

[draft]¹ EXECUTIVE ORDER² – 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 existing debt obligations are discounted by [say 75%] for recently created debt and as scheduled below, for obligations created after [say 1970], in order to correct for the functional divergence between the growth of the financial and physical economy. We have using credit to build up illegitimate promises about our future capabilities. In the interests of being fair and also considerate of those with legitimate need, the schedule, transactions in progress, or those to be reconsidered, may be adjusted by agreement and in the interests of the parties involved through a special settlement process being formed. 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 or returns in addition to 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 the management of money will respect the prudent interests of the owners of money.
- e) "joint and mutual" trusts - rights or obligations of either natural law or legal statute which all people are obligated to recognize in the common interest.

Sec. 3. Circumstances & characterization:

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

² modeled on E.O. 13491

Resetting obligations created by the use of money when they diverge from physical capabilities is possible because money is information about the physical wealth, and exists only as information. People have treated money as our reality, like a game of multiplying obligations, taken far in excess of the wealth economies actually generate. That makes it possible to reset the relationship by redefining the information, 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.


Measuring how far debt obligations grew, by trading among themselves, beyond the real economy's ability to pay them is done by comparing a group of physical measures and making a judgment call. Because the responsibility is so very widely distributed the average illegitimate value of debt is a good initial guide to reducing the illegitimate value of 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. The otherwise necessary dismantling of economic institutions is then averted. Then the transition to new technology and a new understanding of money could begin to be addressed without further delay and waste of resources. It's the right general solution to get ahead of the deflationary spiral by deflating the excess debt ahead of the wave of bankruptcies.

The problem with the global financial markets is with how everyone has been using money to create high returns for trading money, as returns on investing in physical resources, products and services have been declining. It's a very widely distributed harm that calls for a swift and equitable general solution. Most of those whose wealth was growing exponentially without proportional effort knew as we all know, there is "no free lunch", and that there was something wrong with the appearance of having claim to a guaranteed perpetual windfall. This order has been discussed with various experts and preparations for coordinated action with other agencies and countries are being developed. The real harm is that we are actively dismantling the physical design of our life support system because of system wide misinformation about its values. The normal need to honor financial obligations despite normal physical realities is being 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 own retirements, that are one of the

important places where the accumulation of unrealistic obligations for others have been accumulating. It might seem that this order gives an advantage to those who took on unwise debt and penalizes those who hoped that 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 neither lived 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 my advisors measured and compared their divergence in various ways and I came to a judgment as to the scale and relations between the figures in the table of reset values. One comparison was of the GDP and earned income curves, for example, showing that they began to go in opposite directions around 1970. Using that divergence as a measure of the reset needed to balance the physical and financial economies, the implied mark down in the value of debt obligations made after that is the proportional amount of the divergence. The technical detail in making that comparison is to set measures being compared to scales that make them equal at the point chosen as when their trends started to diverge. In most cases that will be the turning point in the rate of growth for one curve, it's point of diminishing returns. graphically: 

If to bring 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 still 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 30, 2009]