

A TALE OF TWO ECONOMIES

A NEW FINANCIAL OPERATING SYSTEM
FOR THE AMERICAN ECONOMY

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INTRODUCTION

ON THE BRINK OF PROSPERITY

I GAINED a fresh perspective on money when I read an account of a young man who trained for years to survive on his own in the wilderness. When he was prepared, a friend dropped him off in the New Jersey Pine Barrens. He disrobed and slipped into the woods naked, taking nothing with him, not even a knife. By evening he was eating a rabbit he had killed with a stone, cooking it over a fire that he had started by hand. In just a few days he had the clothes and shelter he needed to survive on his own.

He lived this way for a full year before making his way through the woods to return to civilization. As he approached a road, a garbage truck roared by him spewing trash and fumes. He turned around to spend another year in the woods before returning home.

I read this when I, too, was contemplating living alone in the woods. As I mulled the idea over, it dawned on me that I would find no value in money as a hermit. The only things I would value would be the skills and resources I needed for survival.

It fascinated me to think that if I discovered gold while living alone in the woods, it would be utterly useless to me unless I returned to civilization, for gold's value to me was just the value of gold to others. I saw that it was the same for money. Money's value to me was only the value of money to others.

Thus, one might conclude what others have—that the value of money is only a matter of agreement. But then one would be missing a much greater point, for there must be things of true value before money can have any value. Our agreement on money is not that money has value in and of itself, but that we will accept money in exchange for things

that have value to us. And thus, our standard of living is defined by our access to that which has real value, not by money.

For example, we would ascertain the wealth of a newly discovered alien civilization by observing their standard of living, not by determining how much money they have. If you watch Star Trek, you learn how advanced their civilization is by watching the things that they do. They dash about in spaceships, beam to the surface of planets, and make things out of thin air with replicators. How much money Captain Kirk earns is irrelevant.

Even the richest men alive today do not have the ability to fly about the galaxy at warp speed, just as the richest kings in the past could not fly across the Atlantic in a plane. In fact, none of them could make a mobile phone call, go online, drive a car, or do any of the things that you and I take for granted. So, who would you rank as having the highest standard of living: Captain Kirk, you, or Augustus Caesar? The answer has nothing to do with money.

The goal of this book then is to approach economic policy from the perspective of how we can improve our standard of living. Thus, we will explore the relationship between two very different economies. One economy, the monetary economy, is defined by the movement of money and the issuance and trading of financial assets. The other economy is the material economy, which is defined by the production and consumption of goods and services.

We will discover that the reason we have a monetary economy is to facilitate activity in the material economy. And because it is the material economy that defines our standard of living, and not the monetary economy, we will look at what we can do within the monetary economy to better facilitate production and consumption in the material economy. In other words, we want to determine how we

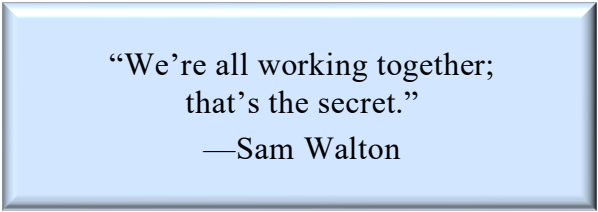
can upgrade our financial operating system in such a way that it improves our standard of living in the material world.

One premise in this book is that we are on the brink of unprecedented prosperity today because of technology in the material economy. Another premise is that the monetary economy is eroding our prosperity. Thus, it is the best of times, and it is the worst of times.

As you read this book, you will be surprised at how nonpartisan the solutions to our problems are. True solutions benefit everyone and are a win across the entire political spectrum. They stand in stark contrast to today's politics in which everyone loses.

We do not have win-win economic policies today because we treat taxation and economic policy as a zero-sum game. We believe that a gain for one means a loss for someone else, despite the fact that progress has never been about some winning while others lose.

We have a higher standard of living today not because someone lost out while we made out, but because technology improved everyone's lives across the board. When someone builds a house, for example, the workers who construct the house also benefit. The owner of the house does not have a new home because someone else took a fall. That would be absurd, and yet our economic policies today fail to capitalize on this simple principle.



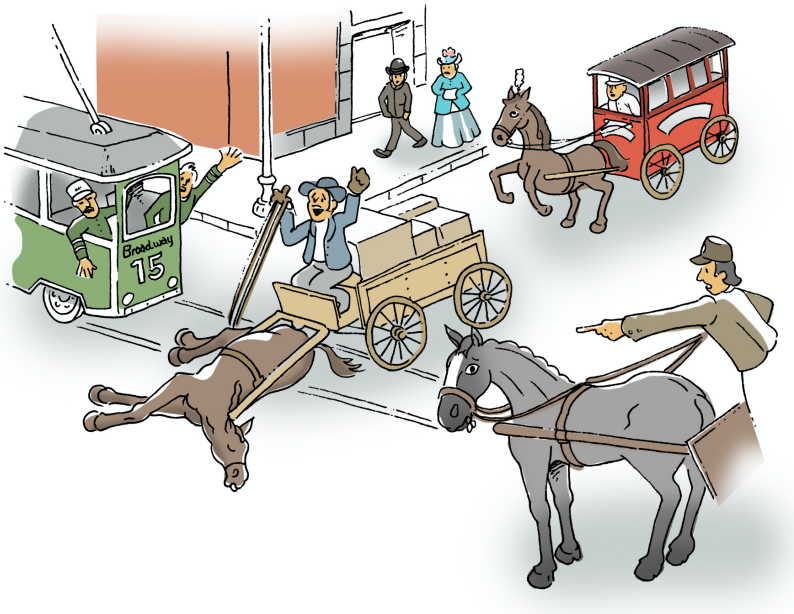
“We’re all working together;
that’s the secret.”

—Sam Walton

To frame why we are in such a quagmire today, imagine hundreds of archers charging into a sunny field with their quivers filled with arrows. Watch as they frantically shoot their arrows into the ground, into each other, and into the forest around the field. Notice how no one sees that there is a target in the middle of the field?

That is partisan politics today. It is the news you watch and the pundits filling your heart with nonsense. When you read this book, you will see the target in the field, and you will understand why we have been without solutions for so long.

We are looking at our economic problems today with the same short sightedness as the people in the early twentieth century who were wringing their hands over the problem of too many horses crowding their cities. Back then, four million pounds of manure piled up in the city of New York each day, faster than it could be hauled away. And since there was not enough room to rest all the horses, 15,000 dropped dead from exhaustion each year, clogging traffic and adding to the stench of the city. Naturally, there was a public uproar.



In response to the outcry, New York's leaders convened a conference of world experts to solve what they deemed to be a growing global crisis. But to everyone's dismay, the conference ended an utter failure. The experts gave up, declaring there was no answer to the problem. And then the finger pointing began. As we now know, they were merely shooting their arrows into the ground and into each other, much like the experts who sound off today.¹

In hindsight, it's hard to imagine the experts could not have seen the automobile as the solution they were seeking since there were already cars on the road when the conference was held. It's doubtless that some of the attendees even rode about in the new-fangled contraptions, yet it didn't dawn on any of them that cars were the answer to the problem. Instead, the paradigm shift had to take place on its own, and then what was once an intractable problem was simply forgotten.

Just as the car solved our challenge with horses years ago, this book presents solutions that solve our economic challenges today. Someday we may forget that we ever had to pay high taxes, that we had a growing national deficit, and that we owed over thirty trillion dollars in national debt. We may even forget that the costs of housing, college, and healthcare were once problems. And even the appalling fact that so many of our citizens endured a marginal standard of living may eventually become a distant memory.

To get a sense of just how far off our perception is, consider the hotly debated topic of deficit spending, the fact that our government spends more than it generates in revenue. If we really could not afford the schools, roads, and military aircraft we build each year, we would run out of human and natural resources before we completed such projects.

¹ See Agueda Garcia de Durango, "New York, manure and stairs: when horses were the cities' nightmares," *Smart Water Management*, June 9, 2019, <https://smartwatermanagement.com/blogs/>

The fact that this does not happen demonstrates that we do have the resources we need in the material economy. Thus, we have a deficit not because we are overly ambitious and trying to do more than we can afford with the resources we have, but because there is something wrong with how we go about paying for public projects. In other words, our deficit indicates that there is a problem with our financial operating system, and not that we are at odds with the physical reality of our material economy.

As you will see, we can actually afford much more than we do today, while also cutting personal taxes and balancing the budget. In fact, we can fully pay off the thirty trillion dollars in national debt that we owe while also providing many benefits to rich and poor that we cannot afford under our current system.

I saw our nation's money problem in a new light when I met Alan Stern a few years ago. Alan led our nation's space mission to Pluto. At dinner, Alan related to me that the most challenging aspect of the entire mission was *financing* the project. Think about that. His team tackled a project that was at the very fringes of human ability, and yet the most difficult part of the mission was obtaining the money they needed. Alan's story did not surprise me. I have seen many viable projects fail for lack of money.

I asked Alan what the limits to space exploration would be if money were not an issue. Could we launch a new probe to Pluto every year? "Of course, we could!" he replied, "That would be easy! We just don't have the money." And in fact, we do not have another mission to Pluto planned today simply because we cannot afford one.

All this begs an important question, doesn't it? Have you ever wondered what your own life would be like if we solved our nation's money problem? That is the purpose of this book. I call the solution in

this book the Financial Freedom Act. It's not an act that Congress has passed, but it should be!

“No complaint ... is more common than
that of a scarcity of money.”
—Adam Smith

The solutions in this book are extraordinarily simple and pragmatic. They depend only on a shift in vision, and not on a shift in human nature. We do not need to become more altruistic or better people to enjoy the transformation described herein.

You will see that inflation's impact on our standard of living, the growing divide between the rich and the rest of society, the increasing drag that you feel from income and sales taxes, and the trap that the social welfare system imposes on those in poverty are all inevitable consequences of today's financial operating system. And you will see how a simple upgrade to that system can solve all these problems.

The tension we experience today will surely lead to a more efficient system tomorrow. Thus, the solutions in this book are not subject to political whim but to market forces. In fact, we have long been closing in on these solutions as technology has advanced and our financial world has mushroomed. The same monetary economy that is eroding our standard of living today will inevitably fuel the solutions that permit all of us to enjoy a much higher standard of living tomorrow. This book foretells how that will happen.

The next two chapters build the foundation for the how and why behind the solutions presented in this book, while the solutions themselves are set forth in chapters 3 through 7.