

## [draft]<sup>1</sup> EXECUTIVE ORDER<sup>2</sup> – RESETTING ECONOMIC BALANCE

By the authority vested in me by the Constitution and the laws of the United States of America, in order to halt the present world deflationary spiral and reset the relation between financial obligations and capabilities, for the purpose of promoting the safe, lawful, and humane treatment of individuals and businesses needing a stable relationship between earnings and financial obligations, following the code of fiduciary trust known as the “prudent man rule” and to assure that the joint and mutual laws and trusts of the United States can be faithfully executed,

I hereby order as follows:

Section 1. As of the close of business yesterday, the recognized financial value of all existing debt obligations are discounted by [say 75%] for recently created debt and less as scheduled below, for all remaining obligations created after [say 1970], in order to bring the financial economy back in line with the physical economy. Transactions in progress or to be reconsidered may be adjusted by agreement and in the interests of all parties involved. As a necessity for the function of the world economy this same policy has been adopted by a community of cooperating nations to be enacted jointly.

Sec. 2. Definitions. As used in this order:

- a) "debt obligations" - written or implied contracts or obligations for repaying money with interest other than direct physical transaction costs.
- b) "financial economy"- money information about the physical economy
- c) "physical economy"- energy processes used for creating and enjoying goods and services
- d) "prudent man rule" - the principle that money managed by others will respect their
- e) "joint and mutual" trusts - rights or obligations of either natural law or legal statute which all are obligated to recognize in the common interest

Sec. 3. Circumstances & characterization:

Resetting the game of money, because we misused and broke our life support system like a toy Money needs to be treated as information about the physical wealth an economy can produce, but has been treated as a game of multiplying obligations far in excess of the wealth economies actually generate. You could say the game was won, and the score needs to be

---

<sup>1</sup> The original proposal with notes and comments are at [www.synapse9.com/issues/reset\\$.htm](http://www.synapse9.com/issues/reset$.htm)

<sup>2</sup> modeled on E.O. 13491

reset, to rescue our physical economy from collapse. We have all been treating our ability to multiply the markers of wealth to make impossible obligations for others to produce wealth.

It's possible to measure how far debt obligations grew by unproductive compounding beyond the real economy's ability to pay them. Because the responsibility is so widely distributed the average distortion of debt is a good guide to reducing all debt obligations at once. It also makes it possible to define a simple rule that could be put in place quickly, to get ahead of the deflationary spiral and remove the toxic obligations that are causing it. Relieved of its excess burden the system can right itself quickly and naturally, and the dismantling of its institutions prevented. Then the transition to new technology and a new understanding of money could begin without further delay and waste of resources. It's the right general solution to get ahead of the deflationary spiral in deflating the excess debt.

The problem is with the global financial markets and how everyone has been using money. It's a very widely distributed responsibility that calls for a swift and equitable general solution. Most of those whose wealth was growing exponentially without proportional effort, in a world where we all know there is "no free lunch", knew there was something wrong with that. This order has been discussed with various experts and preparations for coordinated action with other agencies and countries are being developed. The hazard is that we are actively dismantling the physical design of our life support system. The normal need to honor financial obligations despite normal physical realities was abused.

Some interests and some countries may negotiate adjustments for need or preference. I feel I have succeeded in arriving at a sufficient consensus on this approach to be comfortable that such exceptions of mutual advantage could follow rather than lead the decision to halt the enforcement of the unrealistic financial obligations that have developed. One such special interest may be the life savings of people for their retirements, that are one of the important places that the unrealistic accumulations of obligations for others have been accumulating. It would seem that this order gives an advantage to those who took on unwise debt and penalizes those who thought continually accumulating unearned income was good for themselves and everyone else. One would also need to consider the interests of people who did neither, who didn't live by debt or compounding promises, but saved from their own actual earned incomes. A society is a shared risk and obligation and we should not needlessly disadvantage anyone.

#### Sec. 4. Means of targeting the reset values

To measure how far unreal financial obligations exceeded real earnings capabilities we measured

and compared their divergence in various ways and came to a judgment as to the scale and shape of the figures in the table of reset values. One might compare GDP and earned income curves, for example, and see that they began to go in opposite directions around 1970. Using that as a measure of the reset values, the implied mark down in the value of debt obligations made after that would be the proportional amount of the divergence. The technical detail is to set measures being compared to scales that make them equal at the point chosen as when they started to diverge. That usually the turning point from growth toward climax in one of the curves or it's rates of change.

If to bringing obligations back in line with capabilities means reducing all debt by 75%, then a creditor holding \$100 in obligations from others would end with \$25, and a debtor with \$100 of obligations to creditors would end with \$25. Credits equal debits.

Sec. 5 [draft] Table of reset values

Dated on or after	Mortgages	Govt. Bonds	Corp. Bonds	Other Fixed Debt
1/1/2009	75%	75%	75%	75%
1/1/2008	75%	75%	75%	75%
1/1/2007	70%	70%	70%	70%
1/1/2005	60%	60%	60%	60%
1/1/2000	50%	50%	50%	50%
1/1/1995	40%	40%	40%	40%
1/1/1990	30%	30%	30%	30%
1/1/1980	20%	20%	20%	20%
1/1/1970	10%	10%	10%	10%

Sec. 6. Implementation Task Force

(a) Establishment of Special Interagency Task Force. There shall be established a Special Task Force on Financial System Adjustment.

(b) Membership. The Special Task Force shall consist of the following members, or their designees:

(c) Staff. The Chair may designate officers and employees. The Chair shall designate an officer or employee to serve as the Executive Secretary of the Special Task Force.

(d) Operation. The Chair shall convene meetings of the Special Task Force, determine its agenda, and direct its work. The Chair may establish and direct subgroups of the Special Task Force, consisting exclusively of members of the Special Task Force, to deal with particular subjects.

(e) Mission. The mission of the Special Task Force shall be:

Sec. 7. Construction with Other Laws. Nothing in this order shall be construed to affect the obligations of officers, employees, and other agents of the United States Government to comply with all pertinent laws and treaties of the United States

Nothing in this order shall be construed to diminish any joint and mutual rights that any individual may have under these or other laws and treaties.

BARACK OBAMA

THE WHITE HOUSE,

[ say..Mar 20, 2009]