

NESARA

The National Economic Stabilization and Recovery Act

Imagine
Legislation
That...

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Fair or Equitable?

The world operates according to natural laws and rules. Some laws are immutable from nature and some are arbitrary from humans. In combination, those rules determine the quality of life for everyone.

Simple observation demonstrates that wealthy people live better than poor people and that the poor vastly outnumber the wealthy. Why?

Perhaps the explanation is just talent or luck, but maybe some of those arbitrary rules have more to do with the distribution of wealth than many people imagine.

Certainly many wealthy people have expended a lot of sweat equity to obtain their well-deserved wealth, and a handful of people win lotteries. A person could argue that the wealthy pay most of the taxes and that the free market is fair because its rules are uniform and anybody can, through hard work, become successful. However, that argument avoids mentioning that fair is not the same as equitable.

Consider a 20-year chess master veteran playing a twelve year-old novice. Both play the game according to one set of rules. When the veteran wins in a minimal number of moves, nobody will argue that the rules were unfair. Yet, almost everybody will agree that the competition was one-sided.

In the last decade compensation for management increased by more than 500% while compensation for labor barely exceeded inflation. About 80% of the nation's workforce produces close to 100% of the nation's goods and services but more than 50% of those goods and services are consumed by the wealthiest 5% of the people. Under current rules, that may be fair but definitely is not equitable.

Consider a national lottery. Uniform rules are fair because everyone has the same chance to win but, by the nature of the game, there are few winners. Seems reasonable for a lottery game but somewhat less reasonable as a means to achieve social justice.

Suppose a highly paid manager receives compensation of perhaps \$100 per minute. She derives self-satisfaction by focusing on the \$30 or so per minute she pays in taxes, justifiably claiming that the wealthy pay most of the taxes, but never mentions the \$70 or so per minute she keeps. Meanwhile, the bottom 20% of the work force, many who work just as hard as this manager, would see \$10 to \$12 per hour and a 40 hour work week as a real success story.

Nor can the manager claim hard work and talent as the sole source of her success. True, she probably wouldn't be successful without those elements, but there must be thousands of others who are just as talented and work just as hard without achieving that level of success.

A socialistic solution would provide each talented manager an equal opportunity to manage and reap the rewards of that \$100/minute. Our talented well-paid manager gets her turn once every thousand or so days, obviously not a workable solution. This simple example demonstrates one of the failings of socialism; that is, an equal distribution is not necessarily a practical solution.

The challenge is not that the highly paid manager should be deprived, but that the common laborers are suppressed by arbitrary rules they did not create. Those arbitrary rules often benefit only a few people and create gross inequities in the social order.

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Continuing inequities breed social hate, discontent and class struggles. The problem begs for a solution, something other than the failed strategies of socialism and the Robin Hood approach of governments legally stealing from the wealthy to give to the poor while they concurrently appropriate a portion of the legal plunder to perpetuate their own existence.

The National Economic Stabilization and Recovery Act, NESARA, offers such a solution in the form of proposed legislation for basic revisions to the nation's fiscal and monetary policies.

NESARA replaces the Federal Income Tax, dollar-for-dollar, with a National Sales and Use Tax, a progressive sales tax because most of the necessities of life are excluded from taxation. The proposal also replaces the Federal Reserve System with a new Treasury Reserve System and a new Treasury Reserve Board, returning Congress to its proper role of setting monetary policy standards and returns most of the benefits of ownership of the nation's monetary system to the people.

The net effect of both changes enable that 80% of the nation's workforce which produces almost all of the nation's wealth to keep more of the wealth they produce.

The following articles outline some of the social prospects of adopting NESARA as the nation's new fiscal and monetary policy.

Imagine Legislation That...

Promotes Universal Home Ownership

For secured loans made on a fractional reserve basis, NESARA replaces compounded interest with a simple monetization fee, thus making home ownership much more affordable.

Replacing compound interest with a monetization fee is fair and equitable to all parties because borrowers pay less and lenders still receive a sizable stipend for their efforts. Unlike compound interest, which is calculated on the unpaid balance of a loan, NESARA's monetization fee applies to the repaid principal of the loan, all principal being repaid before any of the monetization fee is due.

For example, under current banking practices and laws, a \$100,000 loan at 7.9% interest repaid over 30 years would cost the borrower a total of \$261,649.95. The interest fee for that loan amounts to \$161,649.95.

With a straightforward monetization fee replacing compound interest, that same 30-year loan costs the borrower \$178,791.49 (includes a monthly service fee of \$25). Under NESARA, the monetization fee for the loan is \$78,791.49.

Furthermore, the monthly payment under the current banking system (excluding taxes and insurance) would be \$726.81, whereas under NESARA that monthly payment would be \$471.64 (excluding monthly service fees).

These numbers demonstrate how the new equations benefit borrowers. However, the new equations also benefit lenders. NESARA requires principal to be repaid before the monetization fee, greatly reducing risk for lenders. With principal repaid first, lenders free their reserves faster, thus providing more

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opportunities to loan money on a fractional reserve basis. Therefore, rather than making one loan every thirty years, lenders can make three loans every thirty years, increasing their profits and, incidentally, provide greater service to their communities by increasing total home ownership. A win-win situation for all.

Replacing compound interest with a straightforward monetization fee provides tremendous stability to the lending business. The buyer gains equity faster and at much lower cost while the lender makes higher profits at much lower risk. Reducing risk provides lenders with more incentive to loan, thus creating more opportunities for borrowers to own their own home.

With NESARA's new bank loan equations, home ownership suddenly becomes more affordable to all, encouraging universal home ownership.

NESARA also changes the rules for home sales. Under NESARA, all current taxes on income are replaced with a national retail sales tax.

After NESARA becomes law, a sales tax on real estate sales will be due only if the cost basis for the property increases. During the transition, the sales tax basis of all real estate will be the previous purchase price of the property.

For example, the sales tax basis for a new \$100,000 home will be \$100,000. At 14%, the sales tax would be \$14,000. If that same \$100,000 home later sells again for \$150,000, the subsequent sales tax basis would be \$50,000 and at 14% the sales tax would be \$7,000.

If an existing home was purchased years ago for \$110,000 and now sells for \$120,000, the sales tax would be 14% of \$10,000, or \$1,400. If the home sold for \$110,000, no sales tax would be due. Under these rules, the new sales tax on consumption discourages the runaway effects of continually rising property prices, makes existing homes much more desirable, and slows the mad dash to abandon existing property.

What about inflation? NESARA is designed to end currency inflation. However, there will be an initial surge of home sales during the transition period while NESARA moves from bill to law. This action will superficially raise home prices simply because of supply and demand as people hurry to avoid the new sales tax.

After NESARA becomes law, existing homes probably will sell for a little more than actual value, simply because the sales tax bite will be less on them than that for a new home of equal value. Initially this will encourage sales of existing homes over new homes and sellers will take advantage by increasing their prices. Buyers also will be willing to pay the slightly inflated prices in order to avoid the larger sales tax bite on new homes of the same relative value.

