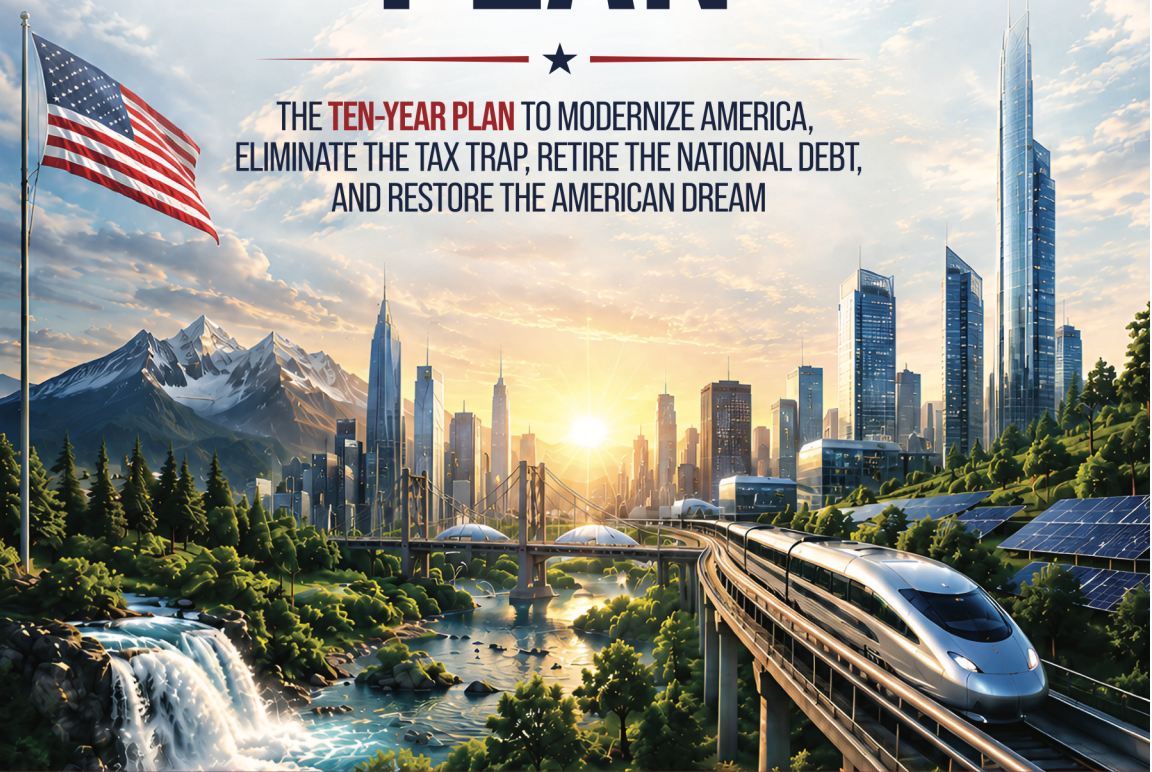


— ★ ★ ★ THE ★ ★ ★ — FINANCIAL FREEDOM PLAN

★ —
THE **TEN-YEAR PLAN** TO MODERNIZE AMERICA,
ELIMINATE THE TAX TRAP, RETIRE THE NATIONAL DEBT,
AND RESTORE THE AMERICAN DREAM



SCOTT ANDREW SMITH

INTRODUCTION

A NEW ERA OF PROSPERITY

IN THE FUTURE, taxes will no longer consume up to 54% of what we earn. The cost of living will no longer spiral out of control. The national debt will be gone. Interest will disappear from mortgages, cutting the cost of homeownership in half. Families will no longer sacrifice a significant portion of their income to health insurance, because healthcare—and even college—will be fully funded. And every adult citizen will receive a basic income in addition to what they earn.

When we imagine a future made prosperous by technology, we do not imagine a nation weighed down by taxes, debt, and inflation. We imagine high-speed trains connecting our cities, state-of-the-art manufacturing producing all that we need, advanced biologics keeping us healthy, and space travel opening new frontiers.

