Addressing the National Debt

Patrick R Colabella CPA Ed.D
Associate Professor
St Johns University
Jamaica, New York

Abstract

Entitlements and the national debt are two areas of government where the socialists have gained a literal chokehold on the country. Wars and unchecked deficit spending coupled with the unlimited power to tax and a compliant federal reserve system have brought the national debt so high that it severely constrains the intrinsic economic power of the country. The greater the debt the more government programs and defense spending will be limited and, discretionary budget funds along with funds for national emergencies will further rust the gears of government. If the excessive debt issue is not addressed, the entire governmental structure could fall into chaos and collapse. The debt has now reached what some experts feel is insurmountable proportions and the task before us is how to bring the debt into manageable focus. This chapter lays out a master debt restructuring proposal to that end and, in the bargain, supports the notion that the ultimate defeat of socialist programs is an essential part for of the cure of the debt issue.

The National Debt Phenomenon

This is not an issue that is solely caused by the socialists but the perpetuation of socialist based programs like The Economic Security Act are the root cause of the issue. Failure to recoup the cost of foreign wars are key factors as well. Some experts say $24 trillion is a critical debt limit and then default may be imminent, and we are not far off from that plateau. Interestingly, I don't see default as being imminent or detrimental but definitely not acceptable or desirable. When there is the perception that the United States economy has become so constrained that it is crippled and cannot function only then can the value of the entire fiat tumble, and that is not likely to happen in the short term.

The debt debate has raged on and on forever and no one even expected the debt to reach this level without a monumental collapse. Nevertheless, it cannot be ignored as some radical economists think. While most people can't fathom the financial demise of the United States, it is possible but certainly not probable.

A study of the history of Argentina from 1902 to present times depicts the demise of a rather wealthy nation that was literally destroyed by socialists.[1] However, unlike Argentina, America stands in a unique position in that the government itself is the figurative "gold standard" for the majority of the worlds industrialized nations. America now stands as the world's largest consumer and the decimation of American demand for foreign goods would send the world into a protracted depression and literally deflate *all* of the world wide economies. This reality stares every nation friend or enemy in the face and tipping the economic scales would bring worldwide chaos. So it is painfully understood that world has a critical stake in the maintenance of the US economy as the primary consumer and the negative balance of payments statistics[2] bears this out. The emergence of a more powerful consumer is a major concern.

[1] A History of Argentina: Luis Albert Romero http://www.scribd.com/doc/90660044/A-History-of-Argentina-in-the-Twentieth- Century#scribd
[2] The World Bank http://data.worldbank.org/indicator/BN.CAB.XOKA.CD

The uniqueness of this phenomenon stems from America's position cultivated post World War II. The rebuilding of economies decimated by the war was achieved largely by American consumerism and unless there is a cataclysmic world war of the proportions of World War II this central consumer position is easily be replaced. European and Asian economies decimated by world war prospered only when they made goods for the western markets who were the only societies that generated enough disposable income buy them in significant quantities. From that point the world has maintained a protracted dependence on the US markets and there is no other market set to take its place except maybe China. Although now things are slowly changing. This dependency on US demand was the basis for most of the foreign market growth but today and we still serve as the beneficiaries of being the world's largest consumer. This is why our debt can increase to these proportions and we still maintain our pivotal economic position.

NAFTA doesn't work

However, we are being slowly betrayed by our own consumerism. We are now experiencing a breakdown of US production, with factories and labor being exported to countries that cannot yet consume American goods on a par with the United States and may never do so. The North American Free Trade Agreement3[3] (NAFTA) which was intended to prime the pump of foreign consumerism is a both a success and a failure. The U.S. Chamber of Commerce credits NAFTA with increasing U.S. trade in goods and services with Canada and Mexico from $337 billion in 1993 to $1.2 trillion in 2011, while the AFL-CIO blames the agreement for sending 700,000 American manufacturing jobs to Mexico over that time. Over the years, the loss of US jobs to Mexico is only part of the problem. A proliferation of robotics has replaced over 45% of all US manufacturing jobs which just adds to the problem. In addition, many key manufacturing plants that have been exported to Mexico and other nations that rely heavily on robotics as well. Interestingly, this causes us to question as to whether or not NAFTA has actually raised any consumer capability in these countries, noting full well that these countries are largely socialist and the workforce is still underdeveloped. There is evidence of this in the massive migration of illegal aliens crossing into the southern American boarder. If they were doing well by working in US owned factories, then they would not be coming north.