In the end, however, once the effects of currency inflation are eliminated, real estate prices will shake out and settle down. Instead of appraisers having to always compensate for currency inflation, appraisals will reflect actual "replacement" value. Real estate appraisals suddenly have real meaning, particularly on multi-million dollar commercial or industrial property.

As a bonus, because real estate prices finally stabilize, property owners can finally say good-bye to the effects of property taxes rising due to acquisition values and currency inflation. With price stabilization,

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the local costs of continual appraisals also drops, reducing overhead at the local government level, thus further reducing property taxes.

Encouraging universal home ownership means NESARA discourages renting. As home prices fall and stabilize, landlords will be forced to respond to market pressures and lower rental fees. However, as home ownership becomes less expensive than renting, tenants will leave the lease behind in favor of ownership.

For example, suppose you rent an apartment for \$625/month. After ten years you have paid \$75,000 with “nothing” to show for those payments. Let’s say another landlord down the street converts apartments to condos and sells each condo for \$75,000. Under NESARA, with a 15-year payment schedule at 4.9%, the total cost will be \$100,935.88 (including the monthly service fee of \$25) with monthly payments of \$560.75. You save more than \$64 per month and build equity at the same time. You could spend that \$64 outfitting your new home. Of course, you also could apply that \$64 toward your loan, reducing your total cost of the loan.

Let’s say after ten years you decide to sell the condo for \$75,000. No sales tax is due and you’ve paid the lender almost all of the original principal. You roll over the original loan (you still owe some principal plus the monetization fee, a total of \$26,460.61) and buy a nice \$125,000 ranch home in the suburbs, using the \$75,000 received from the sale of your condo as down payment and borrowing additional principal of \$50,000. If the seller of the ranch home originally paid \$125,000, no sales tax is due. At 4.9% and a new 15-year payment schedule on the \$76,460.61 loan, your payments will be \$571.19. You are still paying less than your original monthly rent and have quite a bit of equity too!

By the way, why the low monetization fee (interest rate) in this example? NESARA imposes an excise tax of 10% on monetization fees between 5% and 12%, and an excise tax of 20% on fees higher than 12%. This is a fair tax because banks do not really loan money—they have been granted a special government license to create money, that is, to monetize debt. As such, banks perform a public service and the excise tax promotes that purpose. Therefore, NESARA greatly encourages home ownership merely by promoting lower monetization fees!

With many people owning homes instead of renting, what will smart apartment building owners do? They cannot reduce rent by an absurd amount. They can convert the building into condos and sell at a profit further encouraging home ownership throughout the land. Everyone wins!

Terminates or Drastically Reduces Existing Mortgage Debt

The proposed *National Economic Stabilization and Recovery Act*, known as NESARA, is based on a new theory of money, its fundamental tenet being that all currencies are symbols of debt, including gold and silver coin with substantial intrinsic value. Explicitly identifying the characteristics of currency clarified the process of its creation and helped refine its purpose.

Using this information, NESARA amends the Federal Reserve Act of 1913 (as amended) to modify the nation’s monetary system. The effects of these modifications are dramatic:

1. The national economy is stabilized through the use of new control mechanisms.

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2. Several revisions to current commercial bank lending rules and regulations eliminate massive amounts of public and private debt.
3. Under NESARA, for secured loans made by banks operating on a fractional reserve basis, compound interest is eliminated, being replaced by a monetization fee. These banks must credit all loan repayments in excess of their regulated service charges to the principal loan amount, collecting the entire principal before they can collect their monetization fee.

Because the new rules apply to all existing secured loans made by banks operating on a fractional reserve basis, outstanding balances must be recalculated. In every case, the outstanding balance will be reduced and in some cases totally eliminated.

Example: The recalculated outstanding balance will be zero for someone who has made 17 years of payments against a 30 year home mortgage loan at 8.5% interest. The bank will return the mortgage marked *paid in full* to the borrower saving 13 years of loan payments. For compensation on this one-time recalculation, banks will receive retroactive service fees calculated from the origination date.

Provides New Banking Rules That Are Equitable To All

Using today's accounting methods for bank-issued mortgages, the typical cost factor for a 30-year note at 7.5 % is approximately 2.5. That means borrowers pay approximately 2.5 times the principal they borrowed.

Under NESARA, at the same monthly payment rate, that cost factor changes to approximately 1.5, meaning borrowers pay back approximately one half ($\frac{1}{2}$) times the principal they borrowed.

In other words, after NESARA becomes law, banks make only about one-third ($\frac{1}{3}$) of the profit on one 30-year note as they would have made before NESARA changed the rules. Makes great news for borrowers but, at first glance, this observation seems to argue that banks have no incentive to support NESARA.

However, observe that under NESARA, at the same monthly payment rate with principal being repaid before the monetization fee, the time required to repay the loan is much shorter. In other words, bankers can provide more loans under NESARA's Section 7F provisions than they can now under current methods. Banks earn less profit per loan but can recover that difference in a higher volume of loans for the same period. The real benefit to all parties is that those profits are obtained through more transactions with each transaction facing much less risk.

Under NESARA, fractional reserve banks see principal on secured loans repaid before they start collecting their monetization fee. This change in bank lending practice will do several things for the banks:

1. Borrowers build equity much faster so they remain highly motivated to repay the loan in full.
2. Because loan repayment times are shorter and the overall debt burden reduced, banks need not always foreclose poorly performing loans but will be more willing to work with borrowers during difficult times.

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3. If a bank must foreclose on a bad secured loan, the borrower's higher equity makes the process less painful for both parties.
4. By collecting principal first, bankers free their reserves much faster. This early increase in reserves, coupled with much safer secured loans, will encourage bankers to commit more reserves to make more loans.
5. Under NESARA, banks become fiduciary public service institutions, highly unlikely to ever fail in the absence of fraud or other criminal activity, therefore FDIC insurance is no longer needed. This reduces bank operating costs and, simultaneously, releases several billion dollars which could be applied to worthy public works projects or refunded to taxpayers.
6. Because borrowers build equity faster on their current loans, they can provide banks with much better collateral when applying for future loans.

Under current rules banks make their profits early in the life of a loan and recover their reserves later. Currency inflation works to their advantage. Their profits are worth more to them today than they will be next year and the book value of their loan collateral will be worth more to them next year than it is today. Now consider what happens when NESARA reverses that process. Banks collect a monthly service fee for bookkeeping early in the life of a loan but their profits come years later. Inflation now works against them. They will be very unhappy receiving their profits in depreciated dollars and will undoubtedly lobby Congress and the new Treasury Reserve Board to maintain the purchasing power of the currency. Of course, the happy coincidence is that eliminating inflation is the moral thing to do and, after NESARA becomes law, that coincidence will also be in the best interest of the nation's financial institutions. Everybody wins again!

Eliminates Federal Income Taxes

The proposed *National Economic Stabilization and Recovery Act*, known as NESARA, amends the Internal Revenue Code of 1939 (as amended), to eliminate all federal taxes based on income: personal, corporate, gift and capital gains.