How much further must technology advance before that future is our reality? The answer may surprise you: the technology is already here. What stands in our way today is not a lack of innovation, but an outdated financial operating system that traps us in scarcity. This book proposes an upgrade to that system—one that unlocks a new era of American prosperity. It also proposes an upgrade to our political operating system—one that strengthens democracy and helps overcome division.

Fifty years ago, we took it for granted that technology would make us better off than our parents. Today, the cost of housing, cars, healthcare, and education has outpaced most Americans' salaries. In 1950, health insurance cost about 2% of the average college graduate's starting salary. Today, it can cost 40%.¹

The Consumer Price Index (CPI), the standard measure of inflation, does not fully capture this rising cost of living. Because necessities now consume a larger share of our income than they once did, 90% of Americans are falling behind, despite technological advances that should be improving their lives. So where are the gains going?

In large measure, they are being absorbed by our financial operating system, which adds unnecessary costs at every layer of the supply chain, driving prices higher. Technology does the opposite: it enables us to produce more for less. When our nation was founded, around 90% of the population worked in agriculture. Today, about 1% does—and we produce far more food than ever.

If it were not for the flaws in our financial operating system, technology would be driving costs down relative to our incomes. My eyes were opened to this when I helped launch the commercial mortgage-backed securities (CMBS) industry in the early '90s. I saw how most of the rent paid by tenants went to the financial sector rather than to the people who actually built and maintained the apartment complexes.

That experience led me to see the economy in a new light. There are really two economies, not one:

- There is the material economy—the production and consumption of goods and services, and
- There is the monetary economy—the creation and trade of financial assets.

In *The Wealth of Nations*, Adam Smith examines how a nation's economic system influences its ability to create wealth. Today, we tend to reduce Smith's inquiry to a choice between capitalism and

communism, but the question is more complex than that. A nation's financial operating system cannot be captured by a label.

Smith's central insight was that a nation's wealth lies not in its stock of gold and silver, but in what its people produce. That wealth rests on the capacity of its material economy to produce the goods and services that sustain its citizens' standard of living. Its monetary economy can finance and help coordinate that production, but financial assets merely represent claims on wealth; their value ultimately depends on the productive economy beneath them.

In other words, the material economy creates our nation's wealth; the monetary economy can only help facilitate and allocate it. My argument is that, today, our monetary economy impedes and misallocates the creation of wealth.

We can see this in what happened during the first two years of the pandemic. While millions lost their jobs and countless small businesses collapsed, the stock market boomed, the net worth of the world's ten richest men doubled, and a new billionaire was minted every 26 hours.² Our nation's wealth did not grow during this period; it was reallocated. No partisan policy or specific law created this outcome. It was the product of a flaw inherent in our financial operating system itself.

Dr. Robert S. Hartman, a pioneer of modern axiology—the science of value—made his mark by studying how systems shape our lives. His work grew in part from his effort to understand what happened to the German people under Nazi rule. Hartman distinguished three kinds of value: the systemic (a system's rules and structures), the extrinsic (the practical outcomes it is meant to produce), and the intrinsic (its effect on the people it is meant to serve). He warned of the danger of placing the system above the other two. Under Nazi

rule, citizens served the state at all costs; the state was not there to serve them.

When preserving a system becomes more important than fulfilling its purpose, everyone within it suffers. In her work with schools, my wife Sheri has found that when students and teachers feel trapped by a district's system, its principals, superintendents, and school board members feel the same way. People at every level become bound by the demands of a system that does not meet their needs.

Sheri's nonprofit, Indigo Impact Initiative, helps schools rediscover the value they are meant to deliver. For students, the extrinsic outcomes include mastery of core subjects, college acceptance, and a career. The intrinsic value lies in their growth as individuals: their capacity to think independently, their confidence, and their sense of possibility. Once these goals are clear, schools can more easily see the changes needed to bring their system into alignment with their purpose, and morale throughout the district improves.

