An anti-crisis concept regarding the fiscal contribution on the side of money, funding and capitalization

Funding by and from taxation
(*revised edition* Funding by taxation 2010)

The tools:

Mixing the Stock Exchange and Fiscal policies
into a cold fusion equivalent
for the contemporaneous economy

or

To set the fiscal features into the stock exchange institutions, and therefore the stock exchange features inside the tax collection mechanism

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Short presentation

Considering the crisis as a critical situation, the concept briefly presented inside the book, will appeal initially to your imagination in order to built the process framework:

- *Let's consider that certain fiscal taxes are paid by the stock exchange infrastructure and settlement mechanism;*
- *Let's assume that the taxation becomes proactive in the wealth redistribution among the efficient industries;*
- *Let's consider a reward for the tax payment behavior leading to a decrease in money laundry and a recovery trigger in the business climate;*
- *Let's use a reliable tool of evidence as of a new funding source in economy: the fiscal certificate;*
- *Let's sustain the companies to enjoy a durable development, being able to become more and more independent against the debt markets especially when the adverse situations are recorded.*

The tool around which the concept is built, is called the fiscal certificate (a tool used for collecting and fulfilling the taxation liabilities). The fiscal certificate is not a security but a trading certificate not bearing interest rates in the favor of holder, and nor imposing the issuer to any payments. Its issuer is the governmental fiscal institution, on the primary market, without any prospectus expenses, at the request of tax payers. The fiscal certificate's *negotiated price on a secondary market, follows the principles of t-bills quotation, and it puts a high importance on the obtained funding coming from negotiation. The certificate acts both as a prove of tax payment, and also as a measurement in the equivalent tax liability.*

The material is a brief description regarding a crisis-proof response by a challenging topic: the fiscal contribution in the economy’s recovery and a better wealth allocation.

The following pages will cover an entire theory regarding the influences upon all participants and markets.

Thank you Lord Harris of HighCross for teaching me to see beyond the general consensus.
Thank you Mr Bernd Kursawe for your guiding questions about the theory.
Also a full appreciation for my family support.

Contents

Resume upon the concept

Historically view: When the people discovered the power of steam and coal the industrial revolution was only a meter of time before starting. In time, the industrial advantages proved to bear the adverse pollution effect of coal and steams But the challenge was solved pretty soon through the CO2 certificates. Nowadays, the same people face the crisis effect of money shortage. The common rule applied by most of decision institutions in limiting the crisis was to adopt the classical measures against the market disturbances. Under such premises, a common question arising is: Could the history books give the answers for not to cure, but to defeat the complexity of current market disturbance? The answer is always positive: “Yes, but look where the money is”.

The following pages describe an individual (maybe partisan) view about the evolution of the capital theory and practice. The evolution way I see, is a response and result of the action demand coming from the market itself, which wants to be protected against the deterioration, by specific capital and liquidity creation ways. Such a solution does not intend to be the forever solution, but it is a natural enhancement for the current free market mechanisms. In fact, the Proposal (a join-venture blend between the tax collection, stock exchange, and financial products) has all the ingredients to become ready and a trustful tool in solving both the fiscal budget allocation, but also the investment timing.

Always, the progress has been created due to the existing challenges and needs. Among the many forms of progress that covered the background of knowledge distribution, it is worth to mention a very simple and old instrument highly applicable even nowadays – the paper sheet instrument. At the moment of its emergence, there were not so many people that saw the paper's future potential and applicability, despite of the high manufacturing cost. But how many of those visionary people were able to see what was to come after the paper sheet support – and I mean here the digital information. Can we know what will replace the digital information technology? I admit that I have no response in this area, but I have a reliable idea and a theory in another activity dimension: the way the free capital economy can **deliver and allocate the money funds where it is right and efficient.**

Taxation has been usually seen as the synonym of the outflows, but almost never as the opportunity of being both an additional funding source for the tax payers, and a tool of a better wealth reallocation for the state budget. The challenge of the proposed concept looking to share and transfer some specific features among the stock exchange and the fiscal system, is a realistic solution for the current crisis situation and the following events.

- Its main contribution stays in the capacity to regain the trust of investors in the central authority capacity of solving the situations.
  - Trust leads to higher consumption and production, followed by investments and lending, and then the circle leads back to trust.