Under this new plan, volumes of complex tax code are replaced with a few pages of simple rules creating a national sales and use tax on specified retail sales and changing the Internal Revenue Service, IRS, into the National Tax Service, NTS, to administer the new revenue system.

Exemptions from the federal sales tax for the necessities of life make the tax a progressive tax, a characteristic often claimed for the federal income tax, but which, in reality, never existed.

NESARA's major goals are stated simply:

1. To increase the efficiency of the federal revenue collection system through the elimination of billions of hours of nonproductive labor.
2. To shift the largely hidden (regressive) tax burden on production to very visible taxes on consumption, revealing to the people the true cost of government.

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3. To eliminate constant Congressional temptation to tinker with income tax legislation for social manipulation and to maintain and enhance federal political power.

Enables Single Parents to Support Their Families

Many single parents find themselves strapped financially. Many live paycheck to paycheck, with little or no expectation of ever getting ahead. Such subsistence is not enjoying the fruits of one's labor, but simply existing. *The National Economic Stabilization and Recovery Act*, NESARA, changes this picture.

NESARA alters America's fiscal policy by replacing the income tax with a national sales tax.

Under the current income tax system, many low-income single parents pay little or no income tax, so why should single parents be interested in replacing the income tax with a national sales tax? Simply because NESARA is designed to eliminate the *hidden* costs of the income tax and to double the standard of living for everyone within one generation.

At a minimum wage of \$5.15/hour, a single parent wage earner provides for their family an annual income of \$10,712, ($\$5.15/\text{hour} \times 40 \text{ hours/week} \times 52 \text{ weeks/year} = \$10,712$).

According to the March 1999 Current Population Survey by the U.S. Census Bureau, this annual salary places the family below the poverty level, providing \$3,168 less than the \$13,880 Poverty Guideline set by the U.S. Department of Health and Human Services for 1999.

The family members squeeze by each year, subsisting day-to-day. For them real middle-class status is beyond a distant dream.

With standard deductions and standard child care credit, this family pays no federal income tax.

Suppose Congress replaces the income tax with a 14% national sales and use tax; but exempts the necessities of life such as groceries, rents or leases of real estate, insurance, and medical items and services. Unlike other families earning a higher income, abolishing the federal income tax adds nothing to this family's monthly income immediately.

Of course, this family will be immediately affected by the new federal retail sales and use tax. If 90% of the family's income is spent on necessities—nontaxable items, a reasonable figure for a poor family, the annual taxes actually paid becomes 14% of the remainder, or \$149.97 ($\$10,712 \times 10\% \times 14\%$).

At first glance, this appears to be an annual net loss for this family of \$149.97, making a national sales tax a bad choice. But what about those hidden embedded income taxes and the cost of collection?

When spending money for necessities the family pays directly for the goods and services received, and pays indirectly all of the embedded costs of the income tax. The hidden embedded cost of the income tax affects all purchases. Assuming the national sales tax system is a mere 2.5% more efficient than the current income tax system (a conservative estimate), this family will avoid an additional \$267.80 of hidden embedded taxes ($2.5\% \times \$10,712$), providing an annual net savings of \$117.83 per year. ($\267.80 minus $\$149.97$)

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As does every family and person, people near or below the poverty line, about 14% of the nation, daily pay income taxes and their associated collection costs hidden in the price of necessities. Eliminating these hidden embedded costs effectively increases everyone's standard of living by at least 2.5%.

Furthermore, replacing the current income tax with a 14% national sales and use tax provides an approximate 5% rise in true purchasing power for every additional twenty-five cents per hour earned by workers.

With two children and child care costs of \$5,000 per year a single parent wage earner starts paying a federal income tax with an hourly wage of \$10.58/hour. At that wage the single parent would pay an income tax of only \$6.96. At the same wage the single parent would directly pay \$308.09 annually if a 14% sales tax was imposed. However, because of the improved efficiency of the new sales tax system, and the elimination of hidden embedded income taxes, this family would see a net annual gain of \$1,353.03!

The hidden effects of the income tax cannot be ignored. Therefore, in addition to a true rise in purchasing power caused by the higher wage, a 2.5% increase in the efficiency of the tax system increases purchasing power by that same percentage on the total money earned.

Regardless of the wage earned, converting to a national sales tax causes an immediate and significant increase in everyone's purchasing power.

Restores Financial Privacy

The current income tax invades and violates America's privacy like no other legislation. Any person with access can learn anything and everything about you. The entire income tax system is nothing but a large roll of toilet paper stuck to the bottom of your shoe. The ultimate paper trail.

How much money did you earn? How many children do you have? What do you do for a living? For whom do you work? How much did you earn in interest and dividends? How many bank accounts do you have? What stocks do you own? Were you employed for the entire year? Were you injured for part of the year? Who provides your health insurance? Are you married? Single? Divorced? Widowed? Are you blind? A veteran? Do both parents work?

Parents cannot obtain deductions for newborns without receiving a government number. That child is marked and tracked for the remainder of his or her life, in effect, branded as chattel property of a supposedly benevolent government.

Laws require every penny that can possibly be traced be recorded for the purposes of monitoring a person's income stream.

Americans cannot even die in peace because the IRS waits at the door like the grim reaper to collect its alleged due.

The Constitution protects each citizen's right to arbitrary searches and seizures. Yet, the entire income tax system permeates the lives of Americans like a virus from a horror film.

Enough!!!

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The destruction of privacy is the destruction of freedom.

The National Economic Stabilization and Recovery Act, NESARA, changes this picture.

NESARA alters America's fiscal policy, replacing the income tax with a national sales and use tax.

The tax is paid at the cash register just like many state sales taxes. Other than the sales receipt, there is no paper trail. America's privacy is restored.

Restores Inner Cities as Vital Economic Areas

Shifting from a policy of taxing production to taxing consumption immediately makes the use of existing resources more efficient. By taxing what is consumed, people become inclined to slow their consumption rate and begin to treasure the old rather than the new.

Under NESARA, all real estate sales are subject to a new national sales and use tax. The basis for existing property will be the last sale price, for new structures the basis will be zero. Therefore, new real estate developments suddenly become more expensive, older properties more valuable. This action inevitably slows the mad dash to abandon existing property.

At 14%, a new \$200,000 suburban home carries a \$28,000 national sales tax burden. Many people could achieve the same increase in standard of living, spend less money and avoid most of these taxes by playing "This Old House" with an older property.

With the new banking equations NESARA provides, the cost of borrowing money to purchase older homes drops dramatically.

With no income taxes, consumers retain more disposable income, and combined with a hope to be debt free and own a home, older properties with a lower cost become more attractive.

The net effect revitalizes inner cities and older neighborhoods at little or no cost to the government. In fact, federal, state and local governments all collect revenue from these activities while avoiding the expense of supporting new expansion projects. Instead of local governments having to provide "brownfield" legislation, citizens do the rebuilding.

Taxpayers win by purchasing less expensive older properties, avoiding some sales tax, and pay lower property taxes because of more efficient use of the existing infrastructure.

Revitalizing the inner city, at little or no expense to taxpayers, channels more private investment funds back to the older properties.

Businesses too will be once again attracted to the inner city as property values stabilize and business expansion becomes less expensive using older property. Relocating businesses to the inner city creates complete neighborhoods. As businesses spend less on their own infrastructure, and production costs decrease by eliminating the costs of the income tax, the door is opened for businesses to begin offering higher wages. Higher wages motivate people to stay located in the neighborhood.

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As the inner city revitalizes, those areas once again become communities, where people take pride in their neighborhood. Restoring pride reduces stress. Building a community around both homeowners and business reduces transportation and commuting costs, thus reducing pollution.

Improves the Balance of Trade

NESARA will immediately reduce approximately one sixth of the on-book national debt and will immediately reduce some private debt as well, although how much is unknown. This sudden influx of cash and newly available credit from private debt reduction will provide a tremendous increase in disposable income and undoubtedly will create competition among manufacturers and retailers for that disposable income.

NESARA eliminates the corporate income tax which will lower domestic production costs. American manufacturers will be able to reduce prices, thus making American products more competitive, both domestically and abroad. Furthermore, eliminating the hidden, embedded costs of the income tax will have a compounding effect because those costs are no longer passed down the line from manufacturer to manufacturer to wholesaler to retailer to consumer. Some estimates by experts state that the hidden, embedded costs of income taxes raise prices by about 30%.

NESARA replaces the income tax with a national sales and use tax, and that sales tax will affect both American exports and foreign imports. However, removing the hidden, embedded effects of income taxes, improves the American economic system's efficiency. A mere 2.5% increase in the efficiency of the American economic system will create a minimum offsetting 2.5% price advantage in American exports. Like the compounding effect of the hidden, embedded costs of income taxes, the improved efficiency will compound itself throughout the system. This improved efficiency will mean lower prices for domestic production. Because imports will be subject to the same new sales tax as domestic products and domestic production costs are lower, domestic products become more competitive against foreign products. That is good for the consumer, and good for American competition against foreign products.

Exports will not be subject to the new sales tax because those sales take place outside the country. Because efficiency is improved in domestic production, reducing the price of exports should increase volume. How much is uncertain as there are too many variables, but an increased volume of export sales brings more profits home.

Manufacturers who previously moved business out of the country because of oppressive income tax laws will probably consider returning those business home, moves which will create new jobs. Although taxable retail products, both foreign and domestic, will be subject to price increases due to the new sales tax, foreign products will become proportionately more expensive because of improved domestic production efficiency, thus making American products more attractive to consumers.

Restores High-Paying Productive Jobs

In traditional manufacturing industries, economists have long recognized a direct relationship between business capital investment and wages. That is, more capital investment per worker increases worker productivity and drives labor rates higher.

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American industry, searching for higher profits through lower costs, shifted domestic investment and production to foreign lands where labor costs are much lower. This shift created a double jinx on formerly high-paying secure jobs in our once relatively stable industrial environment. That is, America suffers from less local investment coupled with more local unemployment and local workers shifting to lower paying jobs.

NESARA counters these effects in several ways:

1. NESARA stimulates the national economy through debt reduction. This reduction of debt creates more disposable income and immediately increases the consumption of consumer goods which provides additional incentive for their production.
2. Reduces the debt burden for previous domestic capital investment and lowers the cost for future domestic capital investment, thus stimulating expansion of domestic production facilities.
3. The hidden embedded domestic production costs of an inefficient income tax system are eliminated, lowering the cost of domestic items. Nationally, the revenue is replaced dollar for dollar by a national sales tax. The combined effects of lower domestic production costs and the additional cost of a sales tax on imported items eliminates much of the free ride previously enjoyed by imported items, thus encouraging domestic production instead of foreign.

Even though the exact magnitude of these projected outcomes are unpredictable, all proposed changes in NESARA are focused in the right direction to restore high-paying jobs, a statement typically untenable with many of the bills passed by Congress.

Increases Benefits to Senior Citizens

Does the following statement sound familiar?

“The Social Security Administration (SSA) estimates that in 30 years it will only collect enough in taxes to pay about 75 percent of the benefits it will be liable to pay.”

Scary, don't you think?

Does this mean that YOU will be receiving LESS than what Congress led you to believe? Will you have to continue working for a roof over your head or just to have something to eat? And what about your medical costs, which are certain to increase?

Review that Social Security Administration statement again—closely. The SSA is talking about a potential problem 30 years from now! If you are just over-the-hill at thirty-something, collecting future benefits you are paying dearly for today might be of concern to you. But if you are sixty-something or seventy-something and trying to survive on meager Social Security benefits, you are much more likely to be concerned about next week than 30 years from now!

What then do you suppose all the media fuss is about? Perhaps the politicians are crying “WOLF!” attempting to frighten Seniors to gain personal political advantage or to drum up support for some pet project such as “privatizing” Social Security for Wall Street's benefit.

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Well, if the politicians are looking for a project to support, a good one is available. A proposed bill, *The National Economic Stabilization and Recovery Act*, called NESARA, promises to double the average standard of living for all Americans, including all Seniors, in only 20 years, 10 years before the projected potential problem.

The argument is not who should receive what or when. These types of arguments clearly create “class wars.” Such fighting among the people is unnecessary. Whether you are a person receiving benefits now or thirty years from now should not be the issue.

After NESARA passes, those who do not expect to draw benefits for another thirty years will have the resources to immediately help themselves and, at the same time, America gains the resources to increase benefits for those Seniors who need help now.

One thing is for sure—the politicians will not be talking about providing only 75% of what was promised and paid for in advance!

Doubles the Average Standard of Living

By reforming monetary policy, NESARA solves a root problem that has plagued civilizations for centuries. Many wars and revolutions are and have been fought over economic inequality caused by unjust wealth distribution. Providing a sound money system that eliminates inflation, increases productive capacity, and reduces or eliminates existing and future debt is vital to any solution.

By providing fiscal policy reform, NESARA moves the nation from taxing production to taxing consumption. Anyone familiar with the Federalist Papers might recall that the Founders believed the best national tax policy was one of taxing consumption, not production. As a nation’s production grows, so does the nation’s consumption (Supply = Demand). However, by taxing consumption, consumers decide when to be taxed. Conversely, the current tax system greatly punishes production through compounded taxation and therefore greatly burdens consumption.

Concurrently with these two actions NESARA changes some banking system rules. Compound interest on secured loans made on a fractional reserve basis is replaced with a straightforward monetization fee. Instead of borrowers paying a bank the equivalent of two and a half houses to buy themselves a home, borrowers will pay back only one and half houses. Bankers will appreciate the new equations too because all of the loan principal is repaid first. That makes lending inherently safer, frees bank reserves faster, and allows banks to make loans more often. Essentially bankers make the same or more profit, but through more customers in the same period of time. More importantly, those bank customers watch their debt obligations disappear much faster, and at lower cost.

NESARA also requires all current secured loans made on a fractional reserve basis to be immediately converted to the new equations, retroactive to the origination date. That reduces the total number of monthly repayments remaining to retire the mortgage and, in some cases, that number will go to zero indicating that the mortgage has already been paid in full. As additional disposable income becomes available, people can save more or buy more. People get to choose!

NESARA immediately cancels an approximate one trillion dollars of national (public) debt. This is an estimate, but a reasonable one. The interest due to the Fed will be cancelled as the Fed is converted to the

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new Treasury Reserve System. Furthermore, banks will no longer be allowed to use commercial paper as reserves and must swap any U.S. government paper they hold as reserves for the new Treasury credit-notes. This effectively cancels all of that government debt. Because those new credit-notes are used as reserves, they are effectively removed from circulation. There will be no currency inflation due to this swap.

NESARA places restrictions on Congress's spending habits. Congress has constitutional authority to borrow, and borrow they will by authorizing the U.S. Treasury to issue and sell government commercial paper. But NESARA effectively limits that borrowing to currency already in circulation. The new Treasury Reserve System Board of Governors will not be obligated to buy any of that debt. By law, it only buys U.S. debt when necessary to regulate the exchange value of the new Treasury credit-notes and it can't hold that debt for resale as the current Fed can. All U.S. government debt purchased by the new Treasury Reserve System Board of Governors must be immediately transferred to the U.S. Treasury and cancelled out of existence. Therefore, the only way Congress can borrow is the old fashioned way, just like you and I borrow. By forcing Congress to live by the same essential rules you and I live by, the American people can say good-bye to pork barrel legislation. A new consumer price index, which measures the exchange value of the currency, acts as a watchdog for Congressional misbehavior. Congress will finally have to live within its budget! This will have an enormous quashing effect on special interest groups. Say good-bye to the social welfare state.

By eliminating a massive amount of public debt, a massive amount of private debt and maintaining the currency's purchasing power, NESARA will double the standard of living for every American within one generation.

Consider the following simple math exercise. Under the current system productivity increases an average of about 2.5% per year. Projecting just another 2.5% increase annually brings the increase to 5%, that is, double current averages. Multiply that figure by 20 years and you have a 100% increase within one generation. There isn't a single knowledgeable, reputable subject matter expert who claims that current fiscal and monetary policy cannot be improved. Surely, with a much better system, not to mention more constitutional, America can increase its annual productivity a mere 2.5%! That is the basis of the claim that NESARA will create an economic boom of Biblical proportions as NESARA will generate annual increases beyond 2.5%.

Eliminates Bank Failures

In the 1930s, regulatory policies encouraged savings and loan institutions (S&Ls), traditionally funded with short-term deposits, to make long-term fixed-rate mortgages to facilitate home ownership. In line with this policy, state laws imposed interest-rate ceilings on mortgages and federal law banned adjustable-rate mortgages.

This made excellent public policy until interest rates spiked in the 1980s and S&Ls lost so much money that many institutions failed. The initial legislative and regulatory response to the impending crisis? Wait and hope: Capital standards, the amount of cash the S&Ls were required to have, were reduced and insolvent institutions continued to operate.

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As the situation got worse, new legislation appeared. The Depository Institutions Deregulation and Monetary Control Act of 1980 (DIDMCA) and the Garn-St. Germain Act of 1982 granted expanded investment powers in hopes of recovery.

Imagine yourself as the manager of one of these troubled institutions: Profitability is declining or already negative. Regulation, such as it is, is lax. With the new legislation, you have the power to raise more funds by promising additional yield to all of your depositors who are protected by flat-rate deposit insurance and you are suddenly able to legally invest in previously forbidden high-risk schemes which might produce higher returns. What are you likely to do? Forget caution; you take the risk and possibly survive.

Because of continuing bailouts, by the mid-1980s the Federal Savings and Loan Insurance Corporation (FSLIC) was broke while failures continued. Regulators, attempting to protect their reputations and jobs, hid the problems from the public. Needing a solution without money, they arranged mergers between failed institutions and solvent ones, routinely offering non-cash incentives such as yield guarantees, promises difficult if not impossible to keep.

By the time the dust settled, direct cost to the taxpayers for the bailout was somewhere between \$150-\$200 billion. Add the cost of insurance premiums, always paid by somebody, and those numbers really move up.

General economic instability and downright mismanagement hit the S&Ls hard. Meanwhile, the commercial banks, operating in the same environment, faced severe challenges of their own.

Deregulating deposit pricing, the return offered for making the deposit, and expanding permissible investment activities for the S&Ls increased the level of competition at commercial banks. Money Market Mutual Funds, paying higher interest rates, siphoned off large volumes of their deposits. At the same time, commercial banks lost many of their major corporate clients, as the market then allowed obtaining short-term financing with commercial paper instead of bank loans.

Other traditional commercial banking products fell under an attack of financial innovation and specialization. Their home mortgage business slowly drifted away and their letters of credit and forward contracts were replaced by exchange-traded derivatives.

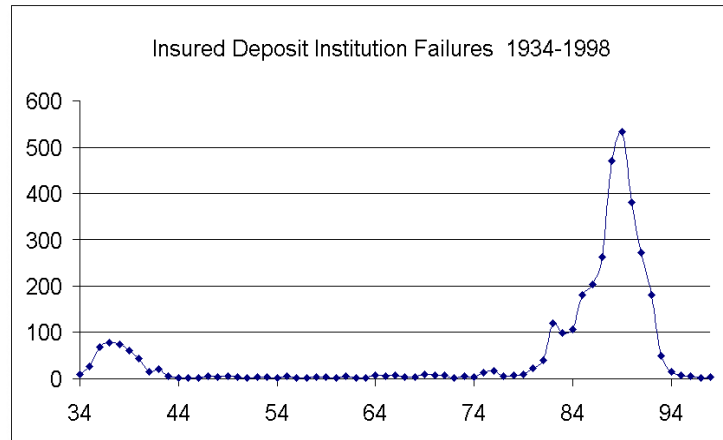
This was a long way from earlier and better times. The Federal Deposit Insurance Act of 1950 used a rebate system to cut the assessment rate on insured deposits from 8.7 cents per \$100 to 3.7 cents per \$100. FDIC insurance reserves were invested in Treasury securities and in 1961, for the first time, investment income exceeded assessment income. Insurance coverage was increased by the 1950 Act from \$5k to \$10k. (It increased to \$15,000 in 1966, to \$20,000 in 1969, to \$40,000 in 1974 and to \$100,000 with the DIDMCA.) The 1950 Act also provided for direct "open-bank assistance" to a failing insured bank whenever, in the opinion of the Board of Directors of the FDIC, its continued operation was essential in maintaining adequate banking services to the community.

This last provision of the 1950 Act likely contributed to another shift in the regulators' attitude which added to the scope of the problem. The Too Big To Fail (TBTF) Doctrine, based on the premise that the failure of a large institution could, through a domino effect, start banking runs that might bring down the whole monetary system, was implemented twice: First Pennsylvania Bank, with \$8 billion in assets, in 1980 and Continental Illinois National Bank, with \$45 billion in assets, in 1984.