Drowning in socialist programs

It is this cost in US jobs that has a tangential negative hidden effect in that US worker's consumer income has morphed from what used to be his "earnings" to what is now being slowly replaced with disposable "entitlement income"[4] and this income supplied largely by socialist government handouts. The US government literally borrows most of the funds to maintain a large portion of these social payments that are made directly by government subsidy or by the cost to the government of benefits formerly paid by employers to wage earners. This shift is an example of a classic wealth redistribution failure. None of this redistributed wealth produces any sustainable earnings power let alone GDP, and so we are maintaining our worldwide top level consumer status and at the same decimating real economic growth. Real disposable income is becoming *government produced income*. You see this in never ending unemployment benefits, food stamps and other socialist giveaways that support seemingly impoverished minorities. Surprisingly these recipients often game the system. One such program is the earned income credit[5], administered, of course, through the income tax system which is notorious for fraudulent application.[6] So we are faced with a shrinking production based economy and ever expanding entitlement programs like Medicaid and the Affordable Care Act. It goes without saying that defeating socialism will go a long way towards curing this problem but no one has proffered a real plan to cure these system ills and the debt is out of control, until now. Read on.

---

[3] NAFTA https://en.wikipedia.org/wiki/North_American_Free_Trade_Agreement

[4] h Was Your Job Replaced By Technology? There's A Decent Chance You'll Get Hired Back http://www.forbes.com/sites/kathryndill/2014/07/31/was-your-job-replaced-by-technology-theres-a-decent-chance-youll-get- hired-back/

[5] The United States federal earned income tax credit or earned income credit is a refundable tax credit for low- to moderate- income working individuals and couples, particularly those with children. The amount of credit benefit depends on a recipient's income and number of children.

[6] Report: Massive fraud still rampant in Earned Income Tax Credit program By Byron York http://www.washingtonexaminer.com/report-massive-fraud-still-rampant-in-earned-income-tax-credit-program/article/2548376

It is therefore critical for us to devise a methodology for government to systematically reduce and/or maintain debt within manageable levels without the detrimental side effects of cutting necessary entitlements. If we could, we would empower boundless economic growth and help government to consistently engage in productive projects that actually promote economic growth. Only then would we be true to the stated progressive mandate, rather than to have the socialists hammering wealthy and productive people with higher and higher taxes. The key expectation of this methodology is to have sustainable economic growth, by promoting a healthy level of consumerism, but not with handouts, and broadened tax bases that help to avoid deficit spending. Right now we have endless political plans to address the debt issue but none of them make real sense except to cut spending and big government. There is a debt ceiling but the government has continued to raise it making the concept of a debt ceiling a useless exercise in congressional voting. It is a vicious cycle that has brought the debt to $19 trillion.

A change is the philosophy of government debt

To overhaul the national debt, what is needed is a fundamental philosophical change in governmental debt, a change that would likely be at odds with the whole socialist ideology and economic principles. For the government overcome the death spiral of debt, it needs to directly tap into the whole spectrum of private sector economic growth without constraining the free markets and is has to do this without constraining this growth by taxing it. This means that the government must be proactive participant in the market.

The economy is always slowed when the debt markets are disproportionately dominated by the government[7]. This increases the interest costs by limiting the availability of private sector capital otherwise utilizable by the private sector but more important it limits venture capital and other growth type investments. The scope of government's effectiveness in promoting economic expansion is narrowed and efforts to relieve the situation result in higher income taxes that further restrain the venture capital investments, cutbacks in government spending and/or a combination of both. Unfortunately, these measures breed even more counterproductive capital shortfalls throughout the private sector and results in investor entrenchment and stagnation. To fix it, we need a change in the philosophical approach to government debt. One approach would be to treat government debt like traditional corporate debt. While there would be many naysayers to that idea it has a lot of merit. This means that we look at the debt as a positive growth factor and not a negative by product of socialist waste.

Private companies are usually financially leveraged[8] in that the debt is a strategic part of their profit plan. These profit making entities do not borrow money to pay short term obligations or to fund retirement plans for their employees unless there is positive earnings outcome, anything else would be suicide. They would rather borrow money to make money because debt financing is traditionally a viable financing tool to enhance profit by adding marginal growth assets that earn a higher rate of return than the cost of capital. The government does not have that capability but what if that was possible?