Yet when we experience hardship within a system, we tend to blame people rather than the system itself. If paying taxes is painful, we look for a political party to blame. When the national debt rises, we seek a scapegoat. When prices climb, we demand to know who is responsible. Rarely do we pause to question the underlying system that is producing these results.

I believe our financial operating system should deliver several extrinsic outcomes: greater affordability for everyone, a stable economy free of national debt, low taxes, and a balanced budget. Its intrinsic value should be felt in our lives—in our confidence that our efforts can lead to progress, that it is possible to achieve our dreams, and that we can obtain healthcare and education when we need them. In this book, I propose changes to our financial operating system to bring those outcomes within reach.

The key to accomplishing this is better understanding how our economy works. As the broader MBS market grew to tens of trillions of dollars in securities issued—generating thousands of trillions of dollars in trades—I began to investigate just how big the monetary economy is compared to the material economy. As we will see later in this book, the flow of money and transactions in the monetary economy is more than 200 times larger than the material economy.

That revelation opens the door to an elegant new solution to taxation. While our material economy is \$32 trillion per year, as measured by GDP, and our collective income is \$27 trillion per year, our monetary economy generates an astounding \$7,100 trillion in money and transaction flow each year.

Ending Today's Tax Trap

When we tax the material economy, we are taxing the wrong thing. Today's tax system chips away at every step in the supply chain, raising the cost of everything we make.

The Financial Freedom Plan would eliminate all existing taxes—income taxes, sales taxes, capital gains taxes, property taxes, excise taxes, gasoline taxes, and more. In their place, the plan would enact a Flow Tax: a tiny 0.5% fee on the flow of money and transactions. That's all we need to turn things around.

Since most of the flow of money and transactions in the monetary economy has nothing to do with the supply chain, a Flow Tax would shift the tax burden away from the production of goods and services and our hard-earned wages, enabling the production of real wealth in our nation to expand.

Instead of paying up to \$54,000 in taxes for every \$100,000 you earn, you'd pay only \$500.³ Imagine the impact that would have on

your personal financial freedom! It would have a compounding effect on the entire economy as well.

Not only would it enable us to pay off our national debt, but it could provide every adult citizen with a basic income, free healthcare, and free college. Even with these benefits, a Flow Tax would replace our chronic deficit with a significant surplus that could finance the infrastructure and manufacturing growth our nation so badly needs.

Fixing the Cost of Money

Like today's tax system, our banking system exacts its own tax on the material economy: interest. The Financial Freedom Plan introduces Banking 2.0, which would transform the Federal Reserve into a true central bank owned by the people and for the people. Instead of the depository-based lending system we have today, we could have a reserve-based lending system. Here's what that would mean:

- Mortgages and car loans would be *interest-free*, costing us much less than they do today, and
- Banks could provide many valuable services that they cannot today—such as providing capital to startups.

The Roots of Inflation

If you buy a new home under our current banking system and pay your mortgage over thirty years at today's rates, you'll pay more in interest to the bank than you paid to the seller of the home. The same is true for *all the infrastructure in the supply chain*. Mines, factories, trucks, and stores are all financed, often with the cost of interest exceeding the cost of the infrastructure over time.

The cost of interest and taxes is passed along at each level of the supply chain, cumulatively adding to the cost of goods. As a result, much of what you pay for products today reflects the cost of our

financial operating system, not the inherent cost of raw materials and labor. While technology has made our material economy more efficient, our monetary economy has been eroding those gains.

