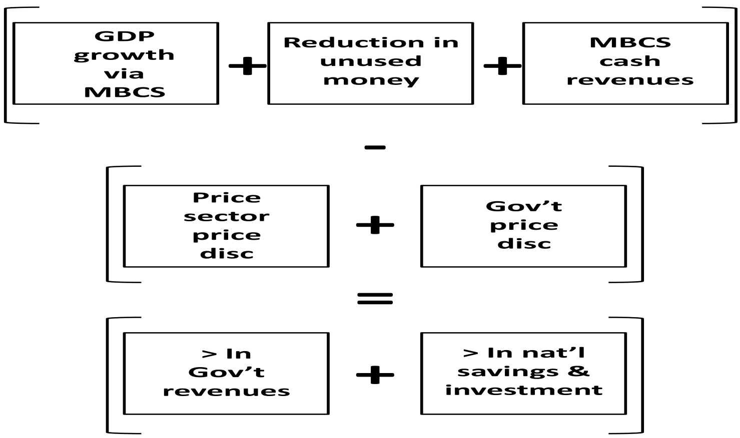


Figure 1. Economic Impact of MBCS

Why Price Controls?

USA controls the prices of a large number of critical items:

1. Electricity;
2. Petrol, diesel, and aviation fuel;
3. Telecommunication services;
4. Road taxes;
5. A large range of consumer items;
6. Registration fees, stamp duties, and other government fees & license fees;
7. Court fees;
8. Fixed duties on air travel;
9. Surcharges on airline tickets;
10. Road taxes;
11. Import duties;
12. Property taxes;

13. Post office fees;
14. Fees for passports and identity cards.
15. Marriage duties;
16. Fees for private educational institutes and private and government hospitals; and
17. Fees on all applications to government offices and agencies.

Govt. controls prices for a number of reasons, but it primarily controls prices in order to supplement its indirect tax revenues with profits from the sale of price-controlled goods and services. In fact, it is the only way it can guarantee it will collect revenue on certain items because a general sales tax is neither practical nor politically acceptable. MBCS would enable the Government of USA to continue the practice of making money directly from sales, and it would model the two-tiered price scheme for the private sector by offering a discount price to consumers who use MBCS bonds. Figure 2 compares current costs for Govt.-controlled goods and services and savings under MBCS.

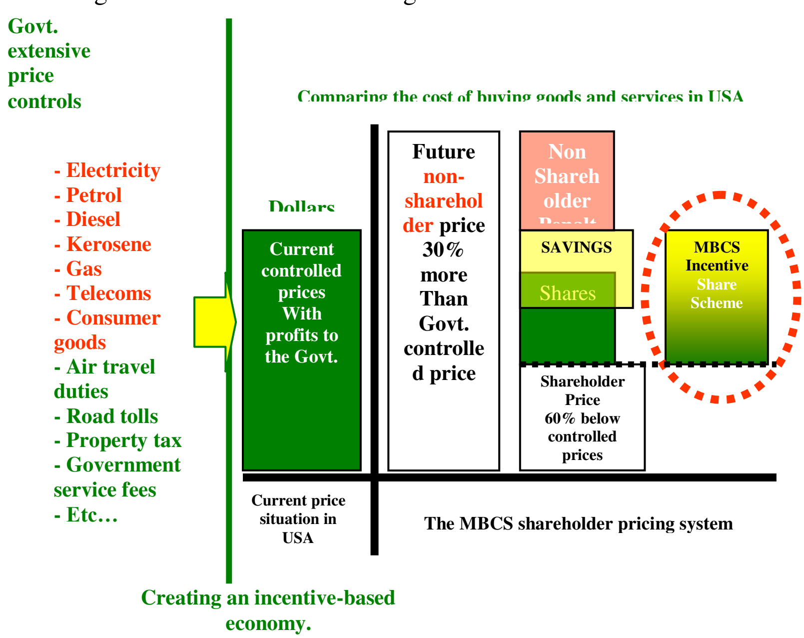


Figure 2. Comparing Costs in USA's Current System and MBCS

MBCS and Incentives

In the beginning, the government would offer its priced-controlled items at two prices: U.S. dollar value and bond value. The bond price is lower than the dollar price, which will become artificial price, and it offers a considerable advantage over the artificial price in real cash terms. In order to enjoy the lower price, consumers would pay twice as many bonds as dollars for the same good or service. This appears to be a win-win situation for consumers if bonds are bought at a rate below face value (e.g., five bonds per dollar or even three or four bonds per dollar), consumers would save at least 20%, even if the rate was three bonds per U.S. dollar. However, in the open market, the rate of bonds per dollar would always be above three bonds per dollar. (See Figure 3).

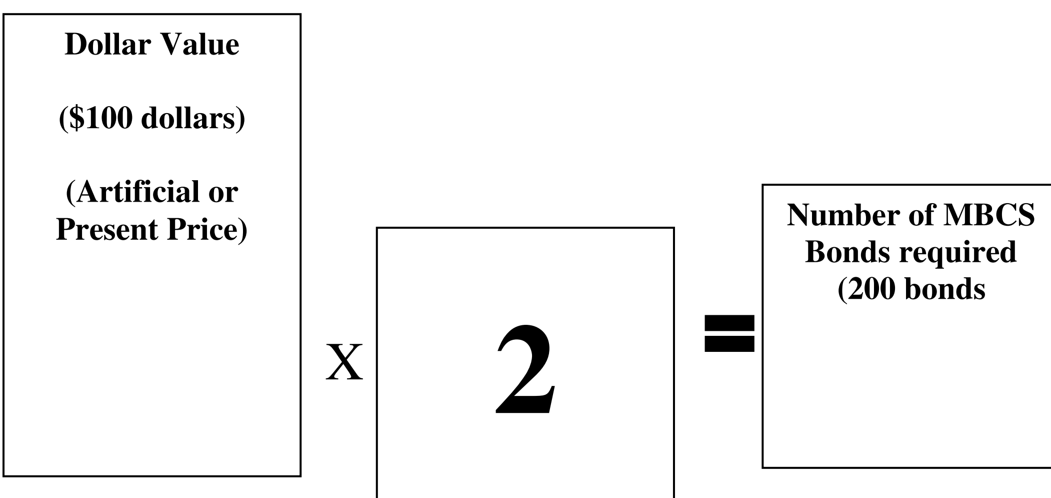


Figure 3. Current Price System's Relationship to MBCS

MBCS Prices

In MBCS, there are two stated prices and one final price (see Figure 4):

1. The first stated price is the artificial price, called dollar value (stated on label/list). This price is used only to calculate the number of MBCS bonds required and will be the prevailing market price.
2. The second price is the with-bond price, called bond value (stated on label/list). This price is 40% to 60% lower than current prices and will (depending on the bond rate per dollar at the time) show how many bonds are needed for the purchase.
3. The third and final price is the actual price in $. This is the price in dollars actually paid by the consumer once the number of bonds is calculated.

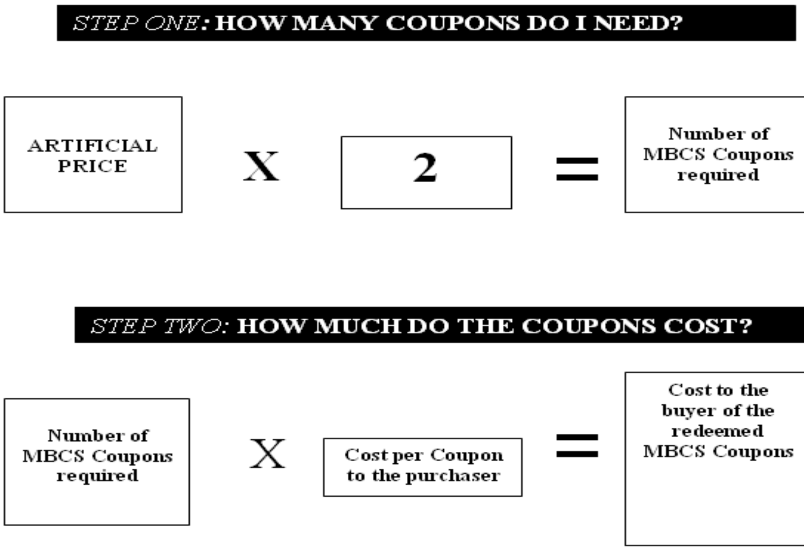


Figure 4. Calculating Actual Price

Calculating the Cost of Bonds

It is quite easy to calculate the cost of MBCS bonds: More bonds equal lower costs, and earlier bond purchases in a financial year equals more benefits. The incentive to participate in MBCS is lower prices for goods and services. In addition, consumers are rewarded for buying more bonds early in a financial year. Table 2 shows the benefits of buying bonds in bulk: For example, a consumer could spend from 0.33 dollar to 0.20 dollar per bond, depending on the time of year the bonds are purchased.

Table 3. Benefits of Buying Bonds in Bulk

Month		Official Bond Cost	Open Market Rate
1	January	100% of special concession*	3 to 5 per dollar depending upon the availability of number of bonds
2	February	70% of special concession*	
3	March	50% of special concession*	
4	April	Bonds available on the market at the rates set out in Official tables (Lowest exchange rate)	
5	May		
6	June		
7	July		
8	August		
9	September		
10	October		
11	November		
12	December		

*During the first financial quarter of each year, MBCS would operate under a special concession arrangement to encourage the maximum upfront purchase of bonds. The concession enables any person, household, or business to buy at a rate of five bonds per U.S. dollar in the first month, which is the maximum amount, and will keep on decreasing over time.

The Rationale for a Sliding Scale for Bond Costs

The financial objective of MBCS is to deliver substantial upfront revenues (i.e., liquidity) to Govt. and improve its solvency (e.g., balanced budgets). MBCS uses a sliding scale to encourage people to buy large quantities of bonds early in a financial year. There are four reasons to use a sliding scale for bond costs:

1. ***A sliding scale encourages people to buy large quantities of bonds in the first month of a financial year;***
2. ***It encourages the largest possible sales in single transactions.***
3. ***It encourages non-bank deposits to buy bonds.***
4. ***It rewards the good customer.***

The sliding scale has several implications for consumers:

1. Consumers with large cash deposits, whether in or out of the

official economy, will be encouraged to buy large quantities of bonds. The bonds will have significant value to high-, middle-, and low-income households because MBCS bonds will be used to purchase all goods and services, from luxuries to necessities.

2. Bonds are bearer entitled, and the holder of a bond will enjoy its benefits. Therefore, bonds can be traded on the open market and sold at a profit.
3. Buyers of bonds can trade in futures by taking options from traders on their future requirements at mutually agreed rates. This is particularly important because bonds will be available through official channels at their best rates only during the early part of a financial year; however, consumers who can buy more than $50,000 worth of bonds would be able to obtain a rate of 5 bonds per dollar throughout the year.
4. The costs of living and production will be reduced and create consumer demand, savings, and increased profit.

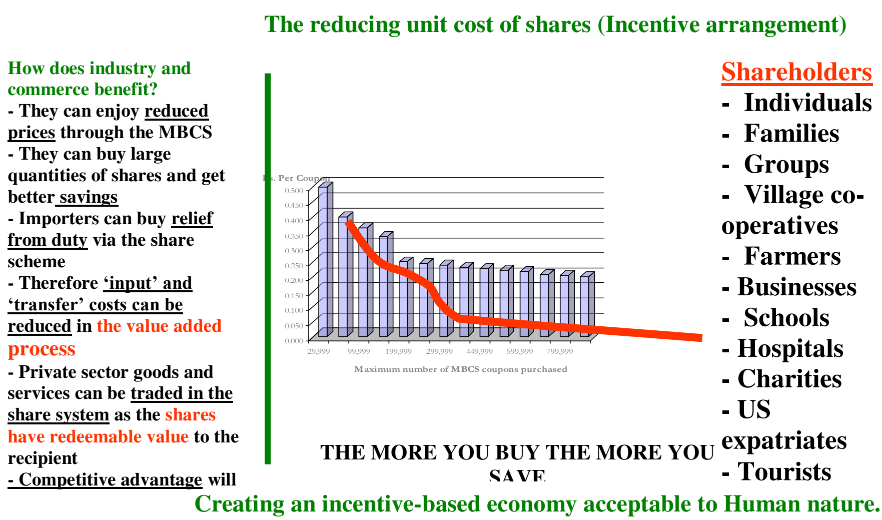


Figure 5. Sliding Scale for Bond Costs

Reasons for Purchasing MBCS Bonds

There are three reasons why a consumer would want to purchase MBCS bonds:

1. Bond-based transactions are less expensive than dollar-based transactions.
2. Bonds purchased at the beginning of a financial year are less expensive than bonds purchased later in the year.
3. The cheaper the bonds, the cheaper the price of the goods and services bought using bonds.

The best deals (i.e., rates for bonds) will come through official channels during the first financial quarter. This will attract substantial revenues ahead of purchasing requirements, and it will be a win-win situation for the Government of USA and consumer.

The more expensive official bond market in the remainder of a financial year will encourage open market trading among businesses and individuals who trade bond surpluses for shortfalls at negotiated prices. This market is important because it creates a broad-based value for an exchange market that is independent of Govt. price controls. This will further support the growth of the bond system in the open market.

Banks and financial institutions will be able to trade through their normal distribution channels and provide MBCS bond accounts as well as normal U.S. dollar cash and deposit accounts. Banks will also be able to purchase larger quantities of bonds in the early part of a financial year on a speculative basis and offer these bonds to their customers during the year. Banks can top up customer bond accounts at agreed rates and times. This trade in bonds will be a very lucrative business for banks and a valuable customer service.

Approximately at-least 80% of USA's population pays for the basics of modern living, such as telephones, gas, water, electricity, and so forth. MBCS will offer cheaper actual prices on the consumption of these important everyday basics. The following steps show how the price for a basic commodity is calculated using MBCS:

1. When calculating the bill for a commodity, the vendor uses present prevailing tariff charges.
2. When the bill is paid, bonds will replace dollars and the savings will depend on the rate of bonds when they were purchased. Utility bills will calculate/show the number of bonds required by the user, so there will be no confusion or need for the consumer to do the calculation.
3. The bond value price of the utility will be much lower than the dollar value price.

In MBCS, all government-controlled prices (e.g., government fees, post office fees, hospital fees, railway tickets, and airline tickets) will be available by paying twice the number of bonds as the prevailing price (see 5 for some examples).

Table 5. Example of an Airline Ticket $200

Bonds Required 400	**Net Price ($)**	**Savings ($)**	**Savings%**
Cost of 400 Bonds @ 3	133	77	33.33
Cost of 400 Bonds @ 4	100	100	50
Cost of 400 Bonds @ 5	80	120	60

Note: Airline tickets (with duties and taxes) under present system cost $200. Under MBCS, a ticket can be purchased using double the amount in bonds. Number of bonds required is 200 * 2 = 400.

All duties will disappear after the system is implemented in total and private businesses will opt for government as a sleeping partner contributing 80 % of liquidity with zero interest but sharing profit and loss in all these businesses in the ratio of 40 to 60 % see the detail under interest free banking.

The Household Budget and MBCS

MBCS will deliver real benefits to the basic economic units of consumption: the household and the individual. MBCS enables consumers who plan their expenses to maximize their savings through the calculated use of the marginal bond cost mechanism. In essence, MBCS encourages purchases in bulk at the start of a financial year. Householders and individuals who are able to assess their needs for the period ahead will be able to accurately decide how many bonds to purchase.

The bond needs of households fall into four basic categories:

1. Basic consumption needs required to sustain living,
2. Luxury items that bring comfort over and above basic needs,
3. Contingencies that deal with the unexpected in life, and
4. Speculation that covers the desire to profit from the investment of surplus funds.

MBCS bonds apply to all these situations, and individuals can use the purchase of bonds to leverage greater value for their money and use the savings to invest.

MBCS and the Concept of Marginal Utility

The concept of utility and its relationship to the quantity of any item or service purchased is a cornerstone of microeconomics. Utility is the benefit derived by the buyer from a purchase, and beyond a certain point, the buyer loses the benefit of quantity. This is called marginal utility, and it drives the price people are willing to pay for a good or service. For example, the utility of a glass of water to a man dying of thirst in the desert is very high. The marginal utility of the next glass of water is also very high. The same cannot be said of a man with ample access to free water.

The same concept applies to the MBCS bond. It is also different because money and MBCS bonds do not satisfy needs directly. They are used to exchange for goods and services that have intrinsic value/utility. However, the MBCS bond has high utility because it can be used for exchange at value.

MBCS bonds would be purchased to cover a number of useful purposes, and the utility of bonds can be expressed in savings and speculation. All households and businesses would purchase MBCS bonds for four basic purposes, depending on means and disposition:

1. They would buy bonds to save money on planned necessities and luxuries;
2. To provide for unplanned expenditures in the future;
3. To provide room for discretionary expenditures; and
4. To speculate on the price of MBCS bonds using volume purchases or accumulation.

Table 6 shows how a consumer can use MBCS bonds.

