

THE INSTITUTE OF PERCEPTIONISM®

Proposed the following

Pathways to a Durable, Prosperous, Fee-Orderly Society

Offered here is an outline for some paths to recovery from the economic depression and to an Equilibrium Economy which can evolve endlessly – never ending the human potential.

This includes proposed institutions as applied to solutions to each; the gross disequilibrium in several facets of the economy: the Social Security problem; to the social welfare problem; the Federal Housing Finance Agency problem; to a large degree the wealth and income disparity problem; to the Boom & Bust problem; as well as the problem of the crippling short sighted corporate planning. The financial collapse makes manifest problems that otherwise were able to be ignored. No longer able to be ignored, the time for their repair has come.

The foundation for these solutions rests on the essential elemental foundation of an ever evolving civilization to be found in the previous published writings of The Institute of PERCEPTIONISM®.

Developed here are a few new institutions and the revival of a few proven but errantly greed destroyed institutions.

Not widely recognized at the time of this writing, is the essential process of causing the earnings of land and capital assets to flow to the population consuming their production. One need only to ask "If all that we consume were to be produced by robots, machines computers and self driving vehicles, where would consumers get the money to purchase what they produced? The use of unsecured credit. Massive sovereign deficits and other fictitious assets have substituted for this essential process and obscured it from view. A discourse of this poorly understood process can be found in PROSPERITY FREEDOM AND ORDER. (PF&O)

Personal Estate Fixed Investment Trust Account (PEFITA)

AN UNDERSTANDING OF THIS CONCEPT AND ECONOMIC TOOL IS CRITICAL TO ACHIEVING A PERPETUALLY EVOLVING AND BALANCING ECONOMY.

PEFIAS will morph to replace Social Security (SS) and all manner of Federal disbursements. That, now being paid as FICA tax, would be deposited to the PEFIA. Actuarially with payment of the youngest depositors being totally to savings while the oldest tax payers going directly to SS funding. When added to the government contribution will maintain the SS promise.

The Personal Estate Fixed Investment Trust Account for each and every living person with a Social Security number is one of these. Developed in PROSPERITY FREEDOM AND ORDER (PF&O), the Personal Estate FIXED INVESTMENT TRUST ACCOUNT (PEFIA) must have the following elements; PEFIA can only be transferred by gift or bequeath to another PEFITA or a not-for-profit Trust having the same investment limitations. PEFIAs may only invest in common shares that can never be liquidated or in Fixed Trusts * which holds only common share that can never be liquidated. This would apply to PEFIA gifts or bequeaths received by Non-profit charities. All of the earnings of the PEFIA must be distributed regularly (preferably monthly) to the registered account holder.

So structured, the PEFIAs will assure that the PEFIAs will grow with the economy from generation to generation over riding human nature's inclination for short term gratification and greedy conniving. Any lesser restraints would assure their destruction.

*A Fixed Trust is one in which assets once deposited may never be liquidated or sold.

The Personal Estate Fixed Investment Trust Account will become the major supplier of Capital for the economy when combined with necessary changes in corporate governance and Capital markets. These are further developed below.

The Debt and Mortgage Recovery Administration

This major down-turn in economic activity will greatly impacts credit markets; personal and family finance; the market for highly leveraged residential housing and its construction. It is for these reasons and the preeminent position of home ownership in the social fabric that exceptional measures for its preservation must be provided through the period of adjustment to the new durable economic system.

It is in this light that we offer this structure as a path for solution of this problem. "Homestead" protection shall apply in all jurisdictions including specified foreclosures during this Recovery period. This means that the Homestead will be immune to Bankruptcy seizure as well as Foreclosure or eviction for homeowners of three or more years of continuous residency. After three month of Non-performance, a first mortgage note holder of an owner occupied home may "Put" the note to the Recovery Debt and Mortgage Recovery Administration (DMRA) at its balance outstanding in exchange for a like maturing

Agency Note. After the three months of Non-performance, regardless of the note holder, the owner must pay a monthly amount that will be equal to the monthly portion of the annual taxes, insurance and HOA fees in arrears and for the ensuing years. Failure to do so will subject the owner to foreclosure and eviction. By a date no more than three years after the "Put" date, at the occupying owners' choosing, they will accept either a new mortgage Note yielding five percent, equal to 80% of the then Appraised value of the home or one equal to 100% of the outstanding mortgage including interest in the arrears or be subject to foreclosure and eviction. Through this method, Government will absorb the instability of the market caused by government's failure to produce and provide a reasonably stable economy.

Student Loan Debt

Consistent with the reality that an education is a Capital Asset of the holder and at the same time is a benefit to all of society, we maintain the position that society can appropriately pay half. Therefore, as a Recovery measure, one-half of any outstanding Student loan must be "Put" to the Debt and Mortgage Recovery Administration in exchange for a similarly maturing Agency Note. From that date forward the Federal Government will provide a subsidy by voucher to all post-high school education equal to one-half of the average cost of such education in the Area of Residence. During a period of economic recovery, re-training is important as old jobs disappear and new jobs require new skills. Sometimes we need to be reminded that a plumber should not be obligated to pay for a lawyer's Capital asset - his education. At a time when the free-orderly society, all education would be fifty percent paid for through vouchers by federal Value Added Tax. Everybody benefits and everybody pays. The reader might be reminded that when paying the Value-added tax those who consume \$50,000 pay only tenth of what those who consume \$500,000.