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Total failures of insured deposit institutions hit a peak of 534 in 1989.



Note: Data for S&Ls prior to 1980 not shown.

Meanwhile, Congress did not just sit on its hands. In 1989 it enacted the Financial Institution Reform, Recovery, and Enforcement Act (FIRREA), with many of its provisions pointed at the FDIC. The former Federal Deposit Insurance Fund was renamed the Bank Insurance Fund (BIF). A new Savings Association Insurance Fund (SAIF) replaced the defunct Federal Savings and Loan Insurance Fund under FDIC management. And the FSLIC Resolution Fund of the Resolution Trust Corporation (RTC) created by FIRREA to resolve failed and failing savings associations problems and to manage savings association receiverships, was placed under FDIC management.

With the Federal Deposit Insurance Corporation Improvement Act (FDICIA), enacted in December of 1991, Congress addressed FDIC procedures and practices. The flat rate for deposit insurance, set by statute, became a risk based assessment system with each bank's assessment reflective of the risks it posed to its insurance fund. Five capital zones, ranging from well-capitalized to critically undercapitalized, were established along with increasingly harsh restrictions and mandatory prompt corrective action by regulators who now had authority to close a failing insured bank.

In situations threatening systemic risk, that To Big To Fail Doctrine, FDICIA requires the FDIC Board, the Board of Governors of the Federal Reserve System, and the Secretary of the Treasury, in consultation with the President, to agree that the closure of the insured institution would have a serious effect on economic conditions or financial stability. To cover insurance losses, FDIC may borrow up to \$30 billion from the Treasury, money to be repaid through deposit insurance assessments.

The banking industry struggled through the 1990–91 recession with lingering losses on commercial real estate, loan demand down, and the Bank Insurance Fund insolvent by \$7 billion. Thanks to legislative action and taxpayer bailout, the industry recovered, but only at enormous cost.

Following the 1990–91 recession, the U.S. economy began a major expansion. Interest rates plummeted, the average yield on three-month Treasury bills fell and remained near 3% throughout 1993. The number of unprofitable banks decreased from one out of 9 in 1991 to less than one in 20 by 1997. Southwest Bank of Jennings, Louisiana, failed on November 21, the only bank to fail that year.

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By developing new products and services (ATMs, derivatives, etc.) less affected by interest rate swings, commercial banks became less reliant on net interest income. Consolidation reduced their numbers by more than 3,000. Bank holding companies, responding to the Riegel-Neal Interstate Banking and Branching Efficiency Act of 1994, combined their bank subsidiaries. The Act also enabled interstate combinations between unaffiliated banks. Some of the nation's largest banks merged.

Record profits in the banking industry wetted appetites for financial deregulation and the elimination of what many perceived to be obsolete Depression-era laws. The 1933 Glass-Steagall Act (P.L. 48-162, Sections 20 and 32) prohibited banks and securities firms that dealt in ineligible securities from owning or controlling each other. Banks could not own securities firms or underwrite or sell most stocks and bonds. Insurance companies could not own banks or take deposits. Each type of institution had its own regulatory agency jealously guarding its authority.

During the past 20 years, technological advances and innovative managers, using seemingly minor loopholes in the law and technological advances, bypassed long established divisions of authority. Commercial banks increased their securities activities up to the legal limits. Securities companies bought or established new companies, known as non-bank banks, offering credit cards and other banking products. As distinctions between their products blurred, Congress moved toward deregulation of financial services culminating in the Gramm-Leach-Bliley Act of November 1999.

The G-L-B Act repealed the affiliation prohibitions of the Glass-Steagall Act, eliminating restrictions applicable to many banks, securities firms and insurance companies, and amended the Bank Holding Company Act of 1956 to permit cross-ownership and control among bank holding companies.

Qualified Financial Holding Companies (FHCs) may now engage in a broad range of financial activities such as: dealing in securities; dealing in insurance in any state; lending, exchanging, transferring, investing for others or safeguarding money or securities; and acting as a financial or investment advisor. In addition FHCs may engage in related activities including making "merchant banking" investments. This allows an FHC to own a company engaged in activities not otherwise permissible for an FHC.

If nothing else, the G-L-B Act is written in politically correct language with appropriate public safeguards. Its supporters claim that allowing one company to meet all of its customers' financial needs will save \$15 billion a year in fees due to greater competition and efficiency. That may be true, but it could just as easily be false.

The effect of the G-L-B Act is to put a lot of eggs in a few very large baskets. It makes sweeping changes in magnitude but none of these changes are fundamental. They all follow established Congressional policies of improving banking regulations, earlier and better detection of problem banks and more efficient resolution of bank failures. Without a doubt, this is a safer system but humans remain in charge. Bank failures as the result of human error, even catastrophic failures, remain possible.

NESARA takes a different approach, calling for fundamental changes in monetary and banking policy, changes that make bank failures virtually impossible. NESARA reorganizes banks as public service utilities, as fiduciary institutions, giving them responsibility for handling other peoples' money but never allowing them to put that money at risk.

Under NESARA, banks acquire a market segment, namely the making of secured loans by monetizing their clients' debts, with such a tremendous competitive edge that no other type of financial institution

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could compete. As regulated public utilities, commercial banks earn a steady, though not exceptional, profit for their owners at almost no risk. Bank size becomes less important. Small, local banks can effectively serve their communities as well as the larger national banks.

Recognizing commercial banks as public service utilities settles once and for all who actually owns the nation's supply of currency and who receives the benefits of that ownership — We, the American people.

Provides 500 Billion Dollars for Infrastructure Projects

NESARA creates a new national monetary system, within the limits established by the Constitution, consisting of three types of currency: silver coin, gold coin and treasury credit-notes.

New banking regulations, specifying how accounts in each of the currencies are to be handled, opens the door for some creative infrastructure project financing at the local level.

Suppose Congress instructs the Treasury to sell small-denomination, nontransferable interest-bearing gold and silver savings bonds to U.S. citizens through their bank specie accounts. These bonds are redeemable in 5 to 20 years, interest paid annually, calculated in specie but paid in treasury credit-notes at the current exchange-ratio. Americans could exchange their paper currency for lawful money, deposit the coin in a specie bank account, then convert those funds to interest-bearing gold or silver savings bonds.

This immediately creates a tremendous circulating market for the Treasury's gold and silver coin, most of which never leaves the vaults. The sale of \$50 billion in specie bonds at par removes that amount in paper currency from general circulation. Under the new banking rules, the bonds are nontransferable, thus the bonds never enter the stream of commerce and cannot replace the paper currency. Nor under the new banking rules can the bonds be used as bank reserves. Due to the expansion factor built into the fractional reserve monetary system, the nation's available currency and credit drops, perhaps by \$500 billion.

At the least such a move is sharply deflationary, and probably recessionary. Since the nation's aggregate of currency and credit is only about \$3,000 billion, the government would have to increase the money supply before the economy collapsed. Suppose Congress decides to accomplish that increase by redistributing the proceeds from the bond sales as restricted bank reserves, setting the restricted reserve requirement at 10 percent. State and local governments could borrow funds for infrastructure projects from local banks equal to 10 times the reserve amounts (provided local taxpayers agree to new taxes to repay the loans).