The graph below compares the rising price of bread to the cost of the wheat that is used in a loaf of bread. While the price of wheat has increased modestly, the price of bread has skyrocketed largely because of the monetary economy’s impact on each layer of the supply chain that produces and distributes bread.⁴

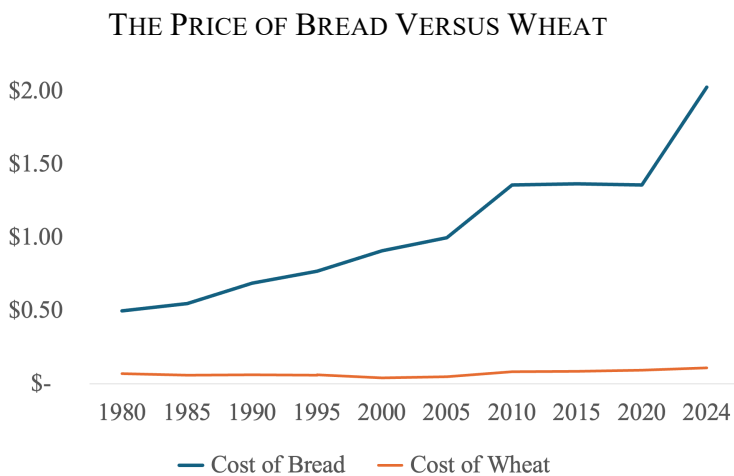


FIG. 1

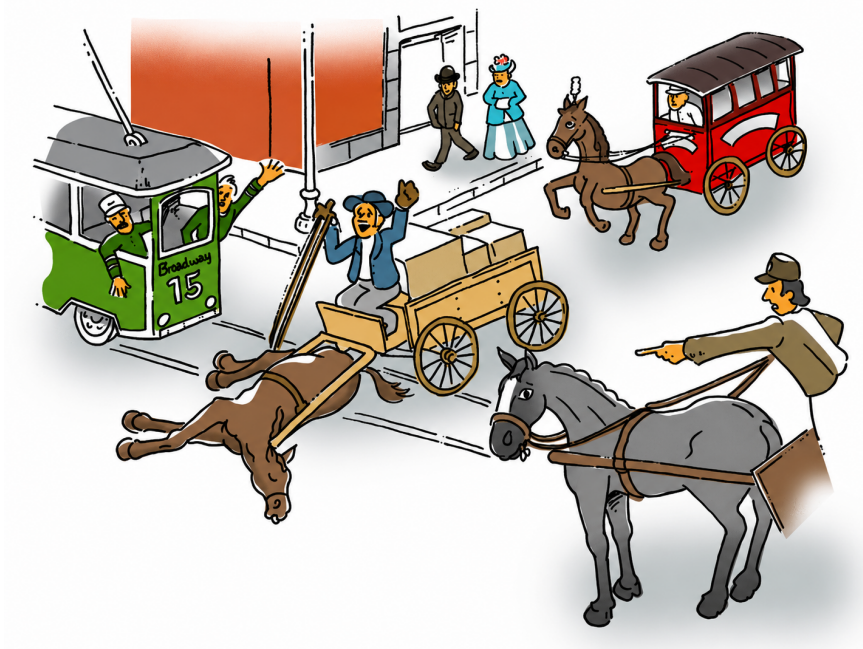
By eliminating our current tax system and introducing reserve-based banking, the Financial Freedom Plan can help mitigate the constant escalation of prices that we experience today.

Can Our Economic Problems Really Be Solved?

New York City once faced a crisis that everyone was sure was unsolvable—much as high taxes, the national debt, and the rising cost of living seem insurmountable today. By the late 19th century, up to four million pounds of horse manure accumulated in the city’s streets each day. In 1880 alone, nearly 15,000 dead horses had to be carted

away, blocking traffic and creating a stench that was making the city unlivable.

In 1898, delegates from around the world gathered in New York for the first international urban-planning conference to find a solution. It broke up early, with the experts concluding there was no answer. No one saw the internal combustion engine as the solution, even though there were already cars on the streets at the time. When technology solved the problem, what was once labeled “unsolvable” simply became a memory.