Table 6. Consumer's Use of MBCS Bonds

Generic Bond Use	Application	Utility or Value	Utility Factor by Income Group		
			High	Medium	Low
Speculative	Store surplus	MBCS bond purchasers speculate by accumulating surplus bonds or by buying large discounted quantities to sell at profit	Bond utility is high if the prosperity / attractiveness to speculation is high	Bond utility is high if the prosperity / attractiveness to speculation is high	Bond utility is high if the prosperity / attractiveness to speculation is high
	Buy to sell				
	Buy to save				
	Buy to hoard				
	Forward selling				
	Forward buying				
Contingencies	Increased basics	Purchasing more MBCS bonds than planned needs	High-income consumers will understand the benefit of	Bond utility becoming marginal beyond contingencies	Bond utility is marginal at best

		enables discretionary choice in the future. This is of high value when income exceeds the planned expenditure on basics and a few luxuries	bond purchases beyond planned essentials and luxuries	for increased basics and a few more luxuries	
	More luxuries				
	Marriages, births				
	Gifts				
	Travel				
	Rainy days				
	Poor estimating				

Generic Bond Use	**Application**	**Utility or Value**	**Utility Factor by Income Group**		
			High	**Medium**	**Low**
Luxuries	Car	The line between luxuries & basic is very difficult to draw. However, the utility of these items is high for all income groups and is the utility of the MBCS	Considered as basic needs by many high income groups and. Therefore, high utility for bonds	Utility varies by type of goods or service but bond purchase utility is still high	Bond utility is high once basics are met

		bonds with which to purchase them			
	TV				
	VCR				
	White goods				
	Computers				
	Holidays				
Basic Consumption Needs	Electricity	High utility for all basic needs; therefore. bonds are essential			
	Water				
	Food				
	Petrol				
	Clothing				
	Gas				

It should also be kept in mind that as the net disposable income of a household increases so does their view of utility. Luxuries become essentials. In other words, as GDP grows, consumers will demand more MBCS bonds. The cost reductions created by MBCS will enhance savings and investment.

Why MBCS Bonds Help Businesses

The MBCS bond system can help all businesses. In order to participate in MBCS, businesses must register with USMF. All businesses that participate in MBCS are divided into three simple categories, which does away with the myriad of registrations currently in place.

Category One Business

A Category One business passes its goods and services on to an end user (i.e., consumers), and it can register at the start of the year for the upfront sum of $10,000 or multiple of $10,000. This fee entitles the business to 20,000 bonds at five bonds per dollar, provided the business can show that it has collected 10000 bonds. These bonds could be purchased on the open market or from a customer. The second option is much more business oriented, and therefore, the business would collect more bonds and charge a lower cash price to increase its number of required bonds. These bonds would be surrendered to USMF in exchange of new bonds without cost. This would eliminate the repeated use of the same bonds by other people or businesses because there would be a record of the issue date. The collection of bonds depends on the registration fee. The more the registration fee, the more the bonds a business can purchase at the rate of 5 bonds per dollar. The registration fee would entitle a business to purchase additional 20000 bonds for $4,000. This in itself is a cash rebate, and the value depends on the open market exchange rate or the official rate, whichever is better. Table 8 shows the sliding scale of benefits because there is no actual cash limit to the registration fee, and it is a very cost-effective way for businesses to purchase 20,000 or more MBCS bonds at the rate 5 per dollar throughout the year for a minimum registration of $10,000. The incentive keeps on increasing with higher amount of registration as shown below in table no 7.

Table 7. Registration Fees for Businesses

Business Registration Table						
With Registration Fee Purchase				**Normal Purchase**		
Reg. Fee $	**Bonds Collection Entitlement**	**Entitlement To No. of Bonds to Purchase @ 5 per dollar**	**Amount $**	**Amount $**	**Rate of Bond**	**No. Of Bond**
10,000	1,0000	2,0000	4,000	10,000	2	2,000,000
30,000	3,0000	7,5000	15,000	30,000	2.5	7,500,000
60,000	6,0000	16,5000	33,000	60,000	2.75	16,500,000
100,000	10,0000	300000	60,000	100,000	3	30,000,000
150,000	150000	600000	120,000	150,000	4	60,000,000
200,000	200000	820000	164,000	200,000	4.1	82,000,000
250,000	250000	100,000	210,000	250,000	4.2	105,000,000
300,000	30,0000	129,0000	258,000	300,000	4.3	129,000,000
400,000	40,0000	176,0000	352,000	400,000	4.4	176,000,000
450,000	45,0000	202,500,00	405,000	450,000	4.5	202,500,000
500,000	50,0000	230,00000	460,000	500,000	4.6	230,000,000
550,000	55,0000	258,50000	470,000	550,000	4.7	258,500,000
600,000	60,0000	288,00000	576,000	600,000	4.8	288,000,000
700,000	70,0000	343,00000	686,000	700,000	4.9	343,000,000
800,000	80,0000	400,00000	800,000	800,000	5	400,000,000
And above	And above	And above	And above	And above		And above

Note: These are approximate but incentive based ratios and can be changed according to country's requirement.

Category Two Business

A Category Two business does not trade up the value chain in bonds, but it can still purchase MBCS bonds for its ordinary expenses/purchases. This type of business can register with USMF for $50,000 or multiples of $50,000. This fee would entitle the business to register for 250,000 bonds per month or multiples of 250,000 bonds at a special rate of five bonds per dollar throughout the year.

Category Three Business

A Category Three business may elect to establish a special relationship with USMF by agreeing to sell its entire output through USMF to the customer for pre-agreed market prices with a condition of surrendering 5% in cash or 15% in bonds to USMF. This would entitle the business to import all its raw material and other needs into USA duty free at a value equal to what it sells through USMF or the business opts for best bonds rate of 5 per dollar equal to the amount sold.

The combined effect of a supply of bonds 5 per dollar of the value sold by business through USMF and the reduction of costs through the removal of duty on imported items would improve operating margins. Input costs would be substantially reduced, and output prices would be reduced by at least 50 %. These businesses can earn 5 bonds per dollar if the duty free option is not taken, which would further decrease the costs of inputs as these businesses will not have to spend billions upfront (see the Gold Mine section).

The Impact of Participating in MBCS

In MBCS, all three categories of businesses would experience a reduction in the basic costs of doing business. Transforming activity into value for most businesses involves purchasing the following:

1. Capital equipment,
2. Materials and finished items, and
3. Energy.

Each of these items is available to a business under the MBCS scheme. Imported goods are also offered on the same basis, with all tariffs and duties removed once you have the required registration .If this system is strung along the entire chain of business value-added activity, the impact on costs, prices, and margin will be significant.

In MBCS, businesses would have the opportunity to accept cash or cash and bonds at the point of sale. Their customers and competitors may choose for them because it will be difficult to sell goods and services outside MBCS as price competition will be too intense.

Businesses will also experience lower operating costs if they participate in MBCS. Travel, telephone calls, petrol, registration fees, stationary, computers, and so forth would be available in MBCS, and the reduced prices available using bonds would have a significant, positive impact on expenses and overheads.

Savings for Manufacturers in MBCS

The Category 3 registration of $50,000 would entitle a business to sell merchandise at a maximum of 10 times the registration fee per month or $500,000 million worth of goods through USMF in one installment or in, at the most, 12 installments, with each transaction not less than $0.5 million. This would reduce the work of USMF to a great extent.

Manufacturers who sell their products through USMF have to deposit 5% in cash or 15% in bonds of the amount of product sold to USMF. This would entitle a producer to purchase bonds at the rate of five bonds per dollar or obtain duty-free imports, depending on the amount sold. The value of the 15% in bonds would be three dollars (if the rate is five bonds per dollar) per $100. Consumers would happily pay 15% in bonds because the goods are cheaper as a result of the 50% reduction in production costs. Producers would declare 100% or more of their end products because they want to get back their registration fees by selling extra bonds at the open-market rate, duty-free goods, or options to buy cheap bond.

Gold Mine

MBCS will be a gold mine for the Government of USA because it would receive at least three percent of the profit from everything produced or sold in the market. The gold from this mine would flow to Govt. in the following way:

1. A Category 3 business cannot invest the billions of dollars

needed to buy cheap bonds at the beginning of a financial year, so they would sell their products through USMF. This arrangement would entitle the business to buy cheap bonds or duty-free goods equal to the amount of merchandise sold, and the quota would be 10 times the amount of the registration fee. A registration fee of $50,000 would entitle a business to sell $6 million worth of goods through USMF per year, but it would have to surrender 15% of the amount sold in bonds to USMF at the time of sale. These bonds would be returned to Govt., and in return, Govt. would allow the business to purchase five bonds per dollar or obtain duty-free goods and services throughout the year equal to the amount sold through USMF. These bonds would be resold by Govt., which would keep this profit.

Figure 6 illustrates this gold
mine.

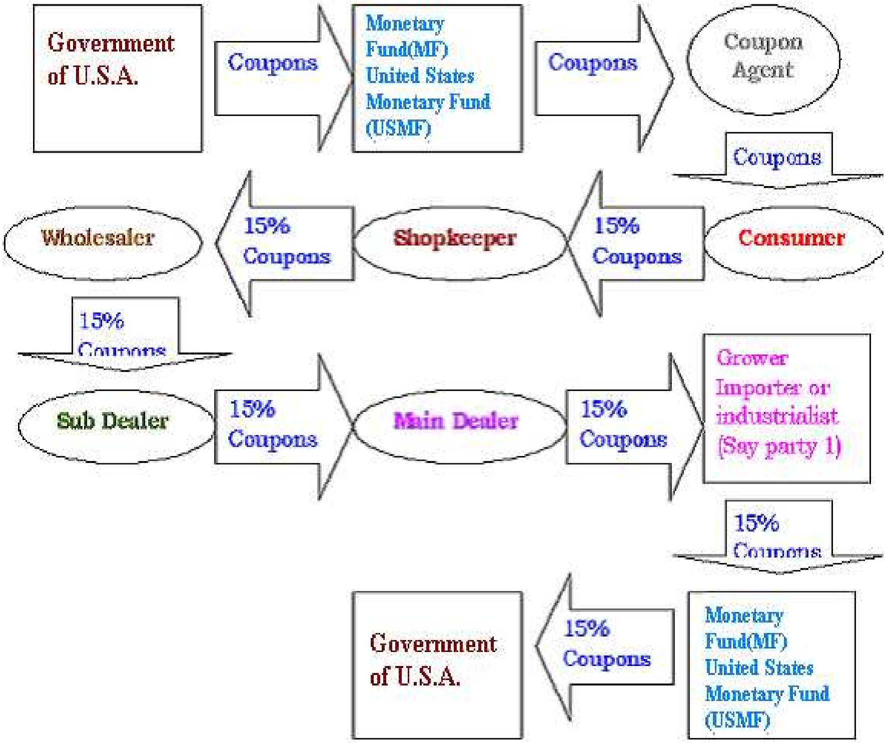


Figure 6. The MBCS Gold Mine
Note: Suppose if the total daily transactions across USA is $50 trillion then by the Gold Mine option the 3% of 50 trillion will be $1.5 billion everyday credited into Govt.'s account without any compulsion.

The Retailer and MBCS

The benefits of MBCS will cascade down to independent retailers because the use of bonds and lower prices for manufactured goods will enable retailers to offer consumers lower prices. Retailers will receive special rates for bonds collected from sales and reduce their costs when purchasing stock. Retailers will have the opportunity to discount prices in MBCS and accept MBCS bonds in return for discounted with-bond prices.

The method for calculating retail prices will be different from the method used to determine the prices of Govt.-price-controlled goods and services. The actual cost to a retailer is cash plus the cost of the 15% in bonds. This cost may vary because the actual price paid for bonds is not fixed.

Bonds collected by a retailer can be traded and used for discounting business-related expenses; therefore, they represent value to a business. In addition, under the rules of MBCS, the collection of bonds by registered businesses entitles these businesses to buy with no upper limit (depends on the registration fee) of MBCS bonds at the rate of 5 bonds per U.S. dollar. Bonds have tangible value for exchange and trading purposes, and therefore, businesses will be able to account for bonds in their financial results.

A retailer of a shirt, for example, will calculate price in MBCS based on a number of business considerations:

1. Desired operating profit,
2. The cost of the shirt,
3. Desire for MBCS bonds, and
4. The competitive policy of rivals.

Retailers of shirts, or any other good or service, are unlikely to ignore MBCS because the price of a shirt outside MBCS makes the shirt business unprofitable. Table 11 shows not only the input cost of a shirt, but also the possible sales price if the vendor decides to sell the shirt for cash and bonds, which is much less than the present price.

Business Operations and MBCS

At the end of each year, businesses draw up accounts that demonstrate their business performance in financial terms. In MBCS, accounting for operations will also show how many MBCS bonds were collected and an assessment of their net worth.

The key question is how does a retailer optimize profits and minimize risk in MBCS. After all, retailers are asked to accept less value prima facie for their goods in MBCS than in the previous system. This question is at the core of MBCS because it applies equally to small, medium, and large businesses, as it does to the Government of USA and its agencies.

A rational business has the following objectives:

1. Maximize profits and minimize losses,
2. Maintain a positive cash flow (cash in – cash out = > 0),
3. Recover at least all direct and indirect operating costs,
4. Minimize risk, and
5. Invest cash surpluses in the business.

To achieve these objectives in MBCS, a business will have to:

1. Operate at a level of discount that recovers at least the cash cost of the items for sale, and in this regard, the business can operate separate discount arrangements when the cash costs as a percentage of selling price differ;
2. Use MBCS to buy wholesale goods and services manufactured in USA and outside under tax-free and discount import arrangements. This would reduce the cash cost to a business and offer greater scope for deciding discount levels;
3. Use MBCS bonds to discount all cost inputs, including electricity, travel, stationary, equipment, and so forth;
4. Use discretion when using preferential bonds (i.e., take account of cash positions and the risk in bond markets);
5. Use additional bond facilities to promote growth in business activities/operations; and
6. Accumulate bonds, as a hedge against future needs only if cheaper sources of bonds do not

exist.

Table 8 shows a number of operating scenarios. This Table reveals that business operations can be attractive if additional bond entitlements are exercised. A business would use these entitlements for future trading and growth. A business' choice of the discount scenario and the related returns/risks is a business judgement that tests the business' appetite for risk, returns, and growth.

Table 8 forecasts and analyzes the impact of MBCS on the operations of a small retail business over the course of a business year. It contains the basic elements of a profit and loss projection together with the number of bonds collected during the normal course of business under a number of discount scenarios. A risk analysis is also undertaken below the bottom line to determine the impact on profit of holding large amounts of bonds.

Table 8. Impact of MBCS on a Small Retail Business

Retailer Bottom Line Performance Registered MBCS Business					
	Discount Scheme Chosen				
	40	**30**	**20**	**10**	**Old System**
Cash Revenues					
MBCS cash sales	6,000,000	7,000,000	8,000,000	9,000,000	10,000,00
Cost of sales	6,000,000	6,000,000	6,000,000	6,000,000	6,000,00
Overhead cost	200,000	2,000,000	2,000,000	2,000,000	2,000,00
Direct cost discounted for coupons @ 15%	5,700,000	5,700,000	5,700,000	5,700,000	
Overheads reduced by 20% MBCS effect	1,600,000	1,600,000	1,600,000	1,600,000	
Cost of coupons used @ 6	283,333	283,333	283,333	283,333	
Adjusted cost of sales	7,583,333	7,583,333	7,583,333	7,583,333	
Operating cash profit	(1,583,333)	(583,333)	416,667	1,416,667	2,000,00
Finance charges +/-	(158,333)	(58,333)	41,667	141,667	200,00
Net profit	(1,741,666)	(641,666)	458,334	1,558,334	2,200,00
Coupons					
Coupons collected	8,000,000	6,000,000	4,000,000	2,000,000	
Minimum coupon value @ 6	1,333,333	1,000,000	666,667	333,333	
Maximum coupon value @ 2.5	3,200,000	2,400,000	1,600,000	800,000	
Median value	2,266,667	1,700,000	1,133,333	566,667	
Cash & Coupon profit best case	1,458,334	1,758,334	2,058,334	2,358,334	
Cash & Coupon profit worst case	(408,333)	358,334	1,125,000	1,891,667	
Cash & Coupon profit median case	525,000	1,058,334	1,591,667	2,125,000	
Optional MBCS Scheme					
Additional Coupons					
Additional coupon entitlement	24,000,000	18,000,000	12,000,000	6,000,000	
Cost of buying additional coupon	4,000,000	3,000,000	2,000,000	1,000,000	
Total cash cost of coupons	4,000,000	3,000,000	2,000,000	1,000,000	
Total Coupons Held					
Total collected & purchased	32,000,000	24,000,000	16,000,000	8,000,000	
Coupons used by business above the line	1,700,000	1,700,000	1,700,000	1,700,000	
Balance of coupons	30,300,000	22,300,000	14,300,000	6,300,000	
Coupon Value					
Value of coupon held @ 2.5	12,120,000	8,920,000	5,720,000	2,520,000	
Value of coupon held @ 6	5,050,000	3,716,667	2,383,333	1,050,000	
Median value	8,585,000	6,318,333	4,051,667	1,785,000	
Risk Analysis					
Best outcome	6,536,667	5,336,667	4,136,667	2,936,667	2,200,00
Worst outcome	(533,333)	133,333	800,000	1,466,667	2,200,00
Median outcome	3,001,667	2,735,000	2,468,334	2,201,667	2,200,00
Best outcome of capital employed %	56.43	50.43	43.17	34.21	
Worst outcome of capital employed %	(4.60)	1.26	8.35	17.09	27.50
Median	25.92	25.85	25.76	25.65	
Risk Analysis	High	Low/Medium	Low	No Risk	High Risk

Table 8. Impact of MBCS on a Small Retail Business

A business must decide business strategies for upcoming years (e.g., pricing policy). In MBCS, a business would have to decide how much risk it is willing to assume in the form of the number of bonds held/traded. Table 12 shows 40%, 30%, 20%, and 10% discount models, with the balance up to the with-bond sales price.