That which appeared in our original writing as " The Congressional District Fixed Investment Trust (CDFIT) has been rewritten as follows:

A Federally chartered independent, Fixed Trust* will be Chartered and titled **THE NATIONAL FIXED INVESTMENT TRUST**.

**A Fixed Trust is one in which an assets once deposited may never be liquidated or sold.*

A shareholder account will be established for each Social Security number. All dividends received by the NATIONAL FIXED INVESTMENT TRUST shall be distributed regularly. The immediate establishment of the NATIONAL FIXED INVESTMENT TRUST will assist a more rapid recovery of the economy of the new Free-orderly society. For example, Banks and

corporations that are recapitalized with government funding will issue commensurate common stock to NATIONAL FIXED INVESTMENT TRUST, by the ownership of the reorganized banks being held by the population rather than some government agency or larger conglomerated entities. The path to a sound economic structure will be served. Other enterprises or earning assets acquired or owned by government such as TVA may be capitalized with stock and distributed to the NATIONAL FIXED INVESTMENT TRUST.

Dividends received by individuals from NATIONAL FIXED INVESTMENT TRUST will be deducted from all other personal government distributions. This will include Social Security and all other Federal distributions to individuals.

No individual, group or commission will have discretionally powers over the holdings of the Fixed Trust. It must be kept in mind that any power an individual has over another is subject to corruption.

The Excess Inventory and Capacity Recovery Administration (EICRA)

The Leveraged Capitalism and artificially low interest rates have created excesses of productive capacity that call for unusual institutions to aid the adjustment of the economy to equilibrium while mitigating the pain.

The Excess Inventory and Capacity Recovery Administration (EICRA), for example, would be a tool for Bankruptcy Courts. Corporations reorganized with new financial strength by the Bankruptcy Courts having achieved a capitalization consisting of only common stock and properly secured debt would be permitted to jettison excess inventory, land or capital assets through sale to the EICRA. – a temporary warehousing entity created to own these excess assets which will be “Mothballed,” financed by the issuance of notes guaranteed by treasury. These assets will be placed in corporations by category the shares of which will be deposited to NATIONAL FIXED INVESTMENT TRUST described above. These assets may be sold to other jurisdictions or disposed of having no prospect of future value. Inventory acquired by reorganized banks as collateral may be sold to the EICRA. Productive Capital Assets deemed Excess of reorganized “Essential industries,” may be sold to EICRA for future sale and use.

Corporate Governance

Incentives for corporate managers must always be sufficient to motivate excellence in performance but dysfunctional, ill-incentivized corporate governance is a glaring factor contributing to the gross economic excesses and disequilibrium that caused the “Bubble”

and the ensuing economic collapse. Greed motivated leveraging; outlandish bonuses; removal of Preemptive Rights and stock buy-backs contributed to the Boom.

With PETAs, by making most incentive pay as company stock deposited to their PETA that never can be liquidated, corporation planning will be assured a longer term perspective. The fact that business decision maker's future financial wellbeing is tied to the long-term financial fortunes of the company, for whom, they are making decisions will cause better stewardship of each company.

For an economy to achieve anything close to equilibrium, *"that which is "earned" by robots, computers, land and all capital assets must flow to the consumers who buy that which they produce"* (see PROSPERITY FREEDOM AND ORDER) For this to occur, a large portion of corporate earning must be distributed in cash that ends up in consumers; pockets. Some significant portion of net earnings must be distributed as cash.

"Buy Backs" only serve to concentrate wealth and thereby must be prohibited.

Preemptive Rights have become extinct from the human intellect. There was a time when all corporate Charters contained a provision of Preemptive Rights. All new issued shares were required to be first offered to the existing shareholders. This assured that the existing shareholder's interest would not be diluted. Corporate managers found that by slipping the removal of this provision in to the proxy, they could enhance their power and wealth at the expense of the shareholders. Through the employment of Preemptive Rights, the necessary equity financing can easily be achieved. Preemptive Rights must be mandated to achieve a fair balanced economy.

The Glass-Steagall Act must be restored. This law served for seventy years to separate commercial banking from the securities business. After virtually all the securities firms became insolvent in 2008. The banks were forced to take over these security firms; exposing banks to the vulnerability that caused bank failures and the passage of the Act in the early thirties.

Re-establish Federally Chartered Mutual Savings and Loan Associations.

A reestablished federally chartered Mutual Savings and Loan Association system can eventually replace or at least diminish the role of the federal mortgage agencies *Federal Home Loan Mortgage Corporation (Freddie Mac)* and *Federal National Mortgage Association (Fannie Mae)* A new Agency will be created which will provide initially funding deposits, provide deposit insurance, liquidity and regulation exclusively to these newly federally chartered Mutual S&Ls.