Everybody wins. The federal government, using the bullion now collecting dust at the Treasury, redirects a significant portion of net national production toward rebuilding a crumbling America, new roads, bridges, and other public facilities including water supply and waste disposal plants. Bankers earn a fee for handling the transaction. Voters once again get back into the loop. Proposed projects die without local approval. Lastly, because principal is repaid before the monetization-fee, low debt-service factors on long-term projects keep the cost down and local taxes low.

NESARA offers a tremendous opportunity to rebuild the national infrastructure. Congress initiates the plan, but the plan is administered and controlled at the local level where the people build their own prosperity.

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Just like the Founding Forefathers intended.

Makes the Public Responsible for Currency Creation

First, Congress can no longer hide behind the “create money out of thin air” scheme so easily hidden through the Federal Reserve System. NESARA restores respectability to the word “borrow” because Congress must borrow only currency already in circulation.

Under NESARA, the new Treasury Reserve Banks cannot create money out of thin air because by law they are forbidden to purchase income producing obligations of the U.S or of foreign governments. They are limited to basic clearinghouse functions and storing cash reserves for commercial banks. Just as the Founding Forefathers intended, creation of currency is reserved to the people.

Under NESARA, all fiat currency is created by commercial banks through the monetization of debt—but only at the local level. The Treasury Reserve System Board of Governors may purchase government issued debt, but, by law, only for purposes of regulating the exchange value of U.S. Treasury credit-notes. And any U.S. debt which it does purchase must be immediately sent to the U.S. Treasury where it is cancelled out of existence.

Second, the U.S. Treasury Secretary is required by law to publish at least weekly, the exchange ratios of the various currencies in circulation. And the U.S. Comptroller of the Currency is required by law to publish at least weekly a United States Treasury Credit-Note Exchange-Value Index which measures and tracks the exchange value of treasury credit-notes in commercial transactions. Although Congress has constitutional authority to borrow money, if Congress doesn’t quickly learn to control itself, variations in these exchange values will immediately warn Americans that something is wrong.

Under NESARA, banks are prohibited from buying any government issued debt for their own accounts and can only use the new Treasury credit-notes as bank reserves. This severely limits their influence over monetary policy.

Under NESARA, Congress sets the standards and establishes the procedure for the currency creation process but only the people determine the quantity of debt they are willing to monetize.

Eliminates A Trillion Dollars of Public Debt

Once NESARA becomes law, several changes take place:

Concurrent with converting the Federal Reserve System to the new Treasury Reserve System, all obligations held by the Federal Reserve System are traded for the new Treasury credit-notes.

Another change is that commercial banks no longer can hold as reserves, or for their own accounts, any income producing U.S. or foreign debt obligations. All banks must trade these obligations in for the newly created Treasury Reserve credit-notes.

Because almost all of those newly received credit-notes are to be used by the commercial banks as reserves, they do not enter into circulation and are therefore not inflationary.

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Once the Secretary of Treasury receives all of the recovered U.S. debt obligations, the Secretary merely cancels them out of existence, thereby significantly reducing the public debt. The actual amount eliminated is unknown, but \$1 trillion is a reasonable figure.

Realize, of course, that the debt held by the Fed is largely bookkeeping. The real debt is held by commercial banks, private investors, both domestic and foreign, and by foreign governments. Because NESARA makes no changes for the debt held privately or by foreign governments, its only real impact is on commercial banking.

Eliminates Inflation

Under NESARA, inflation is controlled through four (4) regulation tools, one of them existing but modified by NESARA, and another being an entirely new mechanism.

NESARA creates a Treasury Reserve Account, a new mechanism to control the quantity of national currency in circulation.

This Treasury Reserve Account acts like a shock absorber, much like the coolant overflow tank works in your car. When cooling pressure builds in your car's cooling system, the coolant expands and flows into the overflow tank. Similarly, when pressure decreases, coolant contracts and flows back into the cooling system. The design of the system operates using the laws of physics and thermodynamics. Through such a mechanism, pressure and temperature of the system remains stable within operating design.

Controlling the amount of currency in circulation is not easily performed using those same natural laws, but the same design principles can be used. Therefore, NESARA uses an external indicator, the new United States Treasury Credit-Note Exchange-Value Index, to monitor the exchange value of the currency in circulation. This Exchange-Value Index is established by law to be maintained within a range of 97 percent to 103 percent.

When the Treasury Reserve Board observes the Exchange-Value Index rising above 100 percent, indicating inflation, that is, too much currency in circulation, the Board can impound revenues in the Treasury Reserve Account, removing that currency from circulation.

Conversely, when the Exchange-Value Index drops below 100 percent, indicating deflation, that is, not enough currency in circulation, the Board can do one of several things with Treasury Reserve Account funds: 1) transfer funds to the U.S. Treasury, which Congress can spend, or 2) buy public debt, or 3) deposit funds at commercial banks, thereby increasing reserves and introducing currency into circulation through encouraging new loans (monetization of debt). All of these actions effectively put additional currency into circulation though they work in different time frames.

The new Treasury Reserve Board has exclusive control of this new Treasury Reserve Account which exists solely for the purpose of regulation of the exchange value of the currency. Congress is not allowed to spend any of the funds unless the Board transfers them to the U.S. Treasury.

As mentioned, funds in the Treasury Reserve Account may be used to buy U.S. public debt. Under NESARA such debt is held only by private investors and foreign governments. Purchasing U.S. debt would introduce currency into circulation and would be done only when the Exchange-Value Index goes

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below 100 percent. But, because of NESARA's modifications to this regulation tool, any U.S. debt purchased by the Treasury Reserve Board must be turned over to the U.S. Treasury for immediate cancellation. Thus the Treasury Reserve Board loses the option the Fed once had of selling U.S. debt. Obviously it can't sell what it doesn't have.

The two traditional regulation tools used by the Fed, 1) setting the percentage of reserves required of commercial banks, and 2) setting the national discount rate at which commercial banks may borrow funds from their district Treasury Reserve Banks remain in effect. The new Treasury Reserve Board may make use of these tools but will probably find the newer tools better for fine tuning the exchange value of the currency.

Benefits Americans with an Unprecedented Economic Boom

The exact amount of public and private debt to be eliminated by NESARA is unknown. Estimates depend upon the assumptions of those making them, but numbers in the range of two trillion dollars are reasonable.

The one sure expectation in this scenario: Americans suddenly free of massive amounts of debt will immediately go on a spending spree. Prices will naturally rise with the higher consumption of consumer goods, even in the face of a 14% National Sales Tax, and will reach epic proportions. Those higher prices, largely due to demand rather than an increase in the available quantity of money, encourage the production of more consumer goods and services.

With full implementation of NESARA, all Americans enjoy an unprecedented economic boom, the economy expanding at a long term annual rate in excess of 5% and perhaps with initial short term growth surges at better than 8.5%.