In the 40% discount scheme, which means a business accepts 40% of the with-bond price in MBCS bonds, a business could double its margin, depending on bond rates. It could also lose money if the rate for MBCS bonds falls below five bonds per U.S. dollar. A business' margin drops with the drop of bonds accepted, but so does its risk. A rational businessman would opt for a discount that does not cost money, regardless of the MBCS bond rate. Risk is reduced considerably after 20%, and margins remain very healthy.

In MBCS, a business would sell many shirt products with different profit margins, which are the critical driver of risk to the enterprise. When margins improve under the scheme, there is more latitude for discounting. This avoids problems associated with cash flow and negative margins. Therefore, a business may choose not to plan its discount across the board but decide on a generic pricing policy of different discounts on different brands and lines, taking account of its cash margin, volume of sales, and the pricing strategies of completion In the final analysis, a business would keep an eye on competitors' MBCS pricing policies and how attractive this is to buyers of shirts. This model can be applied to all retail businesses or businesses selling to an end user. It shows how flexible and profitable MBCS can be for well-run businesses.

Imports and Foreign Exchange Transactions Imports

The importation of foreign currency and goods is another source of value at the microeconomic level in USA There is two reasons why these imports are important: First, these imports represent significant value in the country, and second, these imports are the single greatest source of previously black money in USA

A Macroeconomic Case for MBCS

MBCS would generate much more revenue for the Government of USA than the present revenue system. In addition, MBCS would resolve the systemic crisis that is causing USA's entire economy to seriously under perform.

The macroeconomic impact of MBCS focuses on a number of economic drivers that result in the output of the economy expressed as Gross Domestic Product (GDP). The impact of MBCS at a macro level focuses on the economic system in USA that supports GDP. This is the way that capital and finance, trade and manufacturing, agriculture and services, tax policy and tax systems, human resources (including employment), national infrastructure, interest rates, imports and exports, and so forth operate together to produce wealth.

What is wrong with the Current Economic System in USA?

The indirect tax system causes the largest problem for USA's economy. This system may threaten to sink the ship of state in an ocean of debt in the near future although not at present. In addition, this malfunctioning system has a negative effect on all other systems. For example stable exchange rates, investment in people and industry, low-cost financing, and so forth are not possible because the direct and indirect tax system is the main obstacle. This reinforces economic failure, and beyond a certain point, it can cause the economy to collapse.

The failure of Govt. to collect enough revenue through taxation is the result of a failed tax system, and it has forced the government to use their own resources in large amounts of money in order to finance regular government deficits. The vast majority of this expense is the barrowed money with interest. Again, when a major part of an economic system starts to fail, then the entire system's performance is in jeopardy.

Figure 7 illustrates the fragile state of USA's economic system and why it is under performing. As with all macroeconomics, it is a complex system that requires skills at the highest level to manage. This is usually the job of government. However, at the grassroots level of any economic system is the investor: the person, corporate body, group of investors, institutions, pension funds, and so forth who decide to defer expenditure/dividends in favor of investment. In USA, the investor is faced with obstacles if he/she wishes to create wealth through investment because of low returns, high risks, import duties, high commodity prices, and, most significant, high direct and indirect taxes. No economy in this basic condition can hope to develop long-term strength and growth.

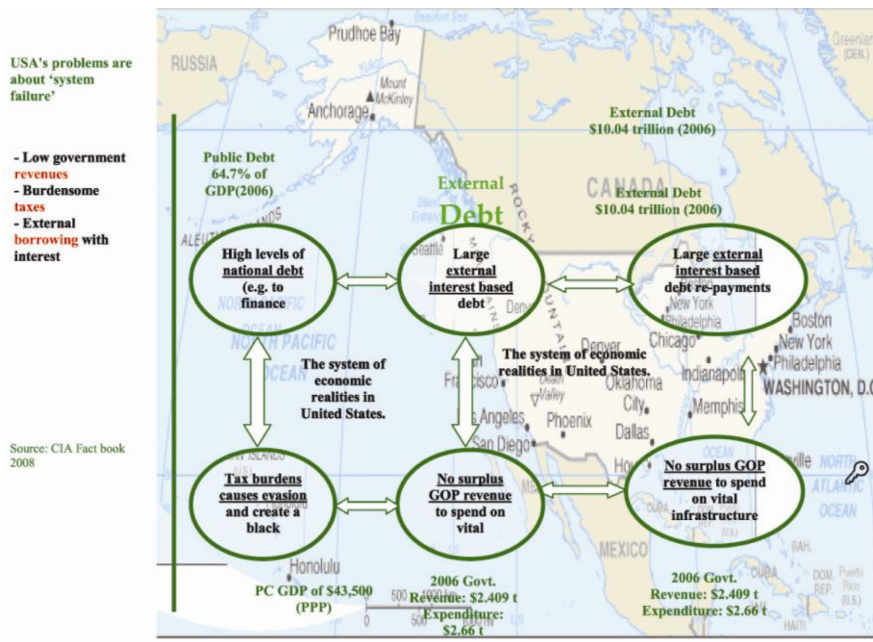


Figure 7. Fragile State of USA's Economy

The Way Out of the Crisis

In times of crisis, it is sometimes difficult to see the issues clearly because crisis management shortens and narrows people's vision. In the case of USA, and other developing countries, it is difficult to look beyond the current system and the way taxes are collected. However, if a solution is to be found, then it must be outside the current tax system. As stated elsewhere and as is generally accepted among experts and the general public, USA's current tax system does not work and, more important, is unlikely to meet future needs.

MBCS would meet not only the short-term needs of USA; it would also provide a system that creates wealth and prosperity for a large proportion of USA's population. In short, MBCS would produce four first-order results immediately:

1. Collect more than $3 trillion in first 30 days of operation and at least 100 times more by the end of fiscal year; and
2. Enable Govt. to achieve short-, medium-, and long-term solvency (i.e., USA would be able to balance its budget, avoid external debt, and invest in the country's future).

Figure 8 illustrates how MBCS would improve USA's economy.

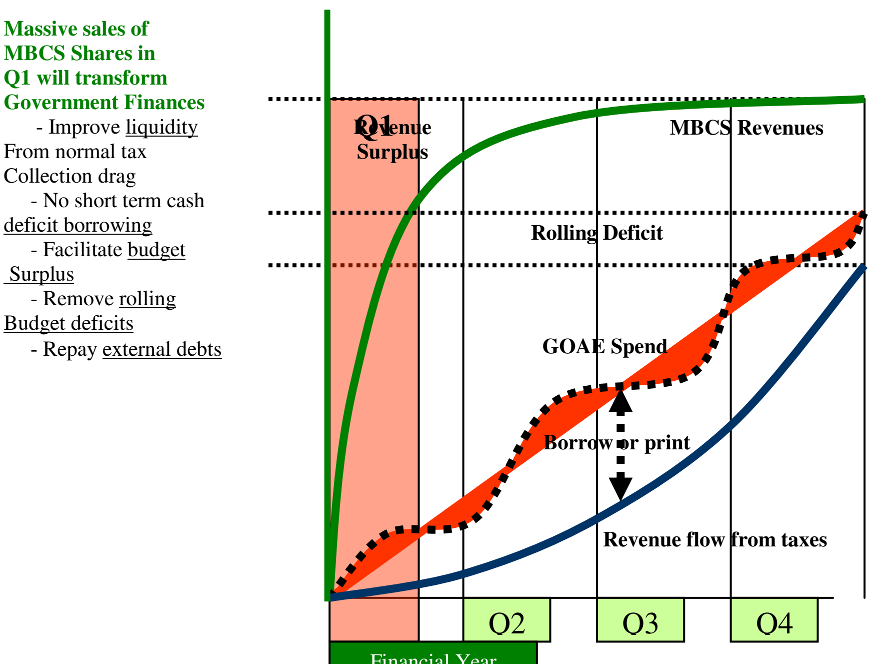


Figure 8. How MBCS would improve USA's Economy

MBCS would produce a properly functioning economic system characterized by:

1. Balanced budgets,
2. Improved confidence in the system,
3. Investment in the infrastructure, and
4. Continuous economic growth.

How MBCS Produces a Properly Functioning Economic System

MBCS works on the principle that:

1. The Government of USA will discount its current prices for controlled goods and services in order to obtain upfront funds and lower input costs, which will promote the growth of GDP;
2. MBCS will transfer value from imports and supplies of goods and services to manufacturing units to the core added-value activities in agriculture, manufacturing, retail, and services;
3. MBCS will attract money from the black money because the new MBCS pricing levels will compete with it for customers, and because MBCS provides for speculation, and the extra money will be used to purchase bonds for trade; and

MBCS will produce four first-orders (i.e., short-term) results:

1. Govt. solvency and improved gross revenues.
2. Improved profitability of all businesses.
3. Reduced black money.

4. Increased foreign currency holdings.

MBCS will produce four second-order (i.e., medium-term) results:

1. Net surpluses for Govt. and, therefore, more Govt. investment.
2. Cash surpluses for US businesses, which will encourage investment.
3. Eliminate hoarding and increased money liquidity.
4. Reduce dependency on oil money.

MBCS will produce four third-orders (i.e., long-term) results:

1. Increased national human productivity and health and reduced levels of unemployment.
2. Increased private investment and the growth of GDP until it sustains acceptable standards of living for all citizens.
3. A free-market economy with few internal/external barriers and tax burdens and a general awareness that government solvency is critical for maintaining the security, welfare, and prosperity of the system and the people of USA
4. The ability of Govt. and the central bank to plan for future foreign exchange needs, which will stabilize the dollar.

These results depend on the ability of MBCS to deliver significantly more cash to Govt. than the current tax system.

MBCS will provide the largest contribution to the revenue system when this system is applied to all economic transactions in USA's economy. Economic activity usually involves a string of supporting importers, material and equipment suppliers, and service companies that form a chain to the manufacturer or provider of goods and services. This activity is also supported downstream by logistics and wholesale distributors This system is often referred to as the value-added chain because it shows how the value/eventual price of a product or service is built up at each stage.

MBCS, through USMF, would offer to buy the total output from agriculture, manufacturing, and certain services from producers at agreed prices plus 5% in cash or 15% in bonds. People would be encouraged to participate in MBCS because they would be able to take advantage of the duty-free importation of capital, material, and goods.

To estimate the impact of MBCS, a simple model has been developed based on existing data concerning USA's GDP and how it is broken down. The model assumes that at the first stage of value addition there are activities by importers and suppliers thereafter, the core added-value sectors of agriculture, industry, and services are included, followed by distribution.

The model is simplified because the supply chain of some manufacturing and service businesses can be complex. For example, equipment suppliers have a sub chain and distributors who supply factories and offices. Although this chain can be complex, MBCS would produce more revenue as the number of bond transactions increase.

Sustaining the Value of the MBCS Bond

The MBCS bond is intended to have negotiable value throughout its life. While the cost of a bond is determined by the price paid for it, an unused bond also has an open-market value because of the demand for goods and services.

The maintenance of value is critical because it is likely that bond value will fluctuate within reasonable limits. This will encourage people to save bonds in the same way they save shares, savings certificates, and gold and silver.

The MBCS bond would be subject to the following:

1. It would be subject to substantial, continual demand because of the need to sustain economic activity.
2. It would be subject to the maintenance of supply management controls to ensure bonds sustain GDP growth without the

danger of inflation.

3. Open-market operations through USMF agents and private sellers would ensure that buyers/sellers/agents would act in their best interests to maintain a stable, positive market rate.
4. The limited period of cheaper bonds at the beginning of a financial year will ensure a healthy open market when official channels dry up or become relatively expensive. This alone will keep minimum open-market rates above or around five bonds per dollar.
5. It is anticipated that banks and finance houses will purchase large quantities of bonds at the start of each year and hold them for their custom dollars As a result, a bank's customers would be able to purchase bonds at any time during the year and in large quantities provided they are willing to pay the bank's risk and profit margin.

The Government of USA's MBCS Balance Sheet And Cash Flow

MBCS will produce revenues in the following areas:

1. The sale of Govt. price-controlled goods and services.
2. Operations in USA's added-value chain.
3. The use of MBCS bonds in the retail sector.
4. The use of MBCS as an import agency for goods and services arriving in USA for sale or use in the country.

Table 15 and Figure 12 show how MBCS produces revenues. In some cases, these figures are estimates based on broad economic data, and as such, they are no better and no worse than methods deployed by governments to forecast tax revenues.

It is important to remember that the concession made by Govt. to start MBCS (i.e., reducing the price of controlled items) is more than compensated for by:

1. Reduced Black money (i.e., its migration to the open, lawful economy) and
2. Increased USA's GDP.

Table 9. The State of Govt.'s Finances in MBCS

Total receipts in billions $						
	Years from MBCS Introduction					
	1	2	3	4	5	Average
Govt.-controlled goods and services	250	300	360	432	518.4	372.08
Receipts from retail markets	75	90	108	129.6	155.5	1115.1
Receipts from industry and commerce	457.125	548.55	658.25	789.25	947.9	6800.35
Total receipts from current activity	782.125	938.505	1126.26	1351.51	1621.815	11640.05
Beneficial receipts from exchange control	60	60	60	60	60	600
Grand Total	842.125	998.55	1186.26	1411.51	1681.815	1224.05
Absorption of black economy %	10	10	10	10	10	10
GDP Growth Forecasts	4	5	6	6	6.5	5.5

Note: This Table does not include the funds and benefits that would result from the Gold Mine, unused money, interest free banking, corporate farming, or foreign investment.
Above are all approximate figures as the exact amount can't be determined till the system is actually implemented for a whole period of at-least 1 year.

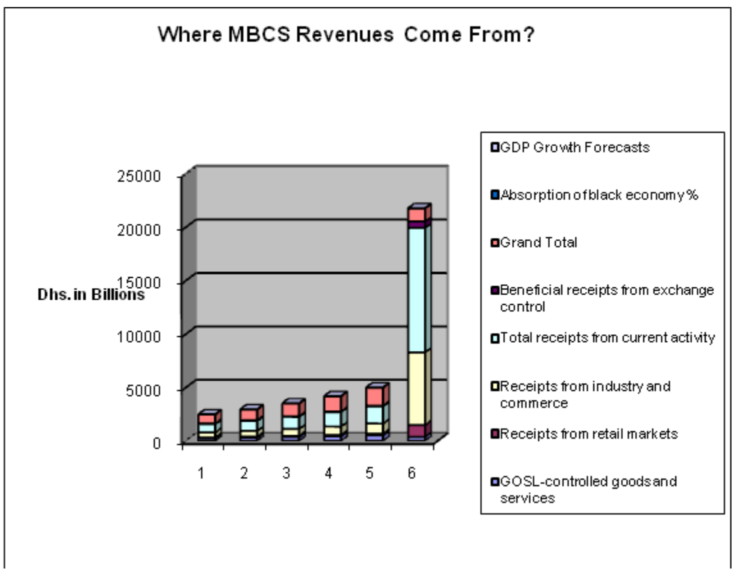


Figure 9. Source of MBCS Revenues

Corporate Farming

In MBCS, Govt. would provide selected corporate farming organizations with up-to-date machinery and equipment, free water, low-cost electricity, and low-cost fuel. Airplanes would be used to spray pesticides and sow seeds. Boundaries would vanish except on paper and in computers, and land could be sold without fear of litigation. The government would share profits with these corporations, which would reduce the subsidies presently paid out by Govt. As a result, every piece of land would be cultivated with high-quality crops and at the cheapest production costs. Govt. would export these crops and earn much-needed foreign exchange and use corporate farming agencies to sell these crops inside the country. Therefore, the government would be able to easily regulate the price of these crops.

The True Interest Free Banking System

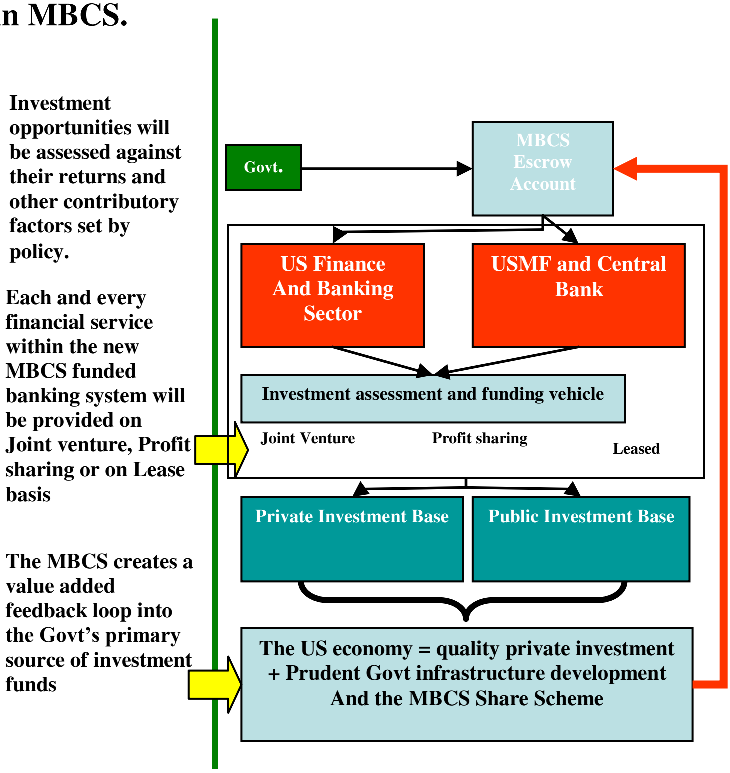
This system serves the same purpose as conventional banking, but it is based on the idea of profit and loss sharing. The Interest free banking system is guided by the concepts of *profit sharing, safekeeping, joint venture, cost plus, leasing*.