Helen Keller, who could neither see nor hear, came to understand the world through different means. When systems were explained to her, she considered them without the assumptions of someone who had grown up taking them for granted. This passage, which she wrote in 1927, captures the essence of the Financial Freedom Plan:

“In 1880, men knew that flying machines could be equipped and rendered safe; but no one would listen to them because such a thing had never been done. So, flying came slowly, and as the achievement of a small, faithful minority, laboring in an atmosphere of ridicule. There are other funds of knowledge building up. We know, for instance, that it is possible so to plan the economic systems in the world that we could all be much richer and freer and happier in producing comforts and pleasures than we are to-day.”

— Helen Keller, *My Religion* (Garden City, New York: Doubleday, Page & Company, 1927), p. 72.

Keller’s comparison between flight and economic reform challenges the assumption that what has never been done cannot be done. We inherit our financial operating system as we inherit our landscape, and so it seems inevitable. Yet the rules governing money, banking, and taxation are human inventions, not givens. We ought to examine their effects on the extrinsic and intrinsic and redesign them as our knowledge grows.

The Financial Freedom Plan is built on this possibility. Its merit lies in how well it would serve people, so it should be judged by whether it would expand opportunity, give us greater control over our lives, and lead to lasting prosperity.

A Future Worth Building

The Financial Freedom Plan rests on two principles: we should tax the flow of money throughout the entire economy rather than the income we earn, and banks should lend reserves created by the Fed rather than their depositors' money. Together, these two principles would produce the following outcomes:

- Your paycheck would be debited only 0.5%,
- You'd receive a basic income plus free healthcare and a free higher education,
- Your mortgage and car payments would be much lower,
- We'd no longer have any national debt,
- We'd have a budget surplus instead of a deficit, and
- Our economy would boom if we invested that surplus as outlined in Chapter 7—*A New America—creating jobs and a prosperous future for all.*

This isn't a dream—it's a reality we can choose to create.

“The marvel of all of history is the patience with
which men and women submit to burdens
unnecessarily laid on them by
their governments.”

—George Washington

Notes

1. In 1950, a family of four could buy hospital and medical protection from an independent plan for roughly \$60 to \$100 a year: “Independent Plans Providing Medical Care and Hospital Insurance: 1950 Survey,” *Social Security Bulletin* 14, no. 5 (May 1951), <https://www.ssa.gov/policy/docs/ssb/v14n5/v14n5p10.pdf>. Measured against the \$3,800 estimated 1950 earnings of a college graduate (not adjusted for time on the job; \$4,250 adjusted), a premium of about \$90 is about 2%: Paul J. Taubman and Terence Wales, *Higher Education and Earnings: College as an Investment and Screening Device* (New York: National Bureau of Economic Research, 1974), app. J, table J-1, <https://www.nber.org/system/files/chapters/c3665/c3665.pdf>. For 2025, the average annual premium for an employer-sponsored family policy, \$26,993 (KFF, *2025 Employer Health Benefits Survey*, <https://www.kff.org/health-costs/employer-health-benefits-survey/>), is about 40% of the \$67,983 average starting salary of the class of 2025: National Association of Colleges and Employers, *Summer 2026 Salary Survey*, September 3, 2026, <https://www.nacweb.org/job-market/compensation/starting-salaries-climb-for-the-class-of-2025>.
2. Oxfam International, “Ten Richest Men Double Their Fortunes in Pandemic While Incomes of 99 Percent of Humanity Fall,” press release, January 17, 2022, <https://www.oxfam.org/en/press-releases/ten-richest-men-double-their-fortunes-pandemic-while-incomes-99-percent-humanity>.
3. Author’s calculations of total taxes for six married couples filing jointly, each with two earners, in California and Tennessee, using 2026 federal and 2025 California tax law. Taxes counted: federal and state income tax; employee and employer Social Security and Medicare; California State Disability Insurance; sales tax on half of income; property tax; and federal and state fuel excise taxes. Results per \$100,000 of income: California, \$150,000 income and \$1 million home, \$43,815; California, \$300,000 and \$2 million, \$52,635; California, \$500,000 and \$3 million, \$53,898; Tennessee, \$150,000 and \$1 million, \$34,089; Tennessee, \$300,000 and \$2 million, \$40,356; Tennessee, \$500,000 and \$3 million, \$41,035. The six couples average about \$44,300 per \$100,000. Many Americans pay far less, and some pay no income tax at all; across the whole country, total federal, state, and local taxes average about \$30,000 per \$100,000 of personal income (about \$9 trillion on about \$27 trillion). The \$500 is the fee on earnings only; spending would be subject to the same 0.5% fee as money moves.
4. Federal Reserve Bank of St. Louis, “Average Price: Bread, White, Pan (Cost per Pound/453.6 Grams) in U.S. City Average,” FRED, series APU0000702212, <https://fred.stlouisfed.org/series/APU0000702212>; and

