

INTRODUCTION

In 2016, the deficit in the U.S. was \$590 billion and our debt hit \$20 trillion. Those are figures that many Americans are worried about. They are figures that the global economic and political arena is worried about. And rightly so: that \$590 billion is money that the government has to make up from somewhere just to balance the books. Traditionally, of course, that money is meant to come from taxes. And it is likely most of us feel threatened by that fact; either because we worry about losing more and more of our income to government tax, or because we see it just isn't going to work. In 2014, the Congressional Budget Office reported that the continuation of the present tax and spending policies in the long run would be unsustainable. The message is pretty simple: we are heading toward disaster. The 2016 election campaign saw both parties wrangle unconvincingly about how to address this in a way that could please anyone.

I saw this coming first hand years ago. At the time, my work involved modeling pools of mortgages to determine how they would fare under various economic scenarios. Concerned about the state of our country, I used the same approach to model the likely future of our nation's economy. It did not take long to conclude we were, and are, in trouble.

This is not the fault or problem of either liberal or conservative policies. Living in the liberal city of Boulder, Colorado and working with conservative

investment bankers on Wall Street, surrounds me with the view of both sides. But I have found that neither side is able to provide real solutions to a very real problem; our nation is caught up in ideological debate that is leading us nowhere. Instead of the endless back and forth of partisan politics, in which any discussion of the economy only serves to bolster one oppositional view or the other, we need a new way of looking at taxation and government spending that works all around if we are to avoid another major financial crash.

THE PROBLEM with our economy today is analogous to the problem we faced with horses in the world's major cities in the late 19th century. Four million pounds of unsanitary manure was deposited on New York's streets each day. Manure was six feet deep in the financial district (much as it is today), and was piled 60-feet high on every available vacant lot. Manure was piling up so fast it was estimated that by 1930 it would be three-stories deep on the city's streets. The stench was unimaginable. You could smell New York from miles away. It was impossible to walk anywhere without becoming covered in filth. Human fatalities from horses were 7-fold greater per capita than fatalities from cars are today. Health problems were rampant and entire sections of the city had to be quarantined as disease from the filth swept through the neighborhoods. New York was so densely populated with horses that there simply wasn't enough room for them to be properly rested either. As a result, horses were so overworked they lived only a couple of years. An average of 15,000 horses died on the streets of

New York each year, dropping dead in their tracks and causing constant traffic jams.

There was public outcry over the problem and in 1898 an international conference was held in New York to solve what was heralded as a global crisis, as the problem was found in all the major cities of the world. The meeting ended in despair; it was determined that there was no solution. Soon after, the automobile surprised everyone as the unanticipated answer to the problem. The solutions in this book solve our financial problems today just as cars solved our problem with horse manure at the beginning of the 20th century.

In 2016 President Obama called on Congress to reform the tax code, as part of the economic reform needed to save the country. President Trump has vowed to head straight at taxation too. A solution must be found. So follow me, for a minute, in a thought experiment. A vision. What if you could, as of tomorrow, completely stop paying federal income taxes? Not one cent, ever again. What if that was the same for every citizen of America, whether they earned thirty thousand dollars, one hundred thousand dollars, or even ten million dollars a year? That would be a life changer, right? And what if, despite none of us paying any income taxes any more, the government could also completely eliminate our suffocating deficit, offer a basic income for everybody in America, and provide welfare, free health coverage, and free higher education? How might that change America's outlook?

It is a real possibility, given the plan I bring to life in this book. This vision is a response to our urgent need to address taxation, debt, and the U.S.

deficit from a radical new perspective. Much more ambitious and disruptive than closing loopholes in the tax code—which was Obama's suggestion—it puts forward a policy that involves eliminating income taxes altogether. It puts forward a policy that could save America.

The job of this book is to explain both how the math could work and also how such a fundamental shift could work well for everyone—rich and poor, employer and employee, liberal and conservative. My hope is that the plan is understandable to you whether you are a Wall Street trader with an economics degree, a congressman, or the average American who is concerned about both their own family income and a positive future for our country. If you are in this last category, this book will introduce you to economics in a way anyone can understand, thanks to the tale of the Farmer, the Huntsman, and the Handyman in Part One.

If you want to read further on the subject of economics after reading this book, I recommend Adam Smith's *The Wealth of Nations*. In many ways it was my inspiration for writing this book. Published in 1778, *The Wealth of Nations* became key to our understanding of how we as a nation could achieve national prosperity. My view is that I am merely tweaking the principles Smith espoused, bringing them up to date for an era in which machines are doing more and more of our work.

LET ME tell you about myself. I have spent years in Wall Street finance and have started several businesses in different industries as an entrepreneur. In the 1990s I developed a model for

conduit financing that was adopted by Wall Street and used to securitize many forms of debt. One firm that I formed structured the financing for President Nelson Mandela's Redevelopment Program, which helped provide affordable housing for some 11,000 families near Soweto. All that work has given me the experience I needed to put a new proposal for our economy together and to know it could work. I have had hundreds of conversations about this idea while writing this book—conversations with thought leaders, CEOs, Wall Street economists, and Americans like you or your friends across the political spectrum. And most see it can work. This is not an abstract mathematical theory made in a void; it comes with a vision for our country that has been with me since childhood.