In order to avoid charging or paying interest in a mortgage transaction, the interest free banking system uses an approach called *Cost Plus*. A bank may buy a house and sell it to a prospective buyer at a profit or build a house on turnkey basis. The buyer pays for the house in installments. These installments are the actual loan plus rent, which is a percentage of the prevailing interest rate and which is reduced with every installment. A bank may also use an approach called *leasing*. In this approach, a bank will sell a vehicle to a buyer in exactly the same way as it will sell a house. The bank's profit is from the rent of the house or car, not from selling it at a higher price to the buyer. This is true interest free banking.

In the *Joint venture* approach, a company repays a bank loan by sharing its profits with the bank. This profit-sharing agreement ends when the loan is repaid. Using the *profit sharing* approach, a bank and borrower enter into a joint venture. The bank provides venture capital, and the borrower provides the labor. In this way, the bank and borrower share the risk and the profit.

The true form of interest free banking is *partnership* (i.e., sharing, profit and loss), and this will constitute about 90% to 95% of the major business carried out in MBCS. *Profit sharing* and *leasing* will form the basis for the final 5% to 10% of transactions. Once MBCS is implemented, there will be a massive transfer of funds from private accounts. As a result, private

banks will depend on government funds to provide money to businesses and industries. Figure 10 illustrates how interest free banking will work in MBCS.



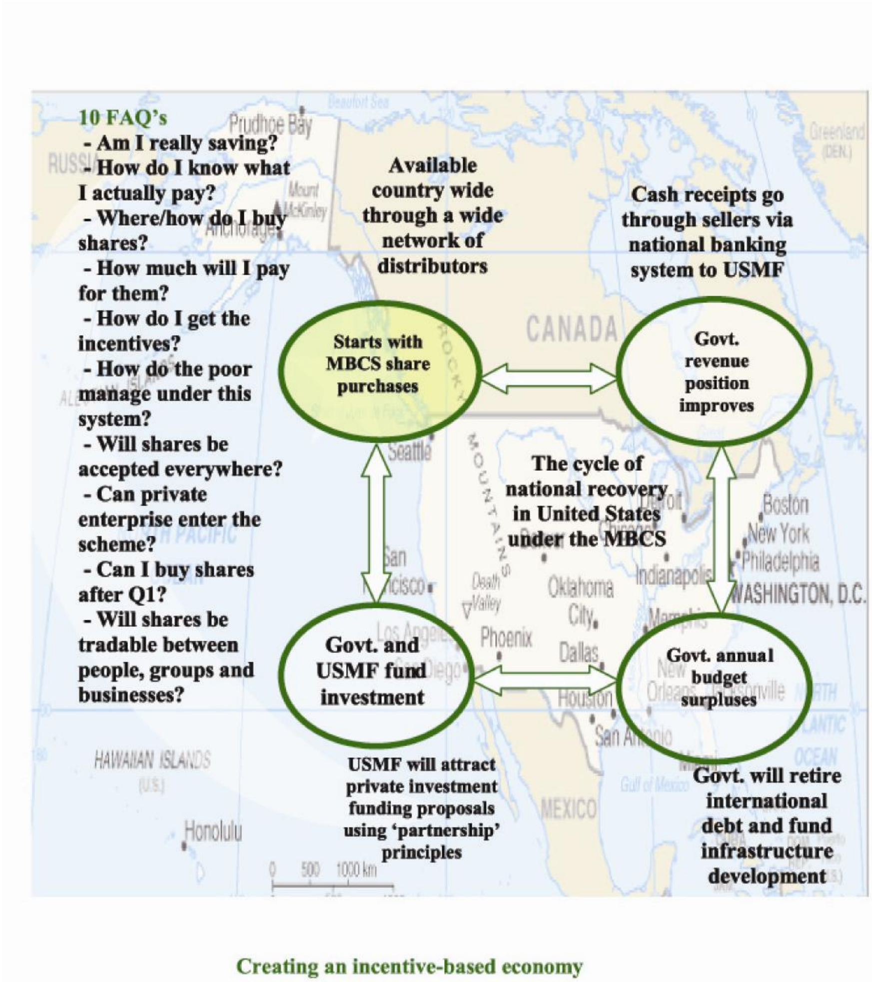


Figure 11. USA's Economic Recovery under MBCS

The key factor for success is Interest free banks' relationship with the depositor. Interest free banking must develop attractive low-, medium- and high-risk investment products. It must issue credit cards in order to compete with other banking systems. In addition, interest free banking must develop acceptable short- and medium-term cash flow financing management facilities for businesses and individuals. In short, interest free banks must become credible, respected go-betweens that link investment with opportunity.

Although interest free banks must develop customer services that can compete with interest-based banks, customers will also realize that there is a better way to invest where there is more profit and develop realistic expectations. They must become aware that they have a responsibility to the wider community when they invest. Prudent, responsible investment will help alleviate poverty and ease the burden on people who support the poor. Banks do not own a depositor's money; they just manage it. Therefore, consumers must demand change before there is a shift from interest-based banking to true interest free banking.

The Start of Interest-Free Banking in USA

The US banking system has been held back by the lack of official liquidity. MBCS would change this by producing funds for the Government of USA The stronger cash position of Govt. would enable the government to become a lender of substance, and this can be used to determine the nature of USA's banking system. The Government of USA could lend on condition that its loans support only interest free banking operations and products. In short, massive cash surpluses would be made available by Govt. to the banking sector on the condition that the money would be used to finance schemes that are approved by appropriate committees.

MBCS would promote interest-free banking because it will reduce the risk of project failure and enable bankers to make more accurate forecasts about project revenues and profits. Figure 12 illustrates the role of banks in MBCS.

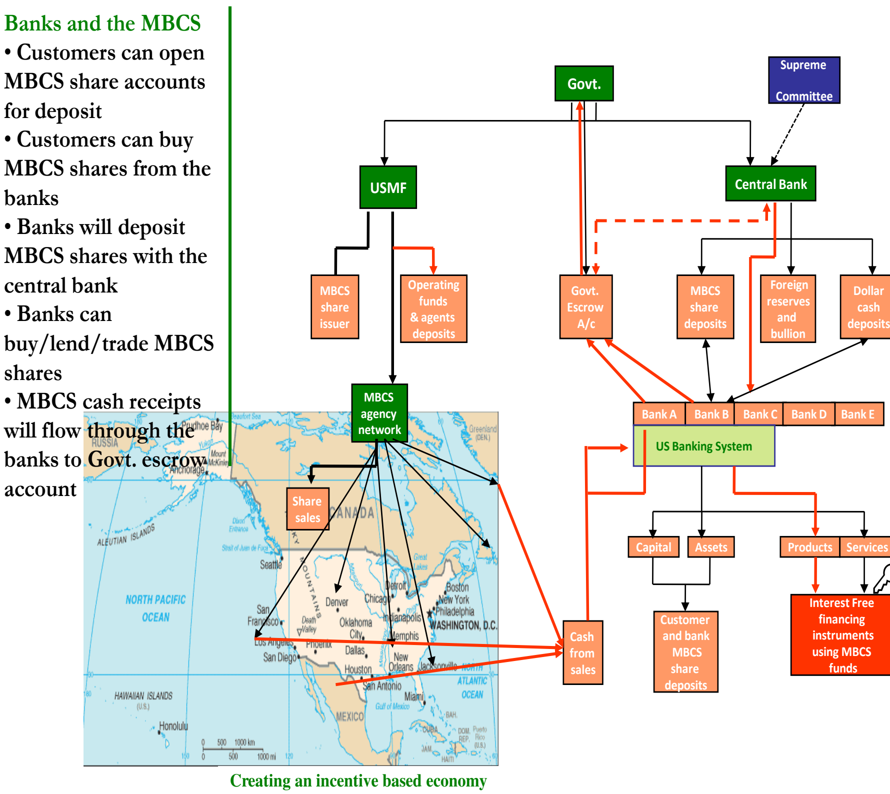


Figure 12. Role of Banks in MBCS

Interest-Free Banking

Interest-free banking seems to be impossible because interest has very deep, firm roots in the global marketplace; however, if MBCS totally replaces current tax systems, interest-free banking become a real possibility. Once MBCS is fully implemented, money belonging to the private sector held by banks will be transferred to US Government accounts. Once there are few funds available to banks from the private sector, they will have to depend on Govt., which will be more than willing to provide funds, but only on a profit-and-loss sharing basis. Banks will have no option but to take loans from Govt. and invest in the private sector on the same basis, but only after making sure the investment is profitable.

Any bank constantly losing money will not be given fresh loans and face being closed down. In MBCS, banks will profit from the hundreds of new businesses and industries that would be created by a dynamic, growing economy.

Role of the Central Bank

Under MBCS, banks would follow the following rules when providing loans:

1. Investors will deposit a 20% down payment as collateral and deposit it in the bank. The remaining 80% will be provided by the state.
2. Investors will have to provide a feasibility study of a proposed project, and it will have to be verified by the bank and certified by the central bank. Govt. will be the final authority on the feasibility of a business or industry.
3. No cash will be advanced until the project is completed (i.e., turn-key basis). This will eliminate the major cause of bad debts.
4. Operating expenses will be paid from the 20% down payment received by the bank. In some cases, the investor may have to put down more than 20% in order to cover operating costs.
5. No other collateral is needed.
6. Bank will employ a team of experts on a commission basis, and they will be paid from the profit according to a pre-agreed contract. In case of loss, the team of experts will not receive any commission. Any team repeatedly incurring losses will be blacklisted and will not be able to obtain new contracts. This condition will safeguard the bank from major losses.
7. Any bank constantly showing losses will not be awarded fresh loans and faces going out of business, so the chances of bad loan or losses are completely eliminated.

8. The state will not interfere with any business sponsored by it, but the central bank can and will interfere in the case of loss or fraud.
9. The share of the profit will be 40/60, where sate will accept 40%, and the remaining 60% will be divided between the investor and the bank when the bank is a partner with an investor.
10. Investors or a bank can increase their investment up to 60%, and 40% will be invested by the state. In these cases, the profit margin will be 80/20. The state will receive 20%, and the bank and investors will divide the remaining 80%.
11. The distribution of profits between investors and a bank is an internal affair and will not be influenced by the state, but the final contract between the investor and bank will part of the main contract.
12. The state will provide duty-free raw material, machinery and other equipment, electricity, telephone service, fuel, and other services below cost. This will increase the profitability of businesses as the production cost for them is reduced. The state will cover the loss incurred by providing below-cost services and recover it from the profit. It is expected that the net income of the state will never be less than 20%, even after providing below-cost services. This incentive will only be given to big businesses, and because the government will be a shareholder in all these businesses, it will realize trillions of dollars in profit every year.

MBCS banking will have some profound effects on the economy:

1. Bankruptcy laws will be eliminated and end the unchecked profit of liquidators, which cause tremendous loss to shareholders and investors the courts will deal with rare cases

of fraud.

2. The state will establish interest free insurance and ensure that the investor is protected from an unexpected loss in case of fire or natural calamities. To insure this loss, the investor has to deposit 5% of the profit in a government account for a time period decided by the investor. If there is no catastrophic event, the state will refund the investor's money minus the profit the state has earned from it. The investor is secured, and the loss is covered by state. With all these checks and balances, the chances of major loss are less than 0.1%, which can be covered by the profits the government earns from the thousands of investors who participate in this insurance scheme.

The central bank will play an important role in the MBCS banking system. Its experts will check every feasibility study before allowing a bank to go ahead with an investment.

Impact of MBCS on USA's Banks

Interest-free banking will increase banks' profits because hundreds of new businesses and industries will take advantage of the large amount of money available with a 20% down payment as collateral. Banks will also make profits by buying and selling bonds to their bond account hold dollars Interest-based banking will be eliminated because there will be no money available to invest. Even if money was available, it would be impossible to attract people willing to borrow money on an interest basis.

In MBCS, consumers would have only one account, and this account would earn profit on a daily basis. This profit will not be based on interest; instead, consumers will earn profit on a profit-and-loss sharing basis. Consumers would be able to open a government account or a bank account, and this will be guided by the best rate of return.

Credit cards would be available to consumers, but their spending limit would be restricted to the amount of money they have in a bank account. Every month the profit would be calculated according to the deposits remaining in that account. This will solve the problem of overspending, which is a prevalent problem in developed countries.

IMPLEMENTING MBCS

The Government of USA's Role in MBCS

MBCS requires the wholehearted endorsement of the Government of USA, and people must recognize its role as the sponsor of MBCS. Laws must be put in place to establish MBCS and a system for distributing bonds, collecting revenue, and overseeing and administering the scheme. The government would also play a key role in setting policy.

Each year, the Finance Ministry would determine the total bond value and the denominations and terms and conditions for bond use, and it would take into account the number of bonds already in circulation. The bonds would have a face value representing dollars, and it would be necessary to exercise monetary controls to prevent inflation and keep the supply within reasonable limits that neither hinder activity nor cause a reduction in a bond's face value. This is already a common part of fiscal policy.

In essence, the government would authorize the issue of bonds at a value approximating the needs of the state budget and the anticipated level of economic activity. As prediction is an art and not a science, budget surpluses and deficits arising from windfalls and shortfalls would have to be managed in the medium- to long-term (i.e., through the next year's budget or through emergency mid-term budgets). The government would have to control MBCS policy and strategy because it is a state revenue system. It would also need to ensure that MBCS remains relevant in concept, objectives, and implementation.

The following criteria will ensure the ongoing success of MBCS:

1. MBCS must be accessible in all parts of the country and for

US expatriates abroad.

2. It is necessary for the system to continually make goods and services available at realistic prices.
3. There must be real discounts for using bonds.

If these issues are always addressed, the system will take care of itself because demand for bonds will always exist.

The Implementation Strategy

The following is not intended as an exhaustive description of implementing the system. Instead, only the basic features of implementation are discussed.

Prior to the launch of the scheme, the Government of USA must tender contracts that cover the following tasks essential to the launch and administration of MBCS:

1. A general management and administration contract.
2. A card/bond design, security, and manufacturing contract.
3. An audit contract.

These contracts will form the structure for MBCS in USA

There are certain activities that must be performed in order to make the scheme a success:

- Publicizing and marketing the system throughout USA
- Setting up the bond infrastructure (i.e., logistics) so the card/bond system is available throughout the marketing area.
- Printing and manufacturing bonds.
- Entering into contracts with bond vendors
- Gathering, consolidating, controlling, and accounting for the revenue received from the sale of MBCS card/bonds.

It will be necessary to simplify the administration and revenue-gathering functions in order to ensure MBCS is a success. Therefore, it may be best to assign all of the roles set out above to one particular organization. However, there are also benefits to awarding the above contracts to different, competent organizations in USA

It is assumed that a major US bank(s) can play management/administrative roles in the nationwide structure gathering revenues from card/bond sales and consolidating them into a national interest account made available to the government. A bank that administers MBCS will be given a percentage of the net proceeds. This involves no cash outlay by the government.

It may be considered prudent to hand the administration of the bond system to the same bank, provided it has a network of branches with access to the anticipated source of revenues. This will ease administration costs and enhance accountability.

In order to make bonds available to the largest number of people, it will be necessary to recruit bond vendors. In order to cover the entire population of USA, it may be necessary to employ as many as 20 million bond vendors in cities, towns, and, in some cases, villages. This would improve the employment situation among the many educated US who are currently unemployed.

Each bond agent will be employed on 10% commission bases, so $100 worth of bonds will be sold for $90. These agents will be registered with USMF and pay $500 a year, which will be used by USMF to establish a network of offices and modern communications throughout the country. It is estimated that at least 10,000 offices will be needed to serve the bond agents. Each bond agent will be required to sell $300,000 a month, and this can be increased according to demand. An agent who cannot pay the $500 fee will be required to sell $150,000 until he/she is able to pay the registration fee.

Incentive for Multiplication Effect to Investor, Govt. & Poor Population

Investors who purchase $50,000 worth of bonds to sell to people who cannot purchase large quantities of bonds during the discount period (i.e., five bonds per $ during the first month of a financial year) would be able to negotiate a 5% to 7% discount from the bond seller, who would pay this out of his or her 10% commission. The bond seller would be willing to give an investor this discount because the investor would need to purchase large quantities of bonds during the discount period. In this scheme, the investor would sell bonds at the discount rate and keep the 5% to 7% negotiated with the bond seller as profit. As a result, instead of only 5% of the population being able to take advantage of the discount period, at least 50% of the population would be able to take advantage of the low rates available during the discount period. Not only would this benefit large numbers of average people, it would also provide US government with more money.

By the end of 30 days of discount period the investor has earned 50%-150% profit depending on his efforts to resell the bonds at Government rates but keeping the share of his profit of 5%-7% which he has negotiated with the bond agent. This will be an open secret and even a non investor will join in this Mega Sale by Hook or Crook (Borrowing from Banks, selling valuables like Gold) or forming teams to collect 50,000 required.

Grassroots Organization

Bond vendors will retain a percentage of all sales. This will be their only form of payment. It is incentive based and promotes far more activity than a government salary.

The use of references, educational requirements (e.g., minimum O level standard), and forms of collateral guarantees will ensure competent people become vendors. Cash deposits may be deemed suitable under the circumstances. Most vendors will be students or unemployed people.

Simplicity is the key to success, but it may be necessary to establish a supervisory level because of the number of card/bond vendors involved in selling MBCS bonds. This supervisory layer should be kept to a minimum so the effectiveness of the card/bond system is not affected and to prevent abuse. Using an existing bank structure/organization appears to be the most logical and expedient method for creating an instant administrative framework. (See Figure 13 for details about the structure of MBCS in USA)

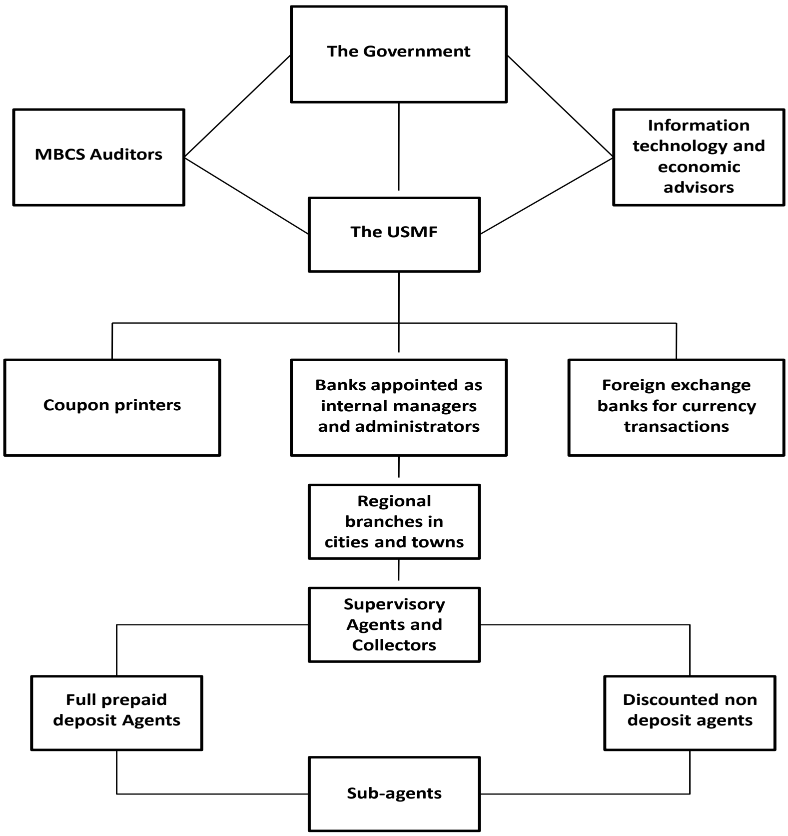


Figure 13. The Proposed Structure of MBCS in USA

Many Floodgates of Money

As mentioned earlier, there is a flood of money waiting to wash into government accounts. This money will come from a number of sources:

1. Massive sale of bonds: It is expected that within one month 25% of the population will buy $3 trillion worth of bonds, and its multiplication effect will generate another $3 trillion

because at least 50% of the population will join in this massive incentive scheme.

2. Gold mine: This is considered the backbone of every country's economy, and it will replace taxes such as VAT. For example, it will generate $54.75 trillion for USA every year supposing that if total daily transactions across USA is $50 trillion dollars
3. Interest free banking: The government will be a shareholder in every big business, and the potential revenue generated through this source is unimaginable.
4. Foreign investments: With no tax and low-cost services and commodities provided by the government, it will be difficult for foreign investors to resist investing in USA

Deflation and Not Inflation

Once MBCS is implemented, the government will control all imports, exports, agriculture, and major businesses. This will eliminate the control of these economic areas by cartels. This will help stop inflation because MBCS will eliminate the price hikes cartels use to improve profits. Without these price hikes, there will be no inflation. Although inflation will be eliminated in MBCS, there is a possibility of deflation. This possibility will exist as long as the government remains true to the incentives that drive MBCS.

Interest Free Bonds Instead of all Other Interest Based Financial Instruments

The following criteria must be used to float interest free bonds (i.e., MBCS bonds):

1. No interest will be paid on these bonds (i.e., bonds).
2. They will not increase the debt burden of the government and should not require any guarantee to print them.

3. Bonds must be available on a supply and demand basis at all times and have no restriction on the amount.
4. Bonds must benefit everybody when used with real currency to purchase goods and services.
5. Bonds cannot be hoarded and should be available from different sources; however, the rate may differ from day to day and from place to place.
6. Everybody must have the opportunity to buy bonds at the cheapest rate.
7. Buying and selling bonds must occur like any other commodity, but unlike other commodities, these will never be in short supply.
8. Bonds must have an unlimited shelf life.
9. Daily, weekly, or monthly interbank rates must be based on actual currency but without interest.
10. Bonds must be available to registered businesses at the cheapest rate throughout the year.
11. People must be able to buy bonds 24 hours a day, 365 days a year.
12. People must be able to buy unlimited amounts of bonds.

MBCS will result in the following benefits for USA and its people:

1. Because of the strong profit incentive, the government will sell bonds worth many trillions every year, and there will be massive revenue collection by the government early in the fiscal year and throughout the year.
2. There will be a strong incentive to buy bonds using foreign currency, which will result in large hard currency reserves.
3. There will be daily prize draw worth 100 million to provide average citizens with a chance to share in the profits earned by

the government.

4. There will be no kickbacks as is the case in the sale of Eurobonds, which only benefit a few highly placed people.
5. Black money will be used to purchase these bonds. This flood of black money will enable the government to invest in big projects, such as dams to produce electricity and oil/gas field and mineral exploration.
6. All spare and unused money or valuables will be used to buy these bonds for business purposes and reduce the cost of all types of bills and commodities.
7. These bonds will reduce costs at least 10% to 20% from the present price and at least 50% when these bonds are bought at the cheapest rate.
8. The sale of these bonds will provide job opportunities for millions of unemployed, educated people.
9. Bonds can be treated just like money. That is, they can be held in bank accounts and withdrawn through ATM machines.
10. Bonds will be available in the form of debit cards.
11. Even the poorest person should be able to buy and sell bonds at a profit margin.

USA has been used as an example of MBCS because the country is at a crossroads. What is undertaken in the next 3 to 5 years will have a profound effect on the long-term political stability and financial security of USA and its international prestige. The improvement of the Government of USA's liquidity is vital to USA's political stability and financial security. USA cannot afford more budget deficits. Current levels of Govt. indebtedness require a regular restructuring of external debt as well as massive interest payments.

Many US people believe there is fixed or diminishing wealth in USA the people and government appear to be fighting against this vanishing wealth, and taxation is their battleground. This idea is flawed and dangerous because it fails to see the promise of growth held by a solvent government able to build roads, schools, hospitals, ports, airports, and other infrastructure projects, which would inject vital value into the economy and increase the GDP of USA In other words, a solvent government will produce a bigger cake for everyone to share.

MBCS provides USA with the opportunity to work its way out of the downward spiral of diminishing value and diminishing tax revenues. By improving the government's ability to collect revenue and spend it wisely, the country's economy can move in a positive direction. In addition, MBCS revenue would increase the growth in GDP. The country could once again pay its way in the world without the need for foreign loans. It is necessary to reverse USA's downward economic and political spiral and fulfill the expectations of its citizens.

MBCS is a government revenue system that has a wide range of applications to national economies. It is not solely a system for helping developing economies and poorer countries. It can also be used by developed and advanced economies. Indeed, in the fast-growing global marketplace, today's economic giants are being challenged by the Asian tigers, and in order for them to compete; they need to respond in an innovative and responsible way. No economy can rest too comfortably on its past economic performance or its assumptions about the future. In fact, in the new global marketplace, governments need to rethink how they collect and use revenue.

According to Michael Porter of the Harvard University Business School, national economies can be classified using the following four basic characteristics:

1. factor driven,
2. diversified production base,
3. research and development, and
4. Wealth driven.

These characteristics show the path from dependence on extraction industries to the achievement of wealth using investments. Of course, all four conditions can co-exist in any economy; however, Porter suggests that an economy's stage of development can be determined by identifying which characteristic dominates an economy.

It is also possible to identify a nation's stage of economic development by examining its citizens' quality of life. The United Nations uses the Human Development Index (HDI) to measure the quality of life in each country. Although HDI uses a broad range of measures, economics is a core measure because the richest nations tend to have the highest HDI scores. Table 16 shows some sample HDI scores.

Table 10. Sample HDI Scores

HDI Rank	Country	Human development index (HDI) value 2003
1	Norway	0.963
2	Iceland	0.956
3	Australia	0.955
4	Luxembourg	0.949
5	Canada	0.949
6	Sweden	0.949
7	Switzerland	0.947
8	Ireland	0.946
9	Belgium	0.945
10	United States	0.944
11	Japan	0.943
12	Netherlands	0.943
13	Finland	0.941
14	Denmark	0.941
15	United Kingdom	0.939
16	France	0.938
17	Austria	0.936

Source: Human Development Report Office New York

HDI measures not only GDP, but also education, health services, literacy, communications, population characteristics, and so forth to obtain a broad assessment of a country's quality of life. Wealth in itself is not enough to assess a country's quality of life; instead, how wealth is used is a key factor in measuring the relative development of a country. In addition, it is necessary to examine a country's tax system and how it affects that country's development. The tax systems used in developed countries do not appear to have a negative effect on quality of life, but in spite of appearances, MBCS could improve life in developed countries faster than their current tax systems.

Developed Countries and MBCS

It is believed in some quarters that the richer a country becomes the more it relies on taxes to improve its citizens' quality of life. The ultimate examples are the Scandinavian countries of Sweden, Denmark, and Norway. However, these examples of high quality of life have nothing to do with tax policy; instead, they are the result of social policy. For example, the Arab Gulf states currently have the world's highest GDPs, and , their citizens do not pay any taxes. They do, however, score much lower on the UN HDI than the Scandinavian nations. Given their aspirations to improve their citizens' quality of life, how long these oil-rich countries (i.e., factor-driven economies) can remain free of direct and indirect tax is a moot point.

The key issue for all states seeking to improve their citizens' quality of life is the distribution of wealth and income. In those countries with high HDI scores, the distribution of wealth and income is characterized by a large middle class capable of creating real wealth and funding good education, health, and national investment through taxes because the middle classes always contribute far more to national economics than the rich classes.

Is a tax system the best way to forge ahead nationally? Can it be replaced with a new system that is more efficient and acceptable? There is little doubt that taxes are unpopular, and governments continuously try to balance taxes within a social contract and the wealth available to tax. Indeed, in the most advanced economies, taxation has become a multi headed monster that includes direct, indirect, local, and so-called stealth taxes (i.e., government charges for services). Low-tax governments, such as Margaret Thatcher's and Ronald Reagan's governments in the 1980s, were popular, but these governments underinvested in core public services and infrastructure. Therefore, how does a government obtain revenue and invest in the life of a nation without resorting to taxation?

The United Kingdom and the United States, like the top eight industrialized nations, collect taxes post facto (i.e., after wealth has been created). These countries have high HDI scores, and they use taxes to improve their citizens' quality of life. However, they do not operate revenue collection systems that encourage economic growth. Therefore, this chapter examines how MBCS could be used in these countries to improve their citizens' quality of life and stimulate economic growth.

The United Kingdom in Profile

The United Kingdom has 61 million people, and its annual government budget is UK£1.107 trillion (www.hm-treasury.gov.uk). Since 1945, every British Chancellor of the Exchequer has had to balance external trade deficits and internal budget deficits with an economy that has at times (e.g., 1945–1950, 1960–1967, 1972–1982) been fragile.

The UK economy had been one of the strongest EU economies in terms of inflation, interest rates and unemployment, all of which remained relatively low until the 2008-09 recessions, when unemployment rose dramatically, and interest rates fell to 0.5%. In 2007, according to the International Monetary Fund, the United Kingdom had the ninth highest level of GDP per capita in the European Union in terms of purchasing power parity, after Luxembourg, Ireland, the Netherlands, Austria, Denmark, Sweden, Belgium and Finland. However, in common with the economies of other English-speaking countries, it has higher levels of income inequality than many European countries. During August 2008 the IMF warned that the UK economic outlook had worsened due to a twin shock:

financial turmoil as well as rising commodity prices. Both developments harm the UK more than most developed countries, as the UK obtains revenue from exporting financial services while recording deficits in finished goods and commodities, including food.

In 2007, the UK had the world's third largest current account deficit, despite significant oil revenues, according to the IMF. This was mainly the result of a large deficit in the trade in manufactured goods. During May 2008, the IMF advised the UK government to broaden the scope of fiscal policy to promote external balance. Although the UK's "labor productivity per person employed" has been progressing well over the last two decades and has overtaken productivity in the united Germany, it lags around 20% behind France's level, where workers have a 35-hour working week. The UK's "labor productivity per hour worked" is currently on a par with the average for the "old" EU (15 countries). The United Kingdom currently ranks 21st on the Human Development Index.

Gross Domestic Product (GDP) decreased by 0.8 per cent in the second quarter of 2009, compared with a decrease of 2.4 per cent in the first quarter, according to the first provisional estimate of the Office for National Statistics (ONS). The first quarter figure (2009) has been revised down from a decrease of 1.9%. There was a decrease of 1.8 per cent in the fourth quarter of 2008. With a 0.6% decline in the third quarter, the latest figures take the annual rate of decline to 5.6%, the biggest fall since records began in 1955, the BBC reported.

In October 2007, the IMF had forecast British GDP to grow by 3.1% in 2007 and 2.3% in 2008. However, GDP growth slowed to -0.1% by the April-June quarter of 2008 (revised from zero). However, in September 2008, the OECD forecast contraction for at least two quarters for the UK economy, possibly severe, placing its predicted performance last in the G7 of leading economies.

It has been argued that heavy government borrowing over the past cycle has led to a severe structural deficit, reminiscent of previous crises, which will inevitably exacerbate the situation and place the UK economy in an unfavorable position compared to its OECD partners as attempts are made to stimulate recovery, other OECD nations having allowed greater room for maneuver thanks to contrasting policies of relatively tighter fiscal control prior to the global downturn.

In May 2009 the European Commission (EC) stated: "The UK economy is now clearly experiencing one of its worst recessions in recent history." The EC expected GDP to decline 3.8pc in 2009 and projected that growth will remain negative for the first three quarters of 2009. It predicted two quarters of "virtual stagnation" in late 2009-early 2010, followed by a gradual return to "slight positive growth by late 2010".

The United Kingdom's internal debt is US$10.45 trillion. The pound is on float with other international currencies, and its preset rate 0.5302 British pounds per dollar. The unofficial unemployment rate is 5.5%, and 14% of the population lives below poverty line. Government revenue is US$1.107 trillion.

The UK Tax System's Effect on Business

The United Kingdom's increasing taxes and the complexity of its tax system are having a negative effect on businesses. The Engineering Employers' Federation (EEF), which represents more than 6,000 manufacturing, engineering, and technology-based businesses, points out that tax is increasing the cost of doing business in the United Kingdom, and businesses are finding it difficult to take advantage of strong, stable economic growth.

A competitive, low-cost tax system is an important part of how a government can help businesses remain competitive in the global marketplace. The UK government is promoting innovation and improved skills, but rising business taxes are making it difficult for businesses to compete with companies in countries that are designing tax systems to attract high-value industries. In order to create a better environment for business, the United Kingdom needs alternative approaches to those parts of the current tax system that inhibit economic growth.

In 2005–2006, UK businesses will pay an additional UK£2.2 billion in corporation tax and UK£5.5 billion in taxes such the Climate Change Levy. Between 1997 and 2006, only a few OECD countries have had higher tax increases than the United Kingdom.

Although the business community understands the need to invest in the UK's infrastructure and improve public services, it is unhappy with the inefficient use of some the UK government's revenue and believes this waste will hurt long-term economic growth. The UK business community suggests that there should be no more tax increases and the system should be simplified.

Flat Rate Taxes

Experts suggest that the complexity of a tax system causes more problems for businesses than the level of tax, and they point out that high-tax Scandinavian economies are among the most competitive in the world. Many UK businesses believe a flat rate tax is the best solution to the United Kingdom's current tax problems because it appears to be a simple system; however, this solution is not necessarily the best way to improve the business climate.

More than three quarters of the business community believes a flat rate system will cut the red tape that now complicates the UK tax system. They think it will be less time consuming and easier to administer. Although it looks simple on the surface, some experts point out that this system depends on the level of the flat rate. They state that the United Kingdom's inheritance tax has a single rate, but there are loopholes and opportunities to reduce this rate. They fear that a flat rate system could become as complicated as the current tax system. In addition, these experts believe the flat rate would have to be close to 30% in order to meet the government's funding needs.

It is clear that the current tax system in the United Kingdom is not encouraging economic growth, and it is time for a change. MBCS would eliminate the need to tax businesses and encourage the economic growth needed to keep UK businesses competitive in the global marketplace.

Poverty in the United Kingdom

Currently, 5% of the UK's population lives below the poverty line. There are many reasons for poverty:

1. unemployment,
2. low wages,
3. large population,
4. direct and indirect taxes, and
5. Illiteracy.

Poverty causes serious social problems, and it can be responsible for

1. a breakdown in law and order,
2. terrorism, and
3. Illegal immigration.

It is assumed that almost all the reasons listed as causes of poverty are the result of a lack of good governance. In other words, it is the fault of the state. Governments disagree, and they usually point out that they do not have the money to address these problems and eliminate poverty. MBCS has been devised to eliminate poverty.