The fiscal mechanism has the opportunity to enhance its macro position among the regional and domestic economies if the proposed changes are applied. This means a better capacity to deal with a higher level of overall taxation on the side of contributors, and the rise of a new business concept being able due to its features to sterilize the inflation pressures, to stimulate the efficiency and performance, to generate jobs and investors' trust, to fight against the funding shortage, and finally to become a new development source for medium and long term.

The concept is built around the next elements:

- a fiscal tool – or the certificate being allowed for trade, settlement, and taxation fulfillment. The certificate is not a security since it does not bear interest rates for the holder , and is not a liability for the issuer.
- a legislation – or a domestic rules package accepting this tool as a way to fulfill the fiscal duties .

- a capital market – or a primary and secondary market where the quotations comes as result of reliable supply and demand.
- an adequate tax – or a fiscal obligation whose fulfillment is related to the concept.
- a settlement mechanism – or a regulated framework where the exchanges are strictly supervised and measured.
- a free market economy – or the tax payers act looking for savings and development.
- a new role for the government – or the acceptance of market's decisions regarding the tax reallocation by the central authorities, while the central and local budgets has to learn how to deal with the new rules.
- a new way to implement the monetary policy – or a new power for authorities to fight against the inflation by those production investments that the market needs.

The concept defines: **a certain fiscal obligation is fulfilled by a tax payer at the moment of gathering all the necessary number of fiscal certificates into a portfolio. After that moment, the holder would be allowed to further trade a specific number of certificates on the secondary market (usually a single-digit percentage out of entire portfolio) at negotiated quotations, generating a competition against the issuer of certificates (the state authority). Once the fiscal obligation is performed, no further acquisitions are allowed for**

that tax payer, but only sale orders of certificates according to previous sentence.

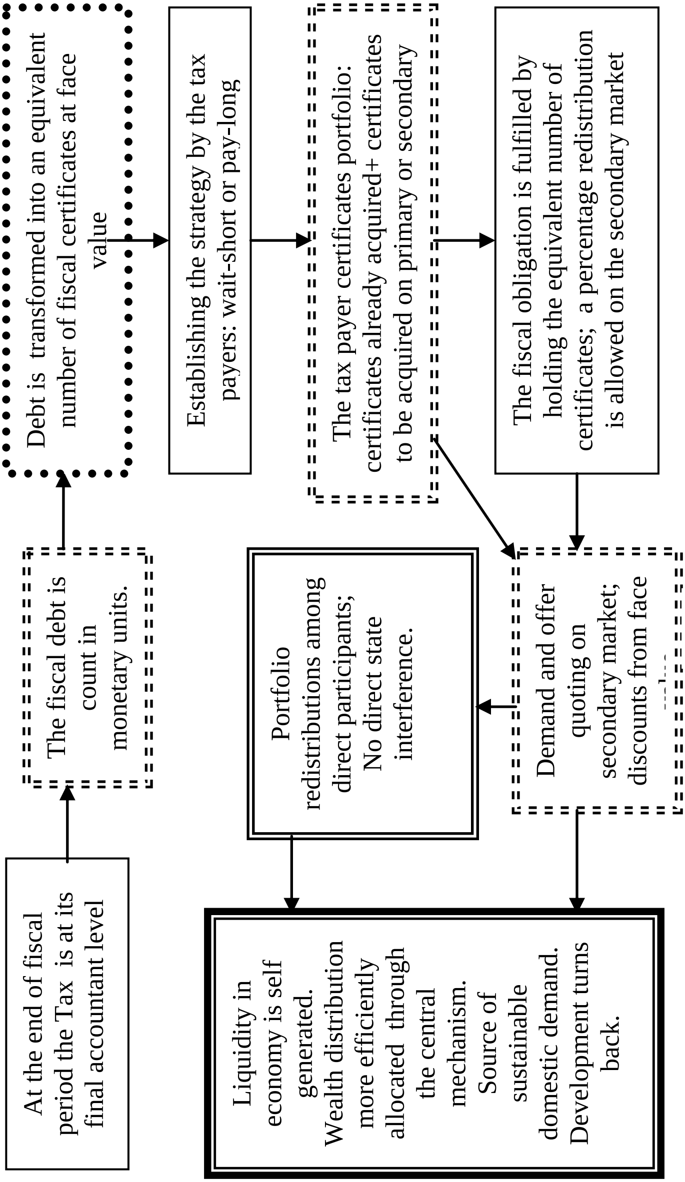
- The number of certificates required to fulfill the fiscal task, is computed using the nominal value of certificate (as established by the domestic rules).
- The issuer on the primary market is a fiscal organism, while the issuing value is the nominal one and is non-negotiable.
- On the secondary market, since the certificate's life is limited, the listing prices are quotes as like as the t-bills ones (with discount from the nominal value).