Federal Reserve Bank of St. Louis, "Producer Price Index by Commodity:
Farm Products: Wheat," FRED, series WPU0121,
<https://fred.stlouisfed.org/series/WPU0121>.

SUMMARY

THE FINANCIAL FREEDOM PLAN

THE FINANCIAL FREEDOM PLAN (FFP) is a proposed bill for Congress that would benefit every citizen of the United States by upgrading our nation's financial operating system. The FFP would replace all current taxes with a 0.5% Flow Tax on the flow of money and transactions, and it would upgrade our banking system by turning the Federal Reserve into a true central bank that provides interest-free mortgages to U.S. citizens.

By shifting government revenue away from double digit taxes on the \$27 trillion we earn each year to a fee of just 0.5% on the taxable portion of the \$7,100 trillion that flows through the monetary economy each year, we can:

- Eliminate the many onerous personal and corporate taxes we pay today,
- Provide a universal basic income to every adult citizen, plus basic healthcare and free higher education for all, and
- Eliminate the government's deficit, replace it with a surplus, and pay off the national debt in eight years.

By upgrading our banking system so the Federal Reserve serves as a true central bank, owned by the people and for the people, the Fed can become the source of capital for the nation's lending while managing the money supply more effectively. Its member banks would become financial service providers, acting as intermediaries to the Fed. By doing so, we can:

- Provide interest-free loans and mortgages to citizens and businesses,

- Eliminate the problem of fractional-reserve lending and its impact on the money supply,
- Better align the material and monetary economies, and
- Manage the money supply in real time to better control inflation.

The Financial Freedom Plan would provide a strong economic foundation for the future of the United States, raising our overall standard of living and improving the quality of life for the 90% of Americans who have fallen behind after decades of inflation.

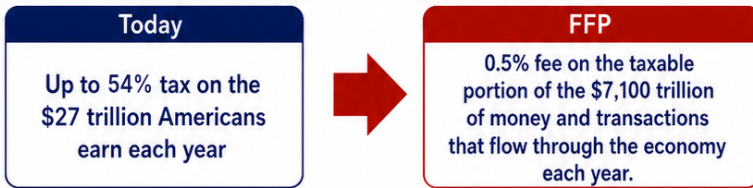
The Financial Freedom Plan



A proposed upgrade to America's financial operating system

The Financial Freedom Plan (FFP) would replace today's tax system with a small fee on the flow of money and transactions and upgrade banking so the Federal Reserve can support interest-free lending.

1. Replace Taxes with a Flow Fee



What this can fund

Eliminate personal and corporate taxes

Provide universal basic income

Fund basic healthcare and free higher education

Replace the deficit with a surplus to stop our rising national debt.

2. Upgrade Banking

The Fed becomes a true central bank — owned by the people and for the people.



What this changes

Provides interest-free loans and mortgages

Eliminates fractional reserve lending

Better aligns the material and monetary economies

Enables real-time money supply management to better control inflation

The Financial Freedom Plan would create a stronger economic foundation for the United States, improve the standard of living, and raise the quality of life for the 90%+ of Americans whose living standards have stagnated from decades of inflation.