Direct and Indirect Taxes

Governments collect much of the money needed to operate from direct taxes. Most direct taxes are income taxes, which everyone who works must pay; however, in many countries, people claim more expenses than they incur and underreport their income. As a result, the government is not able to collect the taxes they are owed. This kind of corruption is very common in developing countries. In order to increase revenue, governments often impose taxes on many state-controlled commodities and services, which indirectly increase the cost of production and the cost of living for average citizens.

Indirect taxes on essential commodities inhibit people from establishing new industries. In order to reduce the burden of indirect taxes and have any chance of making a profit, businesses often:

- do not declare their total production or
- Do not register them as a production house, which is common in developing countries.

As a result, governments do not receive the funds they need to operate and end up with budget deficits that spiral out of control. Although there does not appear to be any way out of this vicious cycle, MBCS offers a way for governments to raise the money needed to meet its obligations.

How MBCS Will Work for the United Kingdom

The UK currency is the pound, and one pound will buy 5 bonds. In MBCS, each pound would buy five MBCS bonds if 15% (20 million) of the population spends UK£50,000 on buying bonds in the first 30 days of a financial year. In the next 30 days, the rate would be four bonds per pound. In the third month, the rate would be three bonds per pound, or UK£30,000 could be written off the duty on goods imported in the United Kingdom. This would fall to UK£15,000 in the second month and UK£10,000 in the third month. It is also possible for a person or business to take half bonds and half duty-free merchandize in any month. All of these options require a deposit of UK£50,000 in the first month. If 20 million people purchase UK£50,000 worth of bonds, then the total amount collected in the first 30 days would be UK£1 trillion. With the multiplication effect, at least another 30% of the population would join in this incentive-based fund, and the amount of revenue would increase to more than UK£2 trillion, which is much more than the projected budget for 2009 and this only first flood gate of money has opened and another six to open.

In addition to the multiplication effect, the government would also earn revenue from the following sources:

1. black money,
2. gold mine,
3. interest-free banking, and
4. Corporate farming.

Formation of UKMF (United Kingdom Monetary Fund)

The UK government would give a contract to sell MBCS bonds to an organization with the lowest bid. This agency could be called the United Kingdom Monetary Fund (UKMF), and it would have to employ 1.5 million people as bond agents. These agents would receive a 10% commission for every bond sold, and they would be selected from unemployed people who are literate. The United Kingdom spends approximately UK£105 million on social security and approximately UK£56.8 million on unemployment benefits a year. These costs would be eliminated after the implementation of MBCS.

Bond agents would receive a monthly quota of UK£100,000 after paying a UK£500 yearly registration fee to UKMF. This fee should be more than enough for any private organization to establish and maintain the 10,000 offices needed to facilitate the sale of bonds throughout the United Kingdom. This is in the best interest of UKMF because the more offices the more bonds will be sold. Bond agents would be able to provide customers who buy large amounts of bonds with discounts out of their 10% commission. These discounts can range between 4% and 8%, depending on the client. Agents who cannot pay the registration fee at the start of a financial year would have their quota cut in half until they pay the annual fee.

The second, third, and fourth unsuccessful bidders for the contract to sell MBCS bonds would be appointed auditors of UKMF. These auditors would be independent of the government. Any case of fraud detected by these agencies would also be verified by the government agency that collects taxes. These auditors would be paid a fee by UKMF, and they would receive 50% of any penalty imposed on UKMF, which would be 10 times the amount of the fraud.

In order to obtain the lowest rate for MBCS bonds, it is necessary to buy at least UK£50,000 worth of bonds in the first month of a financial year, and it is estimated that at least 20% of the UK population can afford to buy these low-cost bonds. At first glance, it appears that this system favors the rich and penalizes the poor; however, there are two ways in which low-income people can obtain low-cost bonds:

1. Groups of low-income people can combine their funds and buy low-cost bonds.
2. A rich or clever businessperson can buy low-cost bonds and negotiate a 4% to 8% discount from a bond agent. He or she would be able to sell these bonds at the lowest rate to people who are unable to raise UK£50,000 and retain the discount as profit. This process can be repeated throughout the first month and result in high profits for the seller and low rates for the buyer.

Multiplication Effect

Investors who purchase UK£50,000 worth of bonds to sell to people who cannot purchase large quantities of bonds during the discount period (i.e., five bonds per penny during the first month of a financial year) would be able to negotiate a 4% to 8% discount from the bond seller, who would pay this out of his or her 10% commission. The bond seller would be willing to give an investor this discount because the investor would need to purchase large quantities of bonds during the discount period. In this scheme, the investor would sell bonds at the discount rate and keep the 4% to 8% negotiated with the bond seller as profit. As a result, instead of only 20% of the population being able to take advantage of the discount period, at least 50% of the population would be able to take advantage of the low rates available during the discount period. Not only would this benefit large numbers of average people, it would also provide the UK government with more money. For example, if 20% of the population buys UK£50,000 worth of bonds, then the government will raise £one trillion while another 30% of the population will buy UK£50,000 worth of bonds, then the government will raise another UK £ trillion at least from the multification effect, which is much higher than the amount needed for the 2010 budget. In addition, the amount that may be raised by an influx of black money is unimaginable.

Reasons for Purchasing MBCS Bonds

It is clear that businesses and the UK government would reap substantial benefits from MBCS. In addition, average consumers would experience a reduced cost of living and, as a result, an improved quality of life. There are three reasons why a consumer would want to purchase MBCS bonds:

1. Bond-based transactions are less expensive than pound-based transactions.
2. Bonds purchased at the beginning of a financial year are less expensive than bonds purchased later in the year.
3. The cheaper the bonds, the cheaper the price of the goods and services bought using bonds.

The best deals (i.e., rates for bonds) will come through official channels during the first financial quarter. This will attract substantial revenues ahead of purchasing requirements, and it will be a win-win situation for the UK government and consume dollars

The more expensive official bond market in the remainder of a financial year will encourage open market trading among businesses and individuals who trade bond surpluses for shortfalls at negotiated prices. This market is important because it creates a broad-based value for an exchange market that is independent of UK government price controls. This will further support the growth of the bond system in the open market.

Banks and financial institutions will be able to trade through their normal distribution channels and provide MBCS bond accounts as well as normal cash and deposit accounts. Banks will also be able to purchase larger quantities of bonds in the early part of a financial year on a speculative basis and offer these bonds to their customers during the year. Banks can top up customer bond accounts at agreed rates and times. This trade in bonds will be a very lucrative business for banks and a valuable customer service.

MBCS will offer cheaper actual prices on the basics of modern living, such as telephones, gas, water, electricity, and so forth. The following steps show how the price for a basic commodity is calculated using MBCS:

1. When calculating the bill for a commodity, the vendor uses present prevailing tariff charges.
2. When the bill is paid, bonds will replace cash and the savings will depend on the rate of bonds when they were purchased. Utility bills will calculate/show the number of bonds required by the user, so there will be no confusion or need for the consumer to do the calculating.
3. The bond value price of the utility will be much lower than the cash price.

For example, a telephone bill may be UK£10. In MBCS, the consumer could pay the bill with 20 bonds then the bill would be UK£4, which is a savings of UK£6.

As described in chapter 2, MBCS is an incentive-based system that will greatly reduce the cost of living for average people and reduce production costs for businesses. It will also raise more than enough money for the UK government to balance its budgets and eliminate its debts. Table 17 shows the effects MBCS will have on the United Kingdom's financial situation.

Table 11. The Effects of MBCS on the United Kingdom's Financial Situation

Current System (amount in trillions)	MBCS (amount in trillions)
total budget = revenue – 1.107 trillion expenditure – 1.242 trillion	proposed budget = £2 trillion (this is the most conservative estimate of revenue received within the first 30 days of a financial year)
Unemployment = 5.5%	unemployment = 0%
current debt (approx) = £798.8 billion	total debt = £0.00
current VAT on retail sales = 15%	government-controlled aid = 3%

CHAPTER NUMBER 3

(In brief the economy related articles)

The following articles show the problems facing the U.S. tax system.
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65 Trillion - U.S. Financial Obligations Exceed The Entire World's GDP

http://thefinalhour.blogspot.com/2009/02/65-trillion-us-financial-obligations.html

The total liabilities of the United States government, including future social security and Medicare payments that the U.S. government is already committed to pay out, now exceed 65 TRILLION dollars, which is more than the entire GDP of the whole world.

According to the 2008 Financial Report of the United States Government, which is an official United States government report, the U.S. actually had a budget deficit of 5.1 trillion dollars in 2008.

So why did the Congressional Budget Office report that the federal budget deficit was only 455 billion dollars (which is certainly a total disaster) in 2008?

The difference lies in accounting. The CBO's figures are based on cash accounting, while the 2008 Financial Report of the United States Government is based on GAAP accounting. GAAP accounting is what is used by all the major firms on Wall Street and it is regarded as a much more accurate reflection of financial reality.

So why is there such a big difference?

Well, what the Congressional Budget Office does is some really bad accounting. When you pay social security taxes, the federal government takes that money and instead of putting it away to pay your social security benefits in the future, it takes that money and spends it however it wants.

So what about the future social security and Medicare benefits that the government owes you?

There is no money there for those payments.

The government is using that money right now to make the budget look better.

That's right, you have been conned.

And as bad as the numbers from 2008 look, they do not reflect any significant money from the monstrous financial bailouts that Congress has passed.

So 2009 is going to look MUCH worse.

Pretty picture, eh?

The reality is the United States of America is a total financial disaster.

Already, 13 banks have already failed in 2009. All of the bailouts certainly don't seem to be helping much yet.

But that doesn't mean that the federal government is going to give up trying to help. It seems a new "bailout" or a new "stimulus" is being passed almost weekly now.

Instead of accepting the fact that we must adopt a lower standard of living and deal with the reality of our massive debt, the politicians are trying to crank up the debt spiral one more time.

The truth is that all of this government spending will help the economy in the short term, but it will make the long term problems of the U.S. government far worse.

So who is going to buy all of this new government debt? China has serious doubts about who is going to buy all of America's new debt. The reality is that the only way that the government can "bailout" anyone or pay for any "stimulus" bill is to borrow.

So America borrows and borrows and borrows and borrows.

If your own personal finances were like that, how do you think it would end?

Ah, you are starting to get the picture.....

The "American Dream" is quickly becoming the "American Nightmare" and most of the politicians don't have a clue.

What are you going to do when the economy collapses and everything you ever worked for starts coming apart?

It is time for all of us to start thinking about what is truly important.....

There Are a Number of Unexploded Bombs Hidden in the U.S. Economy

The Bear's Lair: Where will we be in 2008?

By Martin Hutchinson Washington, DC, Sep. 6 (UPI)

We're choosing a President this fall, and so should be thinking about the next four yodellers so I thought it worth looking at today's economic trends and the candidates' economic policies to see where, by 2008, they may have led us. There are a number of unexploded bombs hidden in the U.S. economy, by no means all of which are George W. Bush's fault, but all of which will have to be dealt with in the next few yodellers The bomb, for which Bush is most directly responsible, together with the spendthrift and feckless Congress led since 1998 by House Speaker Dennis Hastert, is the Federal budget deficit. Here the problem is only partly the Bush tax cuts, both passed at a time when they looked appropriate to dig the United States out of a mild recession. I would argue that a number of features of those tax cuts, particularly the reduction in dividend taxes, the ending of estate duty and probably the reduction in the top marginal rate of tax, are relatively cheap and so beneficial for the economy that they pay for themselves.

Unfortunately, as with all tax cut bills, the tax cuts for the "rich" had to be paid for with a whole batch of untargeted mass handouts for the poor and the middle class, so the overall bill was much higher than it needed to be. In addition, the Enron-style accounting involved in the tax cuts, and the provision mandated by the notorious Byrd rule that cuts should sunset within 10 years mean that over the next few years the economy is facing either a series of tax rises or further "cuts" that perpetuate the cuts already in place but throw budget forecasts still further out of whack. In particular, the Alternate Minimum Tax in 2005 reverts to its pre-2001 level, which would pull millions more middle income earners into its net; reversing this nonsense alone will cost over $20 billion per annum.

In any case, a greater portion of the deficits has been caused not by tax cuts but by spending increases, partly due to Afghanistan, Iraq and the war on terror, but mostly due to appalling sloppiness and pork-barreling by a nominally Republican controlled Congress, none of which has been vetoed by the President, plus a couple of notoriously expensive boondoggle spending programs instituted by the Bush administration itself. Bush has thus presided over a faster real increase in public spending than any President since Lyndon Johnson, very definitely not the policy on which he was elected. That’s about the end of the bombs for which the Bush administration is directly responsible, but there are several others whose ticking has become too loud to ignore. The Bush administration appears to believe that its tax cuts and spending profligacy will be bailed out by economic growth and the rising tax revenues consequent on it; the other bombs will prevent any such happy circumstance occurring. First, there's the trade deficit, written about warningly by commentators when it hit $400 billion per annum in 2000, and again when it hit $500 billion per annum in 2002, and now apparently approaching $600 billion per annum. At some point, foreigners will stop buying this enormous quantity of U.S. Treasury bonds, and the dollar will have to decline sharply to bring the deficit back towards balance. Any rapid expansion in the U.S. economy would make the trade deficit worse, and hence precipitate a foreign exchange crisis. While the collapse in the value of the U.S. dollar will benefit exports, its deflationary effect on the rest of the world will be severe, as will the effect of the sharp rise in U.S. interest rates that is likely to accompany it. The excessive money creation by the U.S. Federal Reserve is also likely to cause a crisis in the near future, this one due to rising inflation. U.S. house prices are currently rising at their fastest rate in 25 years, reducing housing affordability accordingly and inflating a housing bubble larger than that which ended the 1980s. This is both a problem in itself and a signal of further problems to come. Needless to say, a rise in inflation accompanied by a withdrawal of foreign central bank support for the dollar will cause a truly spectacular collapse in the bond markets at some point.

Then there’s the stock market, which suffered only a mild dip after the heady heights of 2000, and then recovered. All summer the market has been in “always look on the bright side of life” mode as gloomy economic reports, rising oil prices and declining earnings forecasts have been ignored. At some point this will end, probably suddenly and painfully, and the stock market will drop towards its historical average valuation level, about half where it is now. Since September and October are traditional “market crash” months, this could even happen before the election and affect its outcome, but more likely it will occur in 2005-6. When it happens, there will be a slew of unexpected bankruptcies, mass layoffs, and scandals, all of which will affect the real economy, however unrelated a particular sector may be to the vagaries of Wall Street. Finally, there’s the impending retirement of the baby boomers, scheduled to begin in 2008, but casting an increasing shadow over the financial markets as we approach that date. Bush has promised a reform of the social security system, but such a reform would have been much more easily implemented when he last promised it, four years ago. If he tries to do it now, it is unclear where the $1 trillion that it is estimated to cost would come from. In any case, much more fiscally important than reforming social security is reforming Medicare, a problem that the Bush administration has significantly worsened. That's about all the unexploded bombs. One problem that will face either Bush or Democrat candidate John Kerry in dealing with them is that their statistical compass, telling them where the economy is today, is off by quite a margin; while they think it points north, as it were, it actually points about west-north-west. As I discussed last week, the implementation of hedonic pricing in the mid 1990s (a piece of numbers-fudging typical of the Bill Clinton administration, as of 90s management generally) has caused reported price index inflation to be understated by about 1 percent per annum, more since 2001 because of record low interest rates and their effect on the housing sector. Consequently, real gross domestic product and productivity gains are both overstated by about the same amount, which doesn’t matter much when reported GDP growth is 7.4 percent, as in the third quarter of 2003, but is a lot more significant when reported growth is 2.7 percent, as in the second quarter of 2004.

One of the troubling things about the Bush administration has been the mediocre quality of its economic team, with notably un-cerebral Fortune 500 CEOs as Treasury Secretaries, and no equivalents of Larry Summers (Treasury Secretary under president Bill Clinton) or Martin Feldstein (Council of Economic Advisors chairman under president Ronald Reagan) to provide a grown-up analysis of what's really going on. This is something that Kerry, if elected, needs to change; it's not clear that he knows that. So we come to the $64,000 question: how will all these problems play out (in what order will the bombs explode?) and what if any difference will be made by the two candidates' economic policies? Here we're into crystal ball time, in which I'm happy to be a journalist, since any prediction longer than a week ahead gets forgotten! Nevertheless, here goes. If Bush is re-elected, we’re due for more of the same. Spending will continue to increase fairly rapidly, but taxes won’t, at least at first. Consequently, the loudest explosion is likely to come from the budget deficit, which when it hits $750 billion, 6 percent of GDP, becomes a real problem as it becomes difficult to finance. Inflation is also likely to continue its upsurge, as the Fed is unlikely to raise interest rates quickly enough to quell it. Assuming big problems emerge before the 2006 midterm elections, the latter years of a second Bush term are likely to see a heavily Democrat congress. At that point, the urge to increase taxes will become overwhelming, since Bush will rhetorically be able to blame the Democrats for it. Given Bush's philosophical objection to high marginal income tax rates, and his connections in the oil industry, I would bet on a national Value Added Tax, imposed in 2007. While that would raise huge amounts of revenue, and thereby solve the budget problem, you could then expect a double dip recession (or triple dip, counting 2001) with the 2007-08 down-leg being particularly unpleasant. Reported inflation will be at least in the high single digits by 2008, because of the VAT, but real inflation will be beginning to come under control. Unemployment will be above 8 percent. Social security will remain un-reformed because of the budget difficulties. If Kerry is elected, you can expect the tax increases up-front, and concentrated in the higher marginal rates of income tax. These increases will yield surprisingly little money; in addition Kerry’s protectionism or the fear thereof will cause a downturn in world trade, that may help the trade deficit but will be a drag on the economy as a whole, also hurt by the tax increases. Kerry will try to be reasonably fiscally responsible, so most of his public spending plans won't happen, although there's a chance of an increase in the tax on gasoline later in his term if the world recession causes oil prices to drop and the budget's still a problem. The mid-term elections of 2006 will be an orgy of the blame game, with both sides blaming the other for economic difficulty; a split Congress or a small majority is the likely result. In the second half of Kerry's term, the economy will bottom out and begin to climb back, but from an unemployment level of close to 10 percent at the peak.

Either way, the Dow Jones Industrial Index on Election Day 2008 will be below 5000. This is the true choice facing the electorate: between 8 percent unemployment, a triple dip recession, and resurgent inflation, or 10 percent unemployment and a damaged world economy. Either way, government will grow or your income won't. Of course, nobody is going to tell the voters that...

(The Bear's Lair is a weekly column that is intended to appear each Monday, an appropriately gloomy day of the week. Its rationale is that, in the long '90s boom, the proportion of "sell" recommendations put out by Wall Street houses declined from 9 percent of all research reports to 1 percent and has only modestly rebounded since. Accordingly, investors have an excess of positive information and very little negative information. The column thus takes the ursine view of life and the market, in the hope that it may be usefully different from what investors see elsewhere.) Martin Hutchinson is the author of "Great Conservatives" (Academic Press, 2004) -- details can be found on the Web site greatconservatives.com.

King Kong Debt Meets Middle Class Life

By Stacy A. Teicher | CS Monitor | Aug. 23, 2004

Ask most people if they should save more, and the likely response would be "yes." But with so many opportunities to spend, sometimes we just can't help ourselves. Shopping is even seen as an expression of patriotism: Go ahead, buy the latest gadgets, a bigger car, or another pair of spike-heeled shoes, it will be good for the economy. The only drawback: that stubborn monthly balance on the credit-card bill. For the average American family, it's been growing steadily over the past few decades, lurking like a visitor who's overstayed his welcome—and no one knows quite how to get rid of him. Somehow, people have drifted away from the thriftiness that emerged from the Great Depression and embraced life on borrowed time. "Americans really appear to have accepted debt almost as a way of life—they assume that's just the way it goes," says John Putnam of the Million Dollar Round Table, an association of financial planners in Park Ridge, Ill. The group found in a recent survey that 30 percent of Americans believe they probably will always have debt. Statistics confirm the change: In 2003, the average credit-card debt of U.S. households with at least one card was $9,205, up from $2,966 in 1990, according to the research firm CardWeb.com. In 1970, 44 percent of families with credit cards reported having a balance after their most recent payment, the Federal Reserve Board reports. Since the 1980s, not only have more people used credit cards, but about 60 percent have carried a balance. The personal savings rate in the United States averaged about 8 percent from just after World War II through the 1980s. But since 2000, it has averaged just fewer than 2 percent, according to the Bureau of Economic Analysis. Personal bankruptcy filings hit a record 1.6 million in 2003, compared with 300,000 a year in the early 1980s. Debt may not be as widespread a problem as smoking or overeating, but its gaining attention as perhaps a form of addiction. Yes, overspending is largely a matter of personal choice, but many observers say an increasingly materialistic culture conspires against people's desire or ability to act wisely. Still others call for reform of certain practices in the credit-card industry that make it easier for people to build up balances to the point where they are trapped.

What If US Debts Are Unloaded Abruptly In a Deliberate Attempt to Destroy The American Economy?

Purchase of US assets by Asian central banks comes under scrutiny

Sun Aug 8, 2004 | WASHINGTON (AFP)

Voracious purchases of US Treasury bills by Asian central banks are coming under scrutiny ahead of presidential elections amid concerns over national security and a ballooning current account deficit. Led by Japan and China, Asian economies have been gobbling up US dollar based assets, particularly US Treasuries running into hundreds of billions of dollars, over the last two years By investing in US securities, the Asian economies stash away proceeds from selling their own currencies in an attempt to prevent them from rising against the dollar and so making their exports cheaper and more appealing to American consumers Some say that while the massive Asian holdings may keep US interest rates low and help bankroll America's debts, they are propping up the US record 541.8 billion dollar current account deficit—the balance of goods and services between US and the rest of the world. Others fear that such immense US wealth in foreign hands could boomerang if, for example, the assets are unloaded abruptly in a deliberate attempt to destroy the American economy. Lawrence Summers, Harvard University President and US Treasury Secretary under ex-President Bill Clinton (news - web sites), likened the Asian purchases to hoarding of gold by European states centuries ago. "Much has been made of US dependence on foreign energy, but the country's dependence on foreign cash is even more distressing," Summers said in the latest issue of the US magazine, Foreign Policy.

"In a real sense, the countries that hold US currency and securities in their banks also hold US prosperity in their hands," he said. "That prospect should make Americans uncomfortable." Foreigners already hold almost 40 percent of marketable US Treasury debt. The Asian central banks have increased their holdings of US assets to about one trillion dollars, according to market estimates. At the recent Democratic party convention that endorsed John Kerry (news - web sites) as the party's flag bearer against Republican President George W. Bush (news - web sites) in November polls, Clinton took a swipe at the Bush administration for allowing foreigners to have a potential financial lever on the US economy. Clinton said the government was effectively "borrowing from foreign governments, mostly Japan and China" to make up for the burgeoning budget deficit, forecast to reach a record 445 billion dollars this year. "Sure, they're competing with us for good jobs but how can we enforce our trade laws against our bankers?" he asked. Federal Reserve (news - web sites) Chairman Alan Greenspan (news - web sites) acknowledged concerns in a speech in March about any impact of a sudden bail out by Asian central banks from the US Treasury market but felt the possible effects would be small.

Asian central bank reserves are heavily concentrated in short-term maturities and the size of their asset holdings is small compared to the overall market in short-term dollar assets, Greenspan said. Morris Goldstein, a senior fellow of the Washington-based Institute of International Economics, said the root of the problem was the rising US current account deficit. "The concern about official holders, particularly in East Asia, is part of the problem that the US current account deficit is just too large and that's what give rise to financing and that's what gives rise as it gets larger and larger to official holders," he told AFP. Goldstein also highlighted what he called the problem of Asian countries refusing to adjust their exchange rates upwards in line with the market. "That's another problem why they are accumulating (US assets) because the rates are undervalued and, in some cases, the countries are using prolonged one way exchange market intervention to defend them -- which is inappropriate and manipulation and ought to stop," he said. Both Bush and Kerry have accused Beijing of seeking to boost exports by keeping its currency artificially low, highlighting China's 124 billion dollar trade surplus with the United States last year. The US government says growing participation of foreign investors, including by Asian central banks, in the US Treasury market lowers borrowing costs and reflects confidence of external lenders in the United States. But some members of a high level market advisory panel have proposed that Washington prod Asian central banks which are large holders of US Treasuries to participate in repo markets, officials said. Repo is an agreement in which one party sells a security to another party and agrees to repurchase it on a specified date for a specified price. "These members expressed concerns that the markets could potentially be disrupted without this important change in foreign investor participation," said Mark Werner, the chairman of the Treasury Borrowing Advisory Committee. The panel advises Treasury Secretary John Snow on the financing and management of the Federal debt.

I.R.S BANKRUPT TOO: US Taxpayers Are Increasingly Willing To Cheat

(A staggering $300bn uncollected taxes)

By Albert B. Crenshaw | Washington Post | August 4, 2004

Report Finds IRS More Helpful but under funded. The Internal Revenue Service has shown marked improvement in its ability to assist Americans with their tax questions and problems, but the agency's enforcement capability remains badly under funded and outmanned at a time when taxpayers are increasingly willing to cheat, according to the IRS Oversight Board. "The bad news is deeply troubling," the board said in its annual report, released yesterday. Roughly one in five taxpayers "now believes it's acceptable to cheat on their taxes," the board said, based on its own research, while the number of revenue agents and other enforcement workers at the IRS has declined by 36 percent since 1996. "Most disturbing of all, the amount of money which taxpayers legitimately owe, but won't pay and goes uncollected, is a staggering $300 billion," the report said. Board chairman Nancy Killefer, in a statement accompanying the report, repeated the board's past calls for "a realistic budget for the IDOLLARS" She noted that budgets proposed for the IRS fail to take into account "unfunded mandates" such as regular pay increases for government workers, and as a result "projected hiring of new enforcement personnel evaporate." "Unfortunately, history repeated itself again" this year as a House committee boosted civilian pay increases well beyond President Bush's request "and we can no longer afford to hide from the hard truth," Killefer said. The IRS "will have to make up again out of its own pockets what could easily amount to a $100 million" shortfall. "It's no wonder that tax cheats have declared open season on the IRS," she said. And the hole could get deeper. Last month, a House Appropriations subcommittee voted to lop $382 million off the IRS's $10.67 billion budget request for next year. But that request was already $230 million short of what the IRS actually needs, according to an Oversight Board analysis this spring. The board also pointed to "slippages...and cost overruns" in the agency's long-running computer modernization program but said the effort must continue if the agency is to keep up with the growing size and complexity of the economy. The Oversight Board was set up by the IRS reform law of 1998 to map long-term goals for the tax agency.

US: Borrowing More and More Isn't Fiscally Responsible

(Debt addiction is a national problem)

August 4 (Bloomberg)

Don't borrow money for 30 years in order to avoid raising taxes or cutting spending for one year. That's good advice, and common sense, and apparently bears some repeating, to judge from recent statements by the New Jersey Supreme Court and New York's Citizens Budget Commission. It's very good advice to keep in mind this November, when politicians seek votes for themselves and for bond issues. The Citizens Budget Commission, a non-partisan organization that studies finances in New York City and state, put it this way: "Stretching out an obligation increases the total costs of the obligation and foists them off on future taxpayers"" This line was contained in a letter the

> organization sent to Governor George Pataki last week, urging him to veto a bill allowing the state and its localities to stretch pension contributions over 10 years instead of five years The New Jersey court gave its advice in a ruling on a state plan to sell $2.5 billion in bonds backed by cigarette taxes and motor vehicle fees and use some of the money raised to balance the budget. The court said this was unconstitutional, but let the state do it this year, anyway, saying overhauling the current budget would result in a "great disruption"' otherwise.

Addicted to Debt: This isn't a New York problem, or a New Jersey problem, although both states are addicted to borrowing. This is a national problem, because politicians are better at spending money than they are at making sure government lives within its means. It's easier to say yes than it is to say no. Almost every pension obligation bond, for example, is a very short-term budget dodge. In exchange for not putting money into a public pension fund for a year or two, a municipality goes out and borrows millions or billions. To keep spending, politicians keep borrowing. Perhaps the worst part about it is that you, the voter, usually don't have any say in this borrowing. That's because most of the bonds sold by states and localities don't need your vote. Of the $214 billion in municipal bonds sold so far this year, just a little over a third, $76 billion, were general obligations, according to the Bond Buyer newspaper. General obligation bonds are backed by your taxes, and more often than not, you have to approve them. So how does all this borrowing get done? State and local officials create special entities called "authorities"' to sell bonds backed by specific revenue.

How it Works: Here's how New Jersey wanted to do it this year, according to the state's Supreme Court. "As part of the budget for Fiscal Year 2004-2005, the legislative and executive branches adopted the Cigarette Tax Securitization Act of 2004 and the Motor Vehicle Surcharges Securitization Act of 2004. The Acts make available bond proceeds in excess of $1.9 billion to be appropriated by the Legislature 'for any lawful purpose,' including operating expenditures of State government," the court said. "Under the Acts, the New Jersey Economic Development Authority is authorized to issue bonds and deposit the proceeds into separate funds from which the proceeds will be transferred into the General Fund at the request of the State Treasurer." In other words, the EDA sells bonds, and puts the proceeds into a fund, and when the state needs the money to pay for everyday operating expenses, the treasurer transfers the money from that fund to the general fund, which is the state's checking account. That money isn't free. There are two costs. For one, the bond buyers are paid interest. If you borrow $1 million for 30 years and pay the bond buyer 5 percent, you pay $1.5 million in interest, in addition to the $1 million in principal.

Off the Table: As for the other cost, these bonds are repaid from cigarette taxes and motor-vehicle fees. If the last bond matures in 30 years, that's 30 years that a portion of those taxes and fees are otherwise unavailable. Every time the state sells such bonds, it has to take more and more of those future taxes and fees off the table. The state is not only saddling a future generation with debt; it's also eating up a portion of the available tax base. And for what? For one or two years of budget "relief," as they call it. In order to keep spending now, the state eats up its future taxes and other revenue. To balance the budget over the last two years, New Jersey didn't cut spending; it borrowed money in the bond market, trading billions of dollars in revenue from the health-care settlement with the tobacco companies for $3.4 billion now. It's unwise to trade the future for a short-term benefit. Voters should keep that in mind this November when they are asked to vote for politicians who practice this kind of weird finance.

CHAPTER 4
CONCLUSION

The mutual benefit bond system (MBCS) is based on incentive-based principles that prohibit interest and taxes. Interest and taxes have driven most of the world's population into poverty, and MBCS eliminates these two evils and offers the best hope for eliminating poverty in the shortest period of time. Most non-Muslim countries might consider MBCS a tool to spread Islam. As a result, they may be hesitant to implement MBCS; however, they will have no chance for survival if other countries implement it. The country that implements MBCS first will become an economic leader.

In order to raise enough money to meet national budgets, it is necessary to use a system of revenue collection that encourages people to participate in the scheme and produces large amounts of cash for a government quickly and at no extra cost or risk. The mutual benefit bond/card system is an incentive-based revenue system that replaces current tax systems and encourages people to invest in their countries. MBCS is designed to:

1. Eliminate unfair financial burdens from all sectors of society;
2. Remove taxes, duties, and levies;
3. Revolutionize government revenue collection and liquidity;
4. Eliminate poverty;
5. Rebuild national infrastructures;
6. Restore law and order; and
7. Provide all citizens with equal opportunities.

MBCS is a very simple system. There are no checks and balances, hardly any documentation compared to the documentation in existing systems, and no chance of corruption. In addition, there is zero risk to existing government systems that generate revenue.

MBCS is easy to implement. It would be easy to find enough people willing to work for a MBCS agency, and all bond vender positions would be filled in days. A country's treasury would print bonds instead treasury bills which will increase the debt. A monetary agency could be set up in one week. it would take the monetary agency little time to establish its network, and this network would not cost the government any money and will be financed by the contribution of bond venders registration fee. Given the benefits of MBCS, it would not be difficult to pass the legislation needed to implement the system.

No country can survive without implementing MBCS because this system will eliminate poverty, create massive employment, create an industrial revolution, improve law and order, eliminate drug-related problems and crimes, and eliminate the terrorism that is fueled by poverty. Any country that does not implement MBCS would face a public revolt and would be replaced by a government willing to implement this system.

A world without interest payments, poverty, and taxes, a world where law and order are the norm and a person has the opportunity to reach his or her potential on a level playing field would be a paradise to most people, but this paradise seems like a pipe dream, an illusion. It seems like an impossible dream to find a system that would eliminate interest payments and taxes and, at the same time, improve people's quality of life and enable them to reach their potential; however, using the mutual benefit bond system, it is possible to create a world that is free of interest payments, poverty, and taxes. With MBCS, it is possible to create a paradise on Earth.

My analysis about US economy which was written in my first book entitled *Islamic Revolution of the Century*, published in UK and US by Author House in 2006 and the book is available on the internet.

The U.S economy is like a giant oak tree that has rotten roots, hollow stems, and dying leaves, and it is quite possible that this mighty tree will fall and bury every nation relaxing under its shade. MBCS is the fertilizer that can bring the U.S. economic tree back to life.

CHAPTER 5

FREQUENTLY ASKED QUESTIONS

What is a MBCS bond?

A MBCS bond can be viewed as a mandatory payment for goods and services. The bearer of these bonds would be entitled to significant formularized discounts on the listed sale price/cost of goods and services if these bonds are used with a cash payment. In the government sector, a consumer can pay in bonds instead of cash, and the bonds will be worth double the amount of currency. In the private sector, goods and services would be purchased with 15% in bonds and the rest in cash.

How can these bonds be used? What are the benefits of using these bonds?

These bonds would be used to obtain reduced prices for goods and services offered by the government and the public sector. These bonds will bring down the cost of living for a household consumer and reduce production costs for businesses.

Who will sell MBCS bonds, and who will be eligible to sell bonds?

Unemployed and preferably educated people would be hired as MBCS agents. These people would have, at least, matriculated. They would be required to register with USMF for an annual fee of US$500. USMF would conduct an intensive but short training course, and it would offer a 10% discount to agents and assigned them a monthly quota of bonds worth US$300,000, which would enable a bond agent to earn up to US$30,000 a month.

What if a person cannot pay the US$500 registration fee?

If a person cannot pay the US$500 registration fee, then his or her monthly quota will be reduced by 50% until the agent has paid the full registration fee.

How do you control the artificially raised prices and subsidized prices of the commodities/services produced by private sector?

MBCS does not control the prices of the private sector; instead, it helps control prices by reducing the cost of production by at least 50% and eliminating taxes and import duties. Therefore, there is no artificial price or overprice in the private sector, and each product or service will be cheaper than the artificial price if the consumer uses 15% in bonds and the rest in cash.

Why pay for expenses that will be incurred in the future?

Purchasing bonds for future purchases will ensure that the consumer pays reduced prices because the bonds are inexpensive and will buy products and services with reduced prices.