My formative influences and experiences embedded in me the value system that America needs to be based on: the good of the collective and the conviction that it is possible to achieve this without sacrificing the individual interests of either the rich or the poor. My grandfathers taught me that being in business and doing right by one's fellow man are not mutually exclusive. For me this was a foundational learning that went against the idea that the good of the one and the good of the many must somehow be at odds.

My Grandfather Cordes would meet with newly hired employees to help them create a budget. He loved his employees and his customers. His unwavering goal was to provide the best for everyone.

My Grandfather Smith was the CEO of a public utility. He took pride in the fact that he never raised prices during his decades at the helm. He

delighted in climbing power poles to help out when there was a power outage, startling more than one lineman when they recognized that the CEO was working right alongside them.

Grandfather took over the company at the end of a long battle with regulators, which resulted in the company having to return money to its customers. His first act as CEO was to set up tables in the city park and invite customers to receive an immediate refund. "Give them their money with a *smile*," he insisted. "This is our opportunity to mend our relationship with our customers!" He was using his power to do the right and fair thing, and what's more, he did it with genuine pleasure.

The attitude my grandfathers had toward business guided me in formulating my solutions for the current economy. Economic solutions that work should be about providing for everyone. They must be about caring for our fellow man.

The training from my family in a very American setting complimented another early experience that developed my interest in global economics in the most rudimentary way. As a child, thanks to my father's work, I had the rare opportunity to travel around the world in an Airstream caravan. During that 14-month trip, during which we visited places as diverse as Malaysia, Russia, India, and Iran, I was struck by the vast differences in lifestyles between people living the countries we visited. I became fascinated by economics and the value of money, often asking questions like: "Why are some people poor and others rich? Why do some countries have cars while others use elephants to get around? What is this mysterious thing called money, and why does it matter so much?" These are basic questions many of us ask ourselves as we are

growing up and situating ourselves in the world; there are real and important answers to all these questions.

At that point, I didn't really know much about the economy and found that like many Americans my first conception of the term came from a purely material perspective. The economy I knew was comprised of the house we lived in, the groceries we bought, and the shoes we wore. It was an economy based on real and tangible *stuff*. Later, as I learned about our financial system with its derivatives, synthetic securities, and high-speed trades, it dawned on me that there are in fact two economies around us—one tangible and the other synthetic. This book will make the difference between those economies quite clear, which will lead to my solutions for our current financial traumas.

THE TITLE of this book came about because, as I discussed it with various and very different people, the passion I feel for it (and for serving society in general) was likened to a one of Chaucer's Canterbury pilgrims—a man charged with addressing the whole social stratum with an important story that reflects his life's learning.

Don't we all have such a story to share with the world from our own vantage point? Chaucer had a Tale for his Knight, his Merchant, his Man of Law, his Priestess, and his Wife of Bath (among other characters), but there was no Economist's Tale in *The Canterbury Tales*, and nor could there have been. At that time we did not yet fully have the two economies—the material and the monetary. Neither did we suffer the crises that have arisen because of the difference between the

two. *The Economist's Tale* is part parable, part cautionary tale, and part utopian vision.

Rapid advances in technology, despite bringing many benefits, have had a huge impact on the economy. So much so that they have brought the old system to the breaking point. While our monetary economy suffers the skyrocketing debt and chronic deficits we all read about in the newspapers every week, technology has, at the same time, made it possible for us to produce more goods and services more quickly and more cheaply. So there is a disparity between our material, tangible economy and what I have just introduced as the synthetic, monetary economy. What if the ills of our monetary economy are constraining our material economy?

Indeed, understanding the answer to that question, and the dynamics between the two economies, proved to be the key to formulating a substantive policy for improving our wellbeing. That is why whole sections of this book are taken up by explaining this dynamic in accessible terms. In a snapshot, though, the real effect of the proposal you are about to read will look like the following for two, everyday American families:

A COUPLE EARNING \$30K

	<u>Today</u>	<u>Proposed</u>
Salary	\$30,000	\$30,000
Minus Taxes	-\$1,000	-\$54
Basic Income	\$0	\$48,000
Minus Healthcare	-\$4,000	\$0
Earned Income Credit	<u>\$0</u>	<u>\$6,000</u>
Disposable Income	\$25,000	\$83,946

A FAMILY EARNING \$100K

	<u>Today</u>	<u>Proposed</u>
Salary	\$100,000	\$100,000
Taxes Paid	-\$17,434	-\$180
Basic Income	\$0	\$48,000
Cost of Healthcare	-\$12,000	\$0
\$300K Mort Payments	<u>-\$19,323</u>	<u>-\$10,000</u>
Disposable Income	\$51,243	\$137,820

So many people have looked at these spreadsheets with disbelief. "What's the trick?" they ask. "How is it possible? Why hasn't it happened already?" That is why I hope you'll read on. This is not an intellectual daydream; it is an idea I have presented not just to players on Wall Street, but also to rooms of everyday people in different states, some who voted Republican, some who voted Democrat. What they grasped is that many of our economic problems are artificial and could be easily solved and the proposal in this book could transform the world we live in, for the good of us all, without slighting either side of the political spectrum.