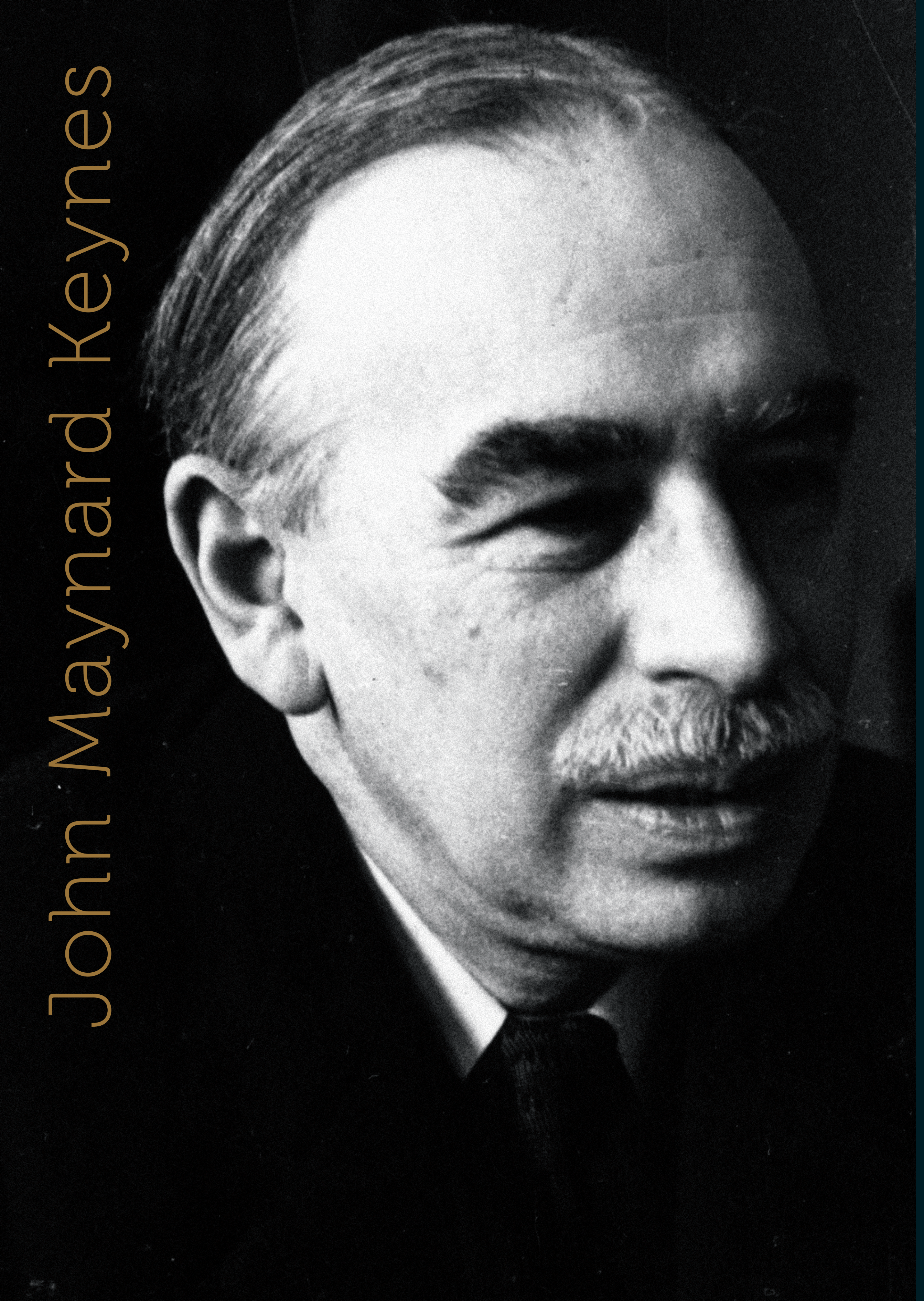
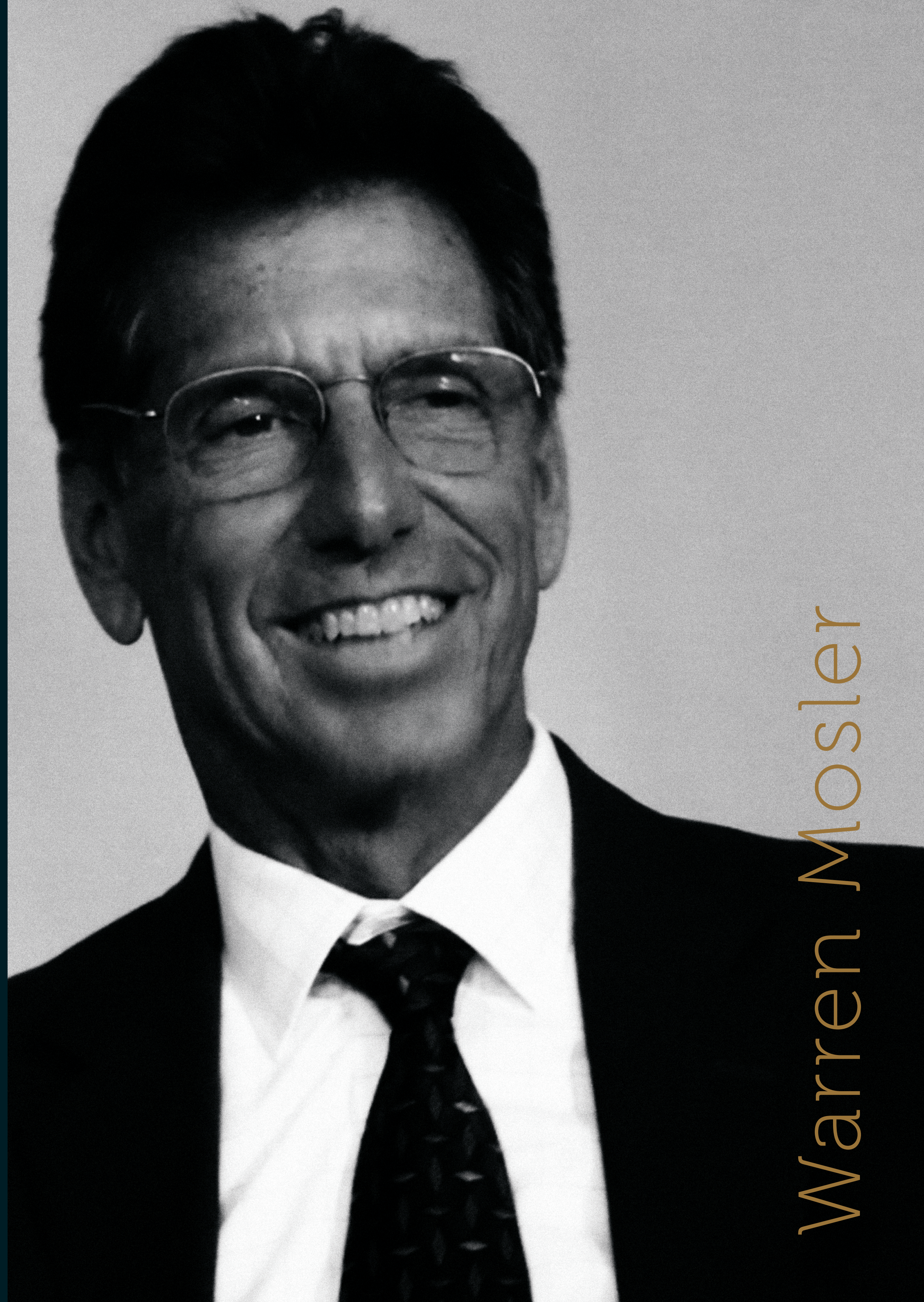