Is there any financial incentive for this advance payment other than bonds?

No, there is no other financial incentive, and the consumer would get bonds according to the prescribed sliding scale. However, consumers who buy bonds during the discount period would receive more bonds for their money and be entitled to waivers for import duties. In addition, they would be able to sell bonds at a profit when the cost of bonds increases later in a financial year.

Does the purchase of US$50,000 worth of bonds entitle the consumer to any duty-free imports?

A person or business that opts for duty free option will deposit US$50,000 in the first month of a financial year is entitled to have duty waved of worth US$500,000.

How will the government control the under-invoicing of goods and services?

People under-invoice in order to evade duties and taxes. There will be no need to under-invoice when custom duties are partially or completely waived.

People who invest US$50,000 receive extra bonds, or they have the option to import goods and services duty free; however, people who invest less do not receive these benefits. Why?

Incentives such as extra bonds or a waiver of duties are available to people spending US$50,000. Although some people cannot buy this many bonds on their own, groups of low-income people can combine their funds and buy low-cost bonds. Even if they cannot raise enough money to buy large amounts of bonds, they will still receive a 30% to 60% reduction in their cost of living when they use their bonds. In addition, a rich or clever businessperson can buy low-cost bonds and negotiate a 4% to 8% discount from a bond agent. He or she would be able to sell these bonds at the lowest rate to people who are unable to raise US$50,000 and retain the discount as profit. This process can be repeated throughout the first month and result in high profits for the seller and low rates for the poor.

How can a government generate the same amount of revenue in subsequent years if bonds are valid indefinitely and are in circulation right from the very first day?

The use of bonds is not restricted to individuals but Traders, manufacturers, importers, agriculturists, and corporate entities will also require bonds for their day-to-day use. These bond users will buy and sell their merchandise through the United States Monetary Fund (USMF). Spare bonds can be sold on the open market at a profit or surrendered to the government to obtain duty-free options.

The use of black money in this system will not generate the same amount of revenue in subsequent years what remedies are available to the government?

The government will invest black money or extra cash in high-tech companies, big business, and land reforms, and it will receive a profit from these investments every year. Therefore, the government will not have any need for black money after the first year.

What is the organizational structure of USMF? How does it operate?

USMF will be a private organization selected by an open-bidding process. It will be responsible for selling bonds through agents, collecting funds from agents, and depositing these funds in government accounts. USMF will operate regional offices, which will monitor branch offices in each city in their region. These branch offices will be linked by the latest information technology and will be located in the smallest village.

How will USMF ensure transparent operations?

In order to ensure USMF's operations are transparent, the next three lowest bidders will be appointed auditors for a fixed fee. In addition, in the case of fraud or mistakes, these auditors will receive 50% of any penalties (i.e., 10 times the amount involved) imposed on USMF. The government will be the fourth auditor.

Why will USMF need 100,000 offices with 500,000 employees?

These offices and employees will be administrative in nature, which will ensure smooth, transparent operations, and they will be responsible for maintaining a record of bond sales. In addition, they will dispense bonds to bonds agents.

How will USMF monitor sales and control revenue collection from bond agents?

Each agent will have a monthly quota of 300,000 bonds. No agent can sell bonds beyond his or her quota but can sell whole year quota at one time. This will ensure that each agent has the same opportunities, and each agent would be able to earn up to at least US$10,000 a month. But every agent will try to sell his quota as quickly as possible by sharing the commission and get the money upfront instead of waiting for a year.

How would USMF eliminate or minimize the chances of bond agents committing fraud?

All USMF records will be computerized, and a record for each agent will be maintained, which will reduce the chance of fraud or error. Any fraud or complaint against any agent will result in the termination of his or her services. The profits from fraud will be small, so most agents will not jeopardize their jobs for small payoffs.

Currency is supported and backed by reserves. What supports or backs MBCS bonds?

Bonds do not need to be supported or backed by reserve currency because they can only be bought with actual currency, if a person does not have the money, his or she will not be able to purchase any bonds.

Who will print MBCS bonds, and how will they be kept secure?

The government will print MBCS bonds using the same infrastructure, standards, and security measures used to print present currency notes. Large amounts will be available as debit cards, which will add security, and coins for lower denominations and notes for larger denominations will be available.

What will be the size, color, and denominations of MBCS bonds?

MBCS bonds will be in the form of currency notes but have a different color and size. Their denominations will vary from 1 bond to 5,000 bonds. At later stages, MBCS can be issued in plastic card form similar to credit/debit cards.

What will it cost to print MBCS bonds?

Compared to the revenue generated by MBCS, the cost of printing is negligible, and the only expense will be the paper or cards because this system will use the staff and equipment now used to print currency.

The system looks very complicated and hardly possible to implement. Is this true?

MBCS might seem complicated, but even people with limited education can understand it because it only involves two equations and is far simpler than the present tax system, which is only possible to understand with the help of tax consultants. In addition, the money system has been shifted from a binary system to the decimal system, which is considered difficult to understand and implement and used by very few people. Also, bonds agents will educate people about the system.

Will MBCS radically change United States' taxation system?

There will be no change in the tax structure (i.e., direct taxation) until and unless the government is able to meet it revenue needs using MBCS. Until that time, the tax system will remain intact. In addition, there will be no change in indirect taxation; however, MBCS bonds will eventually be the only indirect taxation.

Is there a time limit on the waiver in custom duty?

The waiver of duty will be offered for a limited period of time. After a concessionary period, this waiver will not be available, and the person or business will be subject to the present duty structure. Category 3 businesses that sell their products through USMF will be able to import duty-free goods or services equal to the amount sold through USMF throughout the year.

How will this system help alleviate poverty?

This system will bring down the cost of living, and the necessities of life will be available for 30% to 60 % less than current market prices. In addition, this system will promote the creation of new industries and increased production in existing industries, which will increase the number of available jobs. This will definitely help reduce poverty in United States. In a very first week, all unemployed people will be able to get job as a bond agent and earn a decent living at no cost to the government.

How can a poor person obtain bonds at the lowest rates?

Groups of low-income people can combine their funds and buy low-cost bonds during the discount period. In addition, for a security deposit of US$100, a person can buy bonds throughout the year for at least four bonds per dollar in the open market or through the bank by agreement at the start of the system.

Will MBCS create real economic activity?

Yes. MBCS will produce an industrial boom because there will be no tax, no duty, and production costs will be reduced by 50%. This will create jobs and increase exports and reduce imports. With state offering to provide 80% cash to all big businesses on profit and loss sharing basis and major portion (60%) of the profit going to private investors there will be big boom in the industrial sector which is the back bone of the economy.

How will MBCS affect industry in United States?

United Stated could be an economic giant if its socioeconomic constraints are removed. MBCS will remove these constraints and enable high-tech industries to grow. This growth in industries will reverse United States' trade balance.

What benefits or incentives are available to a person spending US$50,000 to purchase bonds in the first month of a financial year?

A person spending US$50,000 to purchase bonds in the first month of a financial year will be having following benefits: (1) If a person does not want bonds, he or she can receive a waiver of US$500,000 on import duties for any legal imports, depending on the market rate of goods; (2) they can use a mixture of bonds and waivers (e.g., 125,000 bonds and a waiver of US$250,000 on import duty); (3) they can receive 500,000 bonds for routine bills throughout the year; (4) they can sell bonds for a profit at later stages once the concessionary period lapses; and (5) they can enter a draw for US$100 million, which will be held daily during the first month of a financial year.

What is the life of bonds? Do bonds have a due date?

There is no due date, compulsory period of use or expiry date for MBCS bonds. All bonds will have an unlimited life and will continue in circulation in the same way currency circulates.

What will the government do if the value of bonds drops to more than US$5?

The Government of United States will intervene and buy back bonds at a cheaper price 5.5 per dollar and raise the price of bonds. This will not happen because bonds can be surrendered for a duty-free option, provided 500,000 bonds are surrendered.

What effect will MBCS have on real estate?

MBCS will likely crash the real estate market because the profit margin for bonds will be much higher than the profit margin for property; therefore, it will be cheaper to build a house. It is estimated that it would cost 50% less to build a house under MBCS.

How will MBCS affect the stock market?

Initially, MBCS will crash the stock market; however, it will recover and rise to new heights as a result of the elimination of taxes and a decrease in the price of government-controlled essential goods. Ultimately, the stock market will cease to exist because it is a form of gambling, and investing in bonds carries almost no risk.

Does implementing MBCS pose any risks to the government?

MBCS is a unique, risk-free approach to revolutionizing the collection of government revenue. It does not require giving up current taxes until the system produces enough money to fund government activities. After that, MBCS will transform United States into an open, transparent, free market where the government and citizens co-operate to drive prices down, create balanced budgets, and increase general investment. Therefore, there is absolutely no risk to the government.

When will the government declare a tax-free holiday?

Once the government has collected enough revenue, it will remove all taxes. This will further decrease prices. It is expected that the government will collect more than US$2 trillion in the first week of a financial year because of the incentives offered by MBCS, especially to people holding black money, which will be the main source of revenue collected in the first month.

This system does not provide everyone with equal incentives. Why?

The system is designed to provide financial incentives to everyone. Everyone will receive lower prices when using bonds and cash to purchase goods and services. Poor population will also get the benefit of 60 % reduction in prices of all goods and services but may be little less than a well to do person because of the open market price may be 4 or above during the last period of the year. MBCS is not supposed to provide luxury items to everybody and it will depend on the earning of the individual.

IMF puts many types of pressure on developing countries. How will a country that implements MBCS deal with these pressures?

At present, these governments are forced to borrow short-, medium-, and long-term loans from IMF in order to finance cash imbalances, unplanned shortfalls in tax revenue, and infrastructure development. MBCS will create a positive cash flow for all these government and lead to actual cash surpluses, which will eliminate the need to borrow money and make it possible to repay current loans with interest.

How will MBCS help establish Interest-Free banking?

The government must abandon all interest operations and use its cash surpluses from MBCS to promote investment through co-operation and partnership with the private sector. It would use surplus cash to establish and strengthen an Interest-Free financing system. The government would provide 80 % cash needed to finance this banking system.

How will MBCS support Interest-Free banking operations?

The banks in United States will offer MBCS bond accounts. The banks would have to establish special mandatory bond deposits. They would become as important a seller of bonds as USMF. All investment in the private sector would be done through banks, with 80% of the cash provided by the government and 20% provided by the investor. The bank would be responsible for overseeing the business, and the government would provide all commodities and services below cost when the government is a partner in the business. The government would receive 40% of the profit, and 60% would be divided by the bank and investor. The state bank would oversee the whole lending process.

People and organizations may hold more bonds than required. Is not hoarding forbidden by the society?

In a society, hoarding is not allowed because of its practical effects on the supply of critical items such as grain, water, and so forth. In MBCS, people would not be able to exercise monopolistic powers because bonds would be freely available from USMF agents and private sector In addition, the central bank could intervene if banks try to manipulate bond rates. In this system, hoarding is not possible because bonds would always be available from the government and the private sector.

Will MBCS isolate United States in international market? How will the government deal with imports and determine business relations with other countries under this system?

MBCS is an internal system, and imports and business relationship with other countries will continue in the same way they do today. The only thing that will change is the waiver of duties under certain conditions, which has nothing to do with exporting countries.

WTO does not allow any subsidy and MBCS is based on subsidized prices. Therefore, how can the government implement this system?

Subsidy means selling at below-cost prices. In MBCS, cost price plus profit is actually the buying price. Therefore, there is no question of any subsidy. In addition, abolishing direct and indirect taxes is not a subsidy.

How does MBCS compensate the government for the loss of revenue from reduced prices for commodities and the waiver of duties?

The sale of MBCS bonds would more than compensate for the loss of revenue from reduced prices for commodities and the elimination of duties. In fact, the revenue generated by MBCS would be many times the amount of money collected from taxes on the sale of commodities and duties in whole year.

What is the benefit of bonds to the general public?

Bonds would reduce the price of every commodity or service provided by the government, and they would reduce the prices of goods and services provided by the private sector by 40% to 60%.

How will it be possible for the government to collect US$1.5 trillion within a week of a financial year?

According to conservative estimates, 15% of United States' population (i.e., 30 million people) would be willing to spend US$50,000 in order to reduce their cost of living by 40% to 60%, and this would generate more than US$1.5 trillion (e.g., US$50,000 x 30 million = US$1.5 trillion). The remaining 90% of the population would also use this system and generate even more money. Moreover, people would purchase large number of bond in order to participate in draws worth US$10 million that will be held daily throughout the first month of a financial year. Therefore, the government will raise more than US$1.5 trillion in the first month and many times of this amount by the end of year.

How does this system support foreign trade?

As discussed above, MBCS reduces production and business costs by 50%. In such conditions, industrialists will have better opportunities for setting up new units or expanding/modernizing existing units. The low cost of manufacturing will make United States' products very competitive on the international market. Very good quality products produced by hi-tech machinery and low prices will boost exports and domestic consumption and consequently, imports would be reduced and United State' trade balance would improve.

Does this system benefit government employees?

MBCS would generate large amounts of money for the government, and as a result, the government would be able to improve its salary structure (i.e., increase salaries by at least three times present rates). This increase in salaries would improve the financial situation of employees, which, at present, makes them susceptible to corruption. Therefore, the level of corruption among government employees would decrease.

What is the incentive for people with black money to participate in MBCS?

MBCS would enable people with black money to enter the legitimate economy and import goods duty free and sell these goods through USMF. This would double their profits and eliminate the risks associated with smuggling.

Why sell bond certificates when selling MBCS bonds will generate more money?

In 2009, the Government of United States printed 1 trillion bond certificates and offered them at an interest rate of less than 1% and this has increased the internal debt of United States. MBCS bonds would generate all the money needed by the government and would not increase the government's internal debt or external debt.

How will MBCS help a business that does not deal with customers?

This type of business can pay a registration fee of US$50,000 and buy bonds every month at five bonds per dollar. This business can get 2500, 0 bonds for only US$50,000. The higher the registration fee, the more cheap bonds a business can purchase. The only condition is that the business must prove the registration fee has been paid. More than one business can pool their resources to take advantage of these cheap bonds.

How will MBCS help a business dealing with customers?

This type of business can pay a registration fee that is not less than US$10,000. They can buy twice the amount of bonds collected from custom dollars For example, with a registration fee of US$10,000, a business can collect up to 10,000 bonds a month and buy 20,000 bonds at a cost of US$4000, while collected bonds will be replaced without any cost with new bonds. The collection of bonds will be according to the business' annual fee as shown in the bond table. With a registration fee of US$50,000, a business can collect 100,000 shares and buy three times the amount of collected shares at the rate of five bonds per dollar. The higher the registration fee, the more bonds a business can purchase at the cheapest rate. A shopkeeper would be eager to sell his or her merchandise for bonds plus cash. The amount of bonds accepted by a shopkeeper would depend on his or her needs. On the other hand, a customer would be more than happy to purchase merchandise with the help of bonds because bonds would reduce the price of merchandise because they have been purchased at a reduced rate.

How will MBCS affect the cost of living?

The cost of living will decrease as a result of the elimination of taxes, 50% decrease in the cost of goods and services, and pay raises.

Will MBCS create inflation? Will people buy more goods and services than they need?

MBCS will not create inflation because this system will result in a decrease in prices. It is true that with MBCS people will have more money to buy more goods and services, but that does not mean they will buy more than they need to improve their standard of living.

How will MBCS help low-income people?

Any person who uses government goods or services (e.g., traveling by railway) can use MBCS bonds to obtain substantial discounts. For example, a railway ticket from New York to Los Angeles may cost 400 dollars In MBCS, the ticket may cost 800 bonds if the bonds are purchased for five bonds per dollar, then the ticket will cost two thirds less than the cost to purchase a ticket using dollars With bonds, a person will be able to save 40% to 60% on government-controlled goods and services, depending on the rate for bonds.

What is the cheapest price a person or business will be able to pay for MBCS bonds?

Bonds can be purchased for 20 cents per bond, but this rate will only be available in the first month of a financial year or if the buyer has a special registration arrangement with USMF.

It has been suggested that MBCS can operate at the same time as a current tax system. How will this work if people have to operate under existing tax laws?

It would be necessary to enact legislation that safeguards the interests of a person using bonds, and the government would not question a person's source of income.

Has MBCS been used by any country?

To the best of our knowledge, no country has used MBCS to generate revenue.

How will MBCS affect the fabric of our institutional makeup in terms of conceding power, authority, and so forth? How long would it take to be universally accepted and agreed?

Authority tends to corrupt, and absolute authority corrupts absolutely. A large amount of time would have to be devoted to not antagonizing people in power. This is why USMF would be an autonomous institution. As soon as United States becomes economically self-sufficient and debt free, MBCS would spread like wild fire.

It seems unrealistic to predict that MBCS will solve United States' revenue problems in 30 days. Is it not true that a project of this magnitude can easily take a few years to implement?

It cannot take more than a month to implement a system such as MBCS. In order to ensure a smooth transition from the current tax system to MBCS, USMF will operate as an independent system that operates parallel to the current tax system. Once MBCS shows that it can work, the current tax system will become redundant and will not buy bonds to take several advantages mentioned above.

Can bonds be stolen?

Yes. The possibility of theft exists for any type of currency or bond.

No marketing and advertising expenses have been mentioned during the discussion about MBCS. Why?

The at least 20 million bond agents would educate the public about the benefits of using MBCS bonds. In addition, USMF would need to educate the public using some television and radio commercials.