Managing corporate debt is risky at times, like walking a tightrope. Excess debt problems occur in private business when other obligations or shortfalls in revenue collections impinge on debt service. This often causes borrowing capacity to dry up but in the case of the government, neither of those problems exist because the government just prints more money and raises the debt ceiling. If that sounds stupid and short sighted, it is. What is worse is that there is no market or borrowing limits that naturally check the over use of debt.

Short of bankruptcy, private sector businesses cure solvency ills by reorganizing their capital and debt structure. This may call for infusions of equity capital from investors or a combination of restructured debt covenants, the goal at all times being to service the debt with the expectation higher profit growth, the alternative being default and bankruptcy. While this is viable financing curative methodology, in the government's case, there is no such thing as "financial leverage," there are no profits, and there is no equity to interact with. Consequently, government is restrained from this type debt solution involving managed equity infusion. The objective in managing the national debt is to create a managed equity position that enables alternative solutions that are liken to private sector debt management.

[7] Government Debt and Economic Growth - John Irons and Josh Bivens | July 26, 2010

[8] Financial leverage is the degree to which a company uses fixed-income securities such as debt and preferred equity. The more debt financing a company uses, the higher its financial leverage. This capital is used to earn a greater rate of return on than the cost of the capital.

Create global equity market

In reality, all citizens of the United States can be viewed literally as equity holders in the corporate United States and, that may be just the key for a lasting solution to the insurmountable debt problem short of default or varying episodes of quantitative easing. The underlying goal with this approach is to use the equity position to induce greater private sector profits and to expand free market international capital base, and reap a larger return than the tax revenue base can produce. Ideally the idea is to generate a market base global cash flow revenue stream to run the government and hopefully create surplus funds that would pay down the debt.

The problem is that the government, socialist or not, never reduces the debt or even addresses the function, they just keep spending and the economy hemorrhages deeper into debt. In an effort to gain control over the budget they abuse the tax system and stretch their power to tax to unchartered limits. By rigging tax credits, manipulating rates and by adding new hidden taxes they further constrain the economy, in particular the wealthy taxpayers. As a result, the middle class is denied the opportunity to venture capital that was seen in the late nineties that sprung the dot com boom. If it all seems like an exercise in futility, it is. You eventually come to the realization that the income tax system itself is actually the real poison to any economic recovery. Sadly, the quest to manage the debt and induce economic expansion fails and neither debt reduction nor managed economic growth is ever sustained!

Summary to overhaul the national debt

It would take these major initiatives:

- Directly reduce the national debt by creating and marketing an interest free derivative security that taps into global economic growth that can be traded on the worldwide market.
- Link US government securities with private sector international growth by using the US tax system to service the distribution of the derivative security and promote debt liquidation capital infusions.
- Restructure the national debt into smaller manageable components by identifying the debt associated with the programs they are supposed to service and the assets or entitlements that a portion of the debt supports. In this way government and the people would know what their entitlement really costs and how bankrupt it really is,
- Identify and scientifically quantify the negative and positive growth factors9[9] in the economy that are affected by the program and entitlement spending thereby avoiding the negative factors and seizing on the positive factors

Accelerate federal tax revenue to create a block of equity in the federal government

In order to create managed equity positions, outside capital must come out into the market. I believe that such capital is available by prospectively accelerating tax revenue into the system and apply it directly to reduce the debt principal. This can be done with an interest free derivative security. For the government this would immediately yield back a portion of the current interest cost on a portion of the debt It can yield a higher return if a derivative security serves to induce the private sector markets to advance the government funds into a restricted government sinking fund that is contra to the debt that is invested globally.

Advance collection of tax revenue by choice instead of by demand through higher taxes will have advantages for the taxpayer as well as the government. The government can offer tax incentives in the way of premiums to taxpayers to invest in a new government security. The issuance of these securities creates a block of accelerated tax revenue and stabilizes interest debt costs while reducing the debt. The fund would be invested domestic marketable securities and foreign entities that profit from US consumer dominance. *The overall effect would be to participate in managed worldwide markets creating cash flows from offshore businesses.*

In order for this to be accomplished, the block of accelerated tax revenue must be generated and maintained by the government, interest free, until the needed levels of debt reduction or control were to be achieved gradually through interest savings and investment gains on this *accelerated revenue sinking fund*. This is not unheard of when bailout measures in 2009 were introduced and the government held an equity position is auto manufacturers.