Unlike all previous expansions, monetary policy regulators need not kill this expansion with higher interest rates to fight inflation. NESARA provides regulators with powerful tools to control the quantity of money in circulation. Properly using these regulation tools and the inherent self-regulation built into the new monetary system will automatically promote excellent economic stability.

Increased production and competition in world markets along with the increased efficiency of the new revenue system will soon drive prices back down. Within about one year, elimination of the hidden costs in the old income tax system will put additional downward pressure on prices.

Thanks to NESARA, all Americans experience a higher standard of living, the double beneficiaries of reduced debt servitude and increased consumption of consumer goods.

Provides a More Secure Future For All

Immediate Relief and Results

- Eliminates approximately \$1 trillion of the nation's public debt
- Reduces future private debt by approximately \$1 trillion
- Immediately eliminates some private debt, especially for many homeowners

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- Workers maintain better control of their earnings
- Production is no longer taxed, just consumption
- Most of the necessities of life are not taxed
- Encourages production thus revitalizing industry in America
- Encourages rebuilding of inner cities
- Discourages wasteful uses of natural resources
- Exposes the true cost of government
- Greatly eliminates the struggle between tax “protesters” and bureaucracy
- Allows the “underground” to resurface and become a viable contribution to production of goods and services
- Greatly restricts the influence of special interests and lobbyists

The Federal Reserve System

- The Federal Reserve Act of 1913 is amended
- The Federal Reserve System is abolished and replaced by a new Treasury Reserve System
- Control of the currency is moved from private control of the Fed to public control of Congress and the new Treasury Reserve System
- Congress sets the standards for the new monetary system but the people create as much or as little currency as they need
- Functions of the Federal Open Market Committee are transferred to the Board of Governors of the new Treasury Reserve System
- A new mechanism, the Treasury Reserve Account, is created to provide the Treasury Reserve System Board of Governors a better method to fine-tune the money supply, effectively eliminating inflation
- The Treasury Reserve System Board of Governors will continue using the previous three mechanisms for controlling the money supply: 1. Setting reserve requirements. 2. Setting the national discount rate. 3. Purchasing U.S. Treasury securities on the open market.
- All U.S. Treasury securities purchased by the Treasury Reserve System Board of Governors will be immediately turned over to the U.S. Treasury and cancelled out of existence.

Monetary Policy

- People are provided with several alternatives for currency
- Constitutional currency is restored
- Currency becomes debt free as the people stop paying interest payments for their use of a public utility
- Unlike previous policy, the new Treasury Reserve Board is provided one very specific mandate: maintain a stable currency

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- Expansion of the economy is returned to the free market
- Private coinage is encouraged
- Exchange ratios for the various currencies are published at least weekly
- Printing of redeemable gold and silver certificates is allowed
- Postal money orders are made available in denominations of gold and silver coin

Banking

- Returns the banking industry to serving public interests
- For secured loans, compound interest is outlawed and replaced with a monetization fee
- Provides stricter banking controls by imposing excise taxes to discourage high or runaway monetization fees
- On secured loans obtained from a fractional reserve bank, principal must be paid in full before the bank begins collecting its monetization fee
- Eliminates the façade for banking insurance (FDIC)
- Except for fraud and criminal activities, virtually eliminates bank failures
- Banks are prohibited from using as reserves any commercial paper
- Only Treasury credit-notes can be used as bank reserves
- Banks are prohibited from purchasing government issued debt, effectively removing banks from influencing monetary policy
- Checking accounts against gold and silver deposits are prohibited
- Commingling of funds among the various money accounts without owner's permission is prohibited
- All currency deposits with banks are general warrant deposits and custody accounts.

The Income Tax

- The Income Tax Act of 1939 is amended
- People need no longer fear the IRS
- Billions of hours of nonproductive labor are eliminated
- Mounds of paper work are eliminated
- The cost of the income tax is no longer hidden and embedded in the cost of doing business and passed down the chain with the consumer paying the final tab
- Most likely eliminates state income tax plans because state income taxation piggybacks on federal income taxation
- The IRS is reformed into the National Tax Service
- Volumes of complicated tax code are history

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- Eliminates personal income taxes
- Eliminates corporate income taxes
- Eliminates gift taxes and estate taxes
- Eliminates capital gains taxes

Sales and Use Tax

- Tax rate of 14%
- Government entities are exempt
- Government mandated expenses such as licenses, permits, passports, are exempt
- Sales of bullion, coin and currency are exempt
- Sales made by or to nonprofit schools are exempt
- Sales of prescription drugs, medical supplies and services are exempt
- Real estate rents and leases are exempt
- Sales of groceries are exempt
- Sales of plants, livestock and fish used in the production of food for human consumption are exempt
- Insurance sales are exempt
- Segregated portions of labor in retail service contracts are exempt
- Incidental or occasional sales such as garage or rummage sales are exempt
- Sales for the purposes of recycling are exempt
- Meals provided by companies at company expense are exempt
- Sales that are nonprofit in nature are exempt

Please Support the NESARA Institute

NESARA began as a one-man crusade; then there were two, then three. Many people warned that we were wasting our time, that we could never win against the special interest groups. Yet, look at how far we have come with pure desire and modest resources: the Institute web site now receives approximately 12,000 visits per month from more than 50 countries.

The NESARA Institute, a non-profit educational organization, exists in cyberspace, having no offices or office supplies, no staff of paid personnel, no telephone. This effort to heal America is a grass roots movement and the people who support the web site are affiliated with no political group or party. The "Grass Roots Movement" of NESARA includes any person who wishes to participate in spreading the word about the ideas expressed in NESARA. There is no "club," no membership list, and no secret passwords or handshakes, just people who are willing to invest their time in studying, discussing and working out society's root problems. Thanks to the internet the word is spreading. If everyone in the country knew about NESARA and the potential positive impact on their lives and the lives of their family and friends, the proposal would be introduced next week and passed within a month.

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Based upon the increased traffic volume at the NESARA web site, lots of people are beginning to take notice of the proposed bill and its implications. Most visitors are from the U.S., but a steadily increasing number are from other nations. That this plan will work for any nation has not escaped our attention.

With most of the work completed, national publicity is the primary task remaining. At this point we could definitely use your help in two areas.

Spreading the word:

Invest some of your time learning about NESARA and telling others of the immediate personal benefits.

Financial Support:

Provide a contribution to:

The NESARA Institute
23805 Greenwell Springs Rd.
Greenwell Springs, Louisiana 70739

Or visit the web site to transfer funds electronically.

Although very expensive, national advertising is still the most cost effective and powerful way to quickly inform a lot of people about the benefits of NESARA. The amount of serious attention Congress provides to new proposals is directly proportional to demonstrations of public support. Like many things in life, the benefits we expect to receive are often related to our own initial efforts. A little support now provides huge rewards later.

It's your life and your country, and long past time for you to become directly involved in writing the laws that shape our destiny. If three people can get this far working by themselves, just think what a few more people could do!