DR. PAOLO BARNARD,
57, is an Italian reporter who specializes in geopolitics, development and macroeconomics. He's been a national Tv personality, was the organizer of the world's largest ever Macroeconomics for Sustainable Development conference in Rimini, 2012, attended by more than 2K specialists. Barnard has authored six books, and given more than 1K talks around Italy since 1994.

DR. WARREN MOSLER,
66, is an American 40 year insider in Central Banking and Monetary Operations, the creator of the ME-MMT for the Public Purpose economic theory, on which he has authored several books and scientific papers. He has lectured at universities such as the UMKC (USA), Cambridge (UK), La Sapienza, Brescia and Trento (Italy), and also at the Canadian, European and Italian Parliaments. He's considered today as one of the most innovative progressive macroeconomists in the world.

[Systemic]

by Dr. Paolo Barnard & Dr. Warren Mosler



The Systemic Mosler Economics-MMT* solution to Third World poverty.

CONSIDERING THE FACTUAL BASIC WORKINGS OF A MONETARILY SOVEREIGN GOVERNMENT.

A Monetarily Sovereign Government (hereafter a Sovereign) is an issuer of own floating and non-convertible currency. A government that runs a peg to gold or to any foreign currency is not monetarily sovereign. A Sovereign is, for all practical purposes, the monopolist of the currency.

A Sovereign issues its own currency by spending it. It does not need to 'borrow' its own currency, and it may do so only after it has spent it. A Sovereign cannot run out of its own currency, since it creates it out of nowhere.

It follows that a Sovereign is never revenue constrained. It spends first and taxes later. It does not need to do the reverse because the money to pay taxes come from government spending in the first place. Likewise, a Sovereign's emission of government securities is never a borrowing operation, because the money to buy those securities come from government spending too.