[9] Negative factors would be to identify and quantify the opportunity costs associated with a failure to fund necessary and prospective government projects. The positive factors are the qualitative and quantitative factors that come from having a government surplus.

Alternatively, using this model will convert "interest bearing" debt to "interest free" debt for a short time, and be used as financial leverage investments into American businesses as well as foreign free markets. The difference is that the fund will not have the socialist leverage that the government used to manage the US economy.

The American taxpayer as well as foreign investors would also have the option to take positions in this security and operation of the fund will be by private sector independent advisors that rotate biannually. In order for that to happen the tax system must provide clear incentives. One way is to offer taxpayers the option to purchase a deferred tax asset in the form of this derivative security. *Actually the marketing of a deferred tax asset at a discount creates the incentive*. Further benefits come from the strategic trading of these securities to enable management of the taxpayer's tax liability.

The effect of accelerating tax revenue may seem at first carry severe consequences. It would appear that the government is mortgaging future revenues. It also seems improbable to borrow interest free to fund debt reduction plan or to create and maintain any government sinking fund in any market. It can be done by trading premiums and discounts inherent in each security issued to each type of taxpayer. Borrowing against future revenue in this manner can be a prudent viable course if the taxpayer first accepts a transient responsibility to holding an equity position in the free market that the taxpayer operates in and profits by. Secondly the taxpayer recognizes the vast personal benefits that may be derived from the process that would be thinly spread throughout the market and offer untapped benefits.

In summary, simple stated, the government borrows future tax revenue interest free from its citizens and outside investors. It builds a block of investable capital that is used to either pay down debt and invest in the economy.

The Citizens benefits in several ways:

- First there would be a greater amount of debt capital in the market available to private enterprises and this would result in GDP growth, venture capital investments and of course create more jobs. And;
- the citizens (all productive citizens and corporations) provide the capital and share the investment gains of trading the security and the income from the sinking fund, yes income.
- the key is to have strict rules of investment in that the fund: cannot be a market mover and that the fund cannot retain a controlling interest in any venture with the possible investment in foreign enterprises.[10]

The investment in this security should be considered a ***risk free*** and classified as a current asset on investors' balance sheets. There may very well be an appreciation of value in these securities and that would be reflected in a mark to market of the position and reflected in the current earnings of the corporate holders. This cannot fail unless growth radically reverses but slower growth can still be addressed through Federal Reserve monetary policy. However, I do not hold Keynesian economics in any high regard in the modern era.

One other benefit derived could be that, if the government does not balance the budget, and the deficit must be funded, the unfunded budget becomes a newsworthy issue. Using this security to fund the shortfalls on a program by program basis can have significant advantages. One in particular would be to create possibility for benefactors to be preferred equity holders in the program. The possibilities are endless for creative financing and this leaves the door open to political solutions to funding issues. Since the government has not had many surplus years, this might be the norm and this would completely revamp fiscal budgeting.

This is surely more palatable than a direct tax increase which the taxpayer can never recover and less economically detrimental than spending cuts which stifle expansion by robbing capital from the open market. The citizen stands to gain indirectly with fuller employment and greater free market opportunities. There would be more venture capital in play and this allow for small business expansion. Each major government entitlement program is for the benefit of a group of citizens. Medicare targets older citizens' medical costs. Stepping back from it, the system is nothing more than a large insurance company, which should be operated profitably. The income, the costs and debt associated with that program should then be clearly disclosed. Efforts to deal with the debt associated with the program could take many forms and be the subject of future books.

[10] Like Toyota, BMW, and foreign oil. In this way the fund boomerangs a portion of negative trade balances This enables the US citizen to participate in foreign profits and directly use those profits to manage their tax liability or the national debt.

Citizens can systematically yet profitably fund the government for the first time ever. Note well that I am just not passing the hat but I am proffering that the government create a new government security market of preferred stock options or convertible debt. Consider the rationale that the current generation and existing corporations are actually the nation's creditors (excluding foreign holders of debt for the moment). It is not unreasonable that these constituent beneficiaries of the free capital market should take an "equity position" in their country and this could be done program by program. The point can be argued, that the citizen beneficiaries actually owe the debt to themselves and it is, in substance already a fixed income equity security like preferred stock but the stupid thing that we do is tax ourselves to pay ourselves interest. How dumb is that?

The government derivative securities

The government would issue a new security to open a market for everyone, including foreigners, who would have the opportunity to buy these securities with some or all of these features:

- Issued for specific government venture (Medicare, Social Security etc.) or,
- Issued for a limited period of time,
- Proceeds added to an investable sinking fund
- Contra to the US debt,
- They would be callable at any time,
- It pays a yield through the US tax system as a credit against any tax current or future tax and;
- Could be discounted or sold at a premium by the government using a higher than face redemption value.

<u>What would we call them?</u>

These are derivative financial instruments and would be called a Dretacos,
<u>(Debt Reduction Tax Credit Options)</u>.

They would have key features to Dretacos:

- First key feature of this security must be that the government is *legally obligated to use the proceeds to fund a national debt amortization payment (current amortizable debt) or in making a sinking fund contribution, otherwise they are useless*. *In other words, they cannot spend it but rather only pay down the debt or invest the fund*.
- Taxpayers could purchase Dretacos at an issued discount like Series E Bonds as an investment to manage their tax liability or as part of their equity when they subscribe to particular a government program.
- Ideally certificates would be redeemable 36 months from the date of purchase but transferable not less than 90 days subsequent to purchase. If the taxpayer should die within that 90-day period, the certificates are forfeited giving free revenue to the government with the possibility of expanding the unified credit for estate taxes. For some readers these forfeiture features may seem unfair. However, consider that full forfeiture appears justified as when social security is forfeited by a taxpayer's pre-retirement death.
- Dretacos can be issued via a taxpayer optional purchase at the time the taxpayer files their tax return giving limited availability to the trading markets. [11][11]
- Although transferable bearer bonds, the instruments must remain restricted to paying taxes or other obligations pending before the government (e.g. back taxes). Thus a taxpayer may discount a current tax assessment or government purchase. Syndications and other investment offerings may also involve strategic purchases of Dretacos. It is probable that these instruments can be part of after tax investment performance projections in planning future taxable events.

The taxpayer would effectively retain an equity position in these instruments for a mandatory time and then options could be exercised after the mandatory holding period say three years. Dretacos could be used to retain tax revenue for a three-year period without paying any interest of the obligation. It would work like so:

[11] Note that the constitutionality of a mandatory purchase by individual taxpayers and corporate taxpayers has been ignored for conceptual purposes; presumably the necessary amendments to accommodate the system could be made as was the income tax itself.

- Taxpayers due refunds can be given the option of taking a Dretaco, issued at a premium, in place of a cash refund. For example, a $1,000 refund would turn into an $1,100 security that is exercisable against any tax liability three years hence.
- The security is transferable and could sell at a haircut discount say $1,025
- The taxpayer cashes in and gets a premium of $25 on the sale.
- The buyer now holds a security exercisable at $1,100 which he paid $1,025 for
- The effect is that the original taxpayer bargains up his tax refund and the purchaser discounts his future tax liability
- Any of these options would be traded on the exchanges and would be free to find their own value so premium and discounts will find their own levels

Dretacos would be transferable as bearer instruments (with the exercisable vesting rights attached) and carry a right of offset to any tax liability in a succeeding tax year, say three years hence or they would be redeemable for cash by the government (callable). Dretacos would also be subject to expiration like stock options. The exercisability and expiration date would be strategically set for ease in market trading. The ease of transferability is intended to afford the taxpayer the option of immediately recovering all or part of his investment when needed, albeit at a discount, by selling the unexercised certificate should he chose to do so. Alternatively, the taxpayer may simply hold the Dretacos for exercise against future taxes but earning no interest except for the discount. The face amount may be exercisable against a tax or redeemable in cash at a later date.

The taxpayer may alternatively choose to market these options at a discount but this discount is likely recovered through reinvestment of the sale proceeds. Basically, you are actually selling tax credits. The taxpayer who sold the options at a discount may also re-enter the open market to repurchase exercisable options at a time when his original options would have been exercised or at any time where he needed to pay a tax. In this way the taxpayer would achieve and experience the following results:

- Effectively lend the government these funds for a period say three-years, interest free
- Exercise the option and not be out of pocket for the interest at the end of three years,
- forfeit the entire investment if not utilized during the redemption period (so he would have to market the Dretaco to get any value at it),
- recover a portion of the investment if it were not exercisable in the future,
- discount his future tax liability by recovering reinvesting his sale discount and purchasing exercisable options at a discount and;
- holders of record may participate in any sinking fund investment gains distributed as a dividend.

To be able to do this for a given period of time will in time will actually provide the government quantifiable *financial leverage* and block of investable funds that can be used for any national expansionist effort in which the citizen actually participates in and prospers, like expanding the interstate highway system or the space program. My own preference would be toward developing a bulletproof electric utility grid or a Star Wars like defense system to render nuclear arms useless. The Dretaco program could be used for an advanced highway system that constructs high speed monorails as an alternate means to air travel between more local cities. There could also be other national programs that would develop technologies that keep the US at the apex of technology curve. Just imagine being able to get dividend checks from the government that can be used to offset tax burdens and other payments.

Apportioning the debt for greater transparency

The stark reality for all citizens is that governmental debt, although created by prior generations, must nevertheless be serviced by the current generation. It serves no purpose to argue where the repayment burden should be but government should make an effort to categorize the source debt. I would recommend the following categories:

- Foreign wars
- Economic security
- Medicare
- Medicaid
- Affordable Care
- Homeland Security (National Guard, FBI, CIA etc.)

- National Defense (Armed forces Maintenance)

It is a problem of the current generation because no matter what we do either we or the next generation will have to deal with it but fixing the cost enables the current generation to be wary of future programs a government ventures that yield more unprofitable debt. Solutions to the debt issue are very problematic as we have seen so far because they all intrinsically involve private sector resources in some form or another

Debt and the tax system

One important task of elected officials will have to undertake is to make managing the debt more palatable by fairly distributing the burden amongst the stakeholders. Most philosophies regarding this aspect of government dictate that the tax system and the Federal Reserve are the vehicles for an equitable apportionment, actually they are not. The tax merely provides a redistribution of wealth that never really gets redistributed and the Federal Reserve supplies monopoly money to cover a redistribution Ponzi scheme. Under the present tax system, fair distribution is often debatable but arguably, most learned economists consider it illogical to espouse any other methodology. The Federal Reserve, on the other hand, has been more successful at least in curbing inflation in a rich capital market. This leads me to believe that an even more direct management of the debt as leverage for expansion can be more of a political reality

Ideally, government's role in a capitalist system is partly to support, but not replace, the sensitive economic substructures that comprise the private sector. Without that support, the government cannot endure. The citizen is really a de facto stockholder, like it or not, in the entity of their government and government's elected officials are the directors responsible for effective government which includes control of the debt. The problem is that bad policy decisions cannot be cured by bankruptcy or merger. Debt payoff or maintenance is a focal issue that if not addressed properly could devastate a country more than would a nuclear attack.

Finally, the Dretaco creates the positive movement of capital in two ways. The first way is by reducing the actual government debt and the second by eliciting marginal capital in a broader securities market. It is also anticipated that these instruments themselves will enhanced growth by creating a secondary capital market and will promote the movement of otherwise retrenched capital. Broader income tax bases are then expected to emerge by effectively whirl pooling the marginal block of capital infused from the private sector and from the debt capital released by debt reduction. This should also offset any possible negative impact from accelerating revenue.

In examining this model it is useful to ponder more simplistic alternatives. For example, what would be the difference if the government merely enacted a tax surcharge for the discounted interest? All this would achieve would be to fund and fuel debt growth rather than debt management. In such a case, capital would not be moved as efficiently through the entire working population the taxpayer has no market options to recover the tax, let alone any discount that he or she would pay in the Dretaco model.

Options market and tax planning

Ideally, the market created for the options would and should accommodate participation by the government and all taxpayers. To the extent such options expire or are recalled at a discount, the government gains the revenue with the private sector market gradually and less painfully absorbing the losses (demographics not taken into account). It is envisioned that government fiscal policy could and should include strategic management of the future tax credit obligation, perhaps through the Federal Reserve System.

Usage window redemptions and calls

It would be expected that the Dretaco would only have a window of usage, meaning that they are usable for only a certain period of time, say 12 to 36 months and then expire. This allows the government to manage outstanding Dretacos while providing forfeiture revenue from expired options. If only 80% of Dretacos will be applied against future tax revenue. This forfeiture possibility created by using a usage window may appear unfair but not more inequitable than alternatively absorbing the deficit reduction burden with taxes which the taxpayer can never recover. A practical application of a usage window may either be widened or narrowed depending on experience and should be part of the government's fiscal planning.

Reorganization of the debt and devising a way to tap into a market solution to reducing the debt is just one idea that can work but the likelihood of getting socialist spending under control only comes with the elimination of socialism. Once the debt well runs dry we will have a catastrophe like the Argentinian demise. Socialism is the key culprit. It has to go!