The new S&L system will be created by soliciting applications for charter from a specific number – five to ten - contiguous zip codes in each congressional district by population. Selection of an application shall be based solely on the applicant's professional competence, experience and community involvement. Political allegiance, race, gender, ethnicity or age shall never be considered.

Experience with Savings and Loans shows us that if their structure is subject to simple congressional control they become incrementally modified to a point of becoming dysfunctional. So, maximum congressional restraint must be structured for any modification of the following charter restrictions.

- These associations must be only mutual not-for-profit depositories. They must never pay fixed dividends and only distribute dividends from net income.
- Withdrawals must require a notice and delay of payment sufficient to differentiate S&L deposits from being considered a "Liquid Assets" depository consistent with the available liquidity.
- These associations will be prohibited from making any political donations directly or indirectly.
- These associations must never issue Certificates of Deposit
- These associations may only make new loans to new occupying owner or Loans for improvement to that property or modify loans without returning principal.
- S&Ls Shall never make Construction Loans.

- These associations may not participate in re-financing that returns money to the Mortgagor.
- No Officer of the S&L may serve on the Board of Directors of any S&L.
- No member of an S&L Board of Directors may serve on any other S&L Board of Directors.

The validity of these requirements was irrefutably established by the demise of the earlier S&L system. Therefore, any modification of the constraints must be highly scrutinized and made extremely difficult to modify.

The intent of this plan is to reestablish and provide equilibrium to the housing market – to mate the propensity to save with the demand for housing. Forgoing immediate gratification for one's future wellbeing and retirement is not a natural propensity for the majority of people. Benefits from savings sufficient to induce forbearance of immediate gratification and the long standing amortized mortgage, serves individuals well and thereby society. The encouragement of ever increasing equity in housing is a fundamental goal.

Once re established, the S&Ls will be available to exchange First Mortgage Loans for deposit accounts. Now, such Government Agency bonds Notes may be disassembled and exchange with the S&L of the nearest Zip Code for a deposit account.

Here is further explanation of the benefits resulting from the Personal Estate Trust Accounts as they replace Social Security (SS)

Personal Estate Fixed Investment Trust Accounts (PEFITA) makes possible this solution to the SS problem. The current fifteen percent or so of an employed person's production is allocated to SS. Had those funds been invested in PEFITAs and Fixed Trusts since 1936, beneficiaries would be receiving far more, after two or three generation of accumulating wealth, than they are currently from SS. With a diversification of 30 or more companies a total loss from the demise of one company would result in a loss of 3.3% while some issues would increase hundreds or thousands of percent that would have been prematurely liquidated. The SS structure could be modified in a manner that would cause it to morph in to a system of required deposits to PEFITAs solely. When a person started paying SS the

first year's payment would be 100% to one's PEFTIA. Thereafter there would be an annual decline of two percent to the PEFTA and a commensurate increase to SS.

At a point where the required rate of savings deposits to the PEFITAs would provide the capital requirements of the economy the required rate of saving will be adjusted lower to maintain a yield of equal to 3.5% + the (secured) loan default rate + the inflation rate. As the PEFITAs become the main supplier of Capital investment, when the demand for capital investment rose above equilibrium, the yield rate of return on PEFITAs would rise above the desired rate of return. To acknowledge and accommodate this greater capital demand, the rate of required savings deposits would be raised to maintain the supply of Capital in equilibrium. At a time when capital needs were lower, the reverse would be imposed. (See PROSPERITY FREEDOM AND ORDER for further development.)

Social Welfare Problem

Disbursements from the National Fixed investment Trust will cause all Federal social payment to be commensurately reduced.

As a result of the PEFITAs, individuals and families will, over time and generations, become ever more financially sound as their forced wealth accumulates and their resulting personal incomes grow. Existing Safety Net programs will gradually be replaced by the income from the PEFITAs.

An end to ***Irresponsible Procreation*** will do wonders for the physical and psychological wellbeing of children, and eventually the resulting adults as well as the social chaos it ferments. Combined with PEFITAs this will ultimately end a need for Social Welfare. (See PF&O)

Wealth and Income Disparity

With the extreme restraints placed on the creation of debt securities financing and as the PETA replace the credit market as should be required (see PF&O) and becomes the main supplier of capital, wealth will become distributed more evenly accosted the entire population. The innovators, who in previous times could create capital out of thin air retain all or most of the benefits of that which the capital earned,, will now have to include the true creators of capital – the savers. The creators and entrepreneurs will always be able to create a path to receiving appropriate reward for their work, exceptional abilities and efforts, they just won't capture all of it. While wealth will always be unequal resulting from the disparity of human intellect, discipline, initiative, good fortune and misfortune, the wealth of a growing economy will assuredly include all the population. Inequality is an

inevitable, inescapable condition of humanity. To teach anything to the contrary does irreparable and inexcusable harm.

Boom and Bust

In an economy built upon ownership (equity investments), gross disequilibrium will be avoided. It will avoid the disruption caused by mass defaults, bankruptcies and foreclosures. Credit exploitation and stock market leveraging abuses that foster inflated evaluations and perilous financial structures that produce Boom will be avoided or at least greatly diminished avoiding the Bust.

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