A Sovereign implements a taxation system primarily to provision itself of all the goods and services it requires, to keep inflation in check and to regulate aggregate demand and unemployment. In fact, unemployment is the evidence that taxation is too high, or that deficits are too small.

A Sovereign's national debt and deficits always add net financial assets to the non-government sector (domestic and foreign) to the penny. In fact governments spend by crediting banks' reserves of the non-government sector. When governments issue securities they credit the non-government sector's savings accounts. It is therefore factually false that a Sovereign's debt translates into its citizens' debt. Quite the opposite.

A Sovereign can never default on its debt obligations simply because it cannot run out of its own currency, and will always meet all payments in full and on time. In fact a Sovereign always 'rolls over' its debt virtually indefinitely, never fully repays it. It can always sustain deficits as long as they are necessary to benefit the economy. Markets are in no position to push a Sovereign into a default.

A Sovereign sets its own rates and is neither market dependent nor market constrained in this operation. It is also in a position to fully control devaluation and inflation, in cooperation with the Central Bank. A Sovereign is for all practical purposes a price setter, especially in the field of national minimum wages.

A Sovereign can spend virtually unlimited amounts until the economy reaches full capacity. Past that point inflation can be a problem and expenditure may be tapered.

A Sovereign can buy anything that's on sale in its own currency, with very few constraints. This includes, crucially, all the labour force within its national borders, meaning all the unemployed persons willing and able to work, thus reaching full employment (via government sponsored Job Guarantee Programmes).

The virtuous effects of full employment on the Sovereign's domestic economy are incalculable if compared to the modest growth rates of today, and will soon spill over to the private sector, stimulating aggregate demand, sales, further employment and private investment.

A Sovereign's real wealth is all the goods and services it can produce domestically, plus all the goods and services it can import, minus all the goods and services it exports. It follows the fundamental principle that a Sovereign's best economy is domestic, at full employment, and producing/importing real wealth as defined above.

The Systemic lift off by Third World Countries out of poverty.

FIRST STEP: The country must be a Sovereign. Thus it will repudiate any peg to gold or to other currencies, and will restore its currency as floating and non-convertible.

SECOND STEP: The country will run sufficiently large deficits in order to guarantee to the population enough financial means to pay all the taxes, to live, and to save as desired, and in order to build all the essential modern infrastructure and public services, particularly public health and schooling.

THIRD STEP: The country will immediately launch a Full Employment Job Guarantee Programme run by the government, where it will offer a job to any person willing and able to work. These jobs will pay a dignifying minimum wage that will be a notch below wages paid by the private sector. The country will also launch a National Free Education Programme run by the government where schooling is offered to all children able and willing to attend class.

Fourth step: The country's Central Bank will run a zero rate policy. The government will only issue bonds with maturities no longer than 3 years.

FIFTH STEP: The country will guarantee all banks' deposits, and will legislate to limit the banking sector's functions to the servicing of the payments system, to the servicing of the depositors, and to lend to businesses, for the public purpose.

SIXTH STEP: The country will tax appropriately in order for the government to be able to provision itself of all the goods and services it needs in order to function. VAT will be eliminated, as it serves to hinder the circulation of the most pivotal components in the economy: real goods and services. The Country's tax rates and deficits will have to guarantee full employment at all times, full State education, full State public health, citizens' ability to save and the purchase of all the national output.

SEVENTH STEP: The country will suppress its speculative financial system (if any), as it is a lot more trouble than it's worth. For limited amounts of time, and strictly for the public purpose, the Country may impose a measure of protectionism for its output of goods and services. Commodities exploitation contracts with foreign firms will be renegotiated by the country for the public purpose.

EIGHTH STEP: The country will repudiate its foreign debt if it is established that it falls within the International Law's definition of 'Odious Debt', namely debt inherited from previous dictatorships. This will lower the nefarious country's obligation to export as much produce as possible to earn foreign currencies to repay its foreign debt.

NINTH STEP: The country will promote a Domestic Food Reliance Campaign, where the government will subsidize local farmers who will switch from export agriculture to domestic foods production for the local population.

TENTH STEP: The country will launch a Skills for Land Swap Initiative where the government will call upon Western fully qualified but retired professionals (doctors, teachers, engineers, nurses, accountants, public purpose economists etc.) to accept positions in the country in exchange for both a local currency wage and the free allotment of portions of land with real estate as place of residence.

***Mosler Economics Modern Money Theory** *encompasses the work of a Century of economics giants such as Friedrich Knapp, John Maynard Keynes, Joan Robinson, Abba Lerner, Michal Kalecki, Wynne Godley, Hyman Minsky, Alain Parguez. It is taught mainly at the University of Missouri Kansas City, with Professors Randall Wray, Stephanie Kelton, Mathew Forstater, and Dr. Warren Mosler who leads the MEMMT schools internationally.*