Concluding, the concept searches to transform the fiscal obligations into marketable certificates. Their intrinsic value comes from the economic power in generating wealth. This time the speculation behavior is built around the momentum; besides the historic activity gives the rights to a contributor to participate into such a settlement mechanism.

Briefly speaking, the next chapters follow a structure path searching to touch the main aspects which are generated by the proposed concept:

The challenge - supplies the main core of the concept.
Chapter 1 – presents the evolution of value scale under the influence of progress
Chapter 2 – analyses the current monetary mechanism and the crisis management that was applied historically by other developed economies.

The macroeconomic climate showed that the hardest affected countries were those with economies built around exaggerated consumption.
Chapter 3 - covers the know-how and the features of the proposed concept. There is identified the tax certificate, its role and functions, advantages and disadvantages.
Chapter 4 - comes to present the influence and the calculus in the real economy for those involved in such a reform project.
In the end, some financial appendix were included.



At the end of fiscal period the Tax is at its final accountant level
The fiscal debt is count in monetary units.
Debt is transformed into an equivalent number of fiscal certificates at face value
Establishing the strategy by the tax payers: wait-short or pay-long
The tax payer certificates portfolio: certificates already acquired+ certificates to be acquired on primary or secondary
The fiscal obligation is fulfilled by holding the equivalent number of certificates; a percentage redistribution is allowed on the secondary market
Demand and offer quoting on secondary market; discounts from face
Portfolio redistributions among direct participants; No direct state interference.
Liquidity in economy is self generated. Wealth distribution more efficiently allocated through the central mechanism. Source of sustainable domestic demand. Development turns back.

THE CHALLENGE

THE EQUIVALENT OF THOUSANDS OF WORDS INTO ONE EXAMPLE

The challenge for the capital economies will always be the control in right timing of investment, spending and savings. Since the early years of civilization, the people had a behaviour of management upon the resources as a buffer against for the "dark days". But for every participant the effort to get those resources together with their opportunity costs were different. That meant some "investors" decided to renounce to a part of consumptions, while others had a portfolio of assets bearing yield due to a surplus of resources..

Overall entire human activity is a polluter factor in all areas and history. The tools which the humanity found to fight against that negative factor, varied from penalties, increased taxes, activity limitations, research, switch in resources, allowance certificates. The last one – the pollution certificates, had as the target the limitation of emissions of dangerous substances coming from the economic activity. The certificates came to penalize the polluter, to impose the progress and production limitation, and acted as a certify of future activity permission. Their success is recorded by the growing market worldwide.

Thus if the "pollution" is replaced by the "efficiency and ecology", the idea to reward the *markets being able to develop a clean economic activity is no longer a dream. Unfortunately the efficiency does not always mean a green company, it can be a big polluter whose business is able to sustain a region or an entire economy.*

During my hours spent in the libraries, I understood that it is now the moment for a new macroeconomic tool on the side of fiscal market, stock exchange, investment, consumption, production, and finance. That tool as I saw, should have as features the capacity to locate the money, to reward the performance, to cover the liquidity gap, to sustain the investment and consumption, to drain the surplus, to self generate a market, and to give an important position to the taxation in funding the economy. Just like the history was written into the libraries' books, the current crisis sooner or latter will rise again under different shapes, affected worldwide as it did before. But the society has as duty the innovation and replacement.

The two main classes of anti-crises programs are focused on two different concepts: to allow or not to allow budgetary restrictions and inflation. Each of them generates an opportunity cost. No-meter the applied concept, the political and experts' strategy is to identify the ways the money should be spent and reallocated, but without affecting the future cost of recovery path, since everybody is aware of the momentum of crises.

Briefly description:

- *Fiscal system enhances its collection methods by borrowing features from the stock* *exchange; thus a tax certificate is used whose acquisition/holding proves the fulfillment of a tax obligation in an equivalent face value.*

- *The certificate does not bear a repayment from the state issuer, but it has a limited life period from the moment of issue and is linked to certain (yearly) taxes. More, the tax certificate does not pