INSTEAD OF SOVEREIGN DEBT

In 2007 the US Federal Reserve published an essay marking the death of Milton Friedman. It summed-up in a sentence Friedman's ground-breaking idea for curbing inflation . . .

"The only cure for inflation is to reduce the rate at which total spending grows." Friedman was awarded the Nobel prize in 1976 despite his idea being untested. Three decades and three recessions later, George Soros commented . . .

"Mainstream economics is fundamentally flawed and we are all doomed."

The fundamental flaw in economics is easy to understand: to curb inflation central banks raise the Bank Rate. It sends a signal to banks and mortgage providers to raise the interest on millions of home loans and business loans, and deduct more money every month from millions of bank accounts. The money supply and growth in spending are thus reduced . . . by what is *self-evidently* an orchestrated form of theft.

In 1979 this flawed concept for curbing inflation was put to its first real test under Prime Minister Margaret Thatcher. It resulted in massive unemployment and a deep recession. In 1980 an experiment for cost-free pensions was also put to the test in Singapore under Prime Minister Lee Kuan Yew. It was a resounding success, lifting Singapore to First World status as its people, once poor, became wealthier than most. Singapore was transformed by *mandatory* pension-saving, deducted from wages by SAYE (save-as-you-earn) at a *fixed* rate, then paid into the savings accounts of every employee. A new model – named Enigma - takes this proven system but *regulates* the rate of saving to *regulate* the rate of spending. Pension-saving and inflation-control are thus rolled into one. What would have been stolen to stop it being spent is now saved for pensions to stop it being spent. Then, knowing *where* people work, savings can be varied *regionally* to curb inflation *regionally* . . . different rates for different regions.

CONSUMER SPENDING

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REGIONAL RATES OF SAVING

If euro-zone countries curbed inflation by *regional* rates of saving, the ECB could fix the Bank Rate *permanently* at 0%. The late, great economist, John Maynard Keynes, foretold "communal saving through the agency of the state", and also a "0% Bank Rate". . . so he would surely have approved.

But the *real* experiment in Singapore wasn't its mandatory saving. It was the *way* the savings were funded, cost-free to workers but at great cost to employers. Not so with the Enigma where ELEGANT INTELLECT * lifts the disposable income of *working* households in Britain by £800 per month . . . £600 to save by SAYE and £200 to spend at no cost to employers or the state. Higher consumer spending then lifts production and employment until higher inflation arrives, to be stifled by *even* higher rates of saving. This curbs the *effective* money supply - what people *actually* spend – and not a nebulous, ill-defined, hard-to-measure money supply. The Bank of England could then also fix its Bank Rate at 0%, making sterling and UK exports *forever* more competitive.

1 FABULOUS PENSIONS

Forty years of cost-free saving in Britain, as described, with compound interest at 5%, would *guarantee* pension-pots of £1.6 million at 60, with couples guaranteed £800,000 each.

2 FULL EMPLOYMENT

The cost-free savings of Britain's 30 million workers could then be borrowed by jobcentres at 5% to employ jobseekers *directly* at fair wages and guide them into suitable jobs or training, free of charge for 3 years. Call it WORKFARE, paying tax at 20%, 30%, 40% or more. Instead, 40 million workers in Europe and North America are paid *tax-free* WELFARE to do nothing. And 40 million others can only find part-time work. That's a £3 trillion *annual* loss of production due to two compelling ideas colliding. Friedman explained that too much money in circulation is a cause of inflation while Adam Smith explained that insufficient money is a cause of unemployment. To stop these two ideas colliding, the Enigma increases the money-supply where Adam Smith wanted it increased, to increase employment; and reduces it where Friedman wanted it reduced, to reduce inflation.

3 AMAZING GROWTH

At the first hint of a slowdown the rates of *regional* saving can be cut to zero to increase consumer spending, then reversed into refunds to increase it even more. New spending is thus transmitted instantly to the shops, causing the trade cycle to cease as surely as unemployment ends.

SOVEREIGN SURPLUSES

Full employment is now assured and at the existing high rates of tax Budget surpluses *must* follow. The English-speaking nations *together* could then afford £30 trillion over 30 years to overcome all the causes of climate change before it's too late, including population growth.

IT'S THE STUFF OF DREAMS, borrowing £240 billion over three years at 5% from the cost-free savings of Britain's 30 million workers to pay fair wages for three years to every jobseeker and collect instant taxes at up to 40%. For just two-thirds of the £375 billion handed to UK banks by Mervyn King we could create 2.6 million jobs, crush welfare budgets, recruit 400,000 teachers, 100,000 nurses and police, and establish a £300 billion, self-sustaining rise in GDP. The £240 billion invested in wages will end up in the banks, of course, so call it 'quantitative easing *direct'* (QED) where new workers get to use the money *before* it's banked. New spending by all *working* households will then unleash £750 billion of private capital into the productive zones, and the annual interest of £12 billion for jobseekers' wages will be swamped by the £80 billion of extra tax revenue paid into Treasury coffers. Finally, the £300 billion of added GDP (with more to follow) will reveal a supply-side remedy for inflation that Friedman never found. "There's no such thing as a free lunch", he said, but QED will feed 2.6 million workers, cost-free *forever*.

ELEGANT INTELLECT gets cost-free saving started and is only offered to governments *after* a presentation of the above. It was offered to Governor Mervyn King, but he declined. Accordingly, by every future rise in the Bank Rate, he and every MPC rate-setter will become complicit in theft and, by the hand of democracy, they'll pay a heavy price. This is also just the tip of *The Financial Revolution* that's coming, engineered in England from studies spanning 33 years . . . and *every* central bank will succumb to it. Discover more at www.humankind-pensions.org, request a presentation from free@humankind-jobs.org, or call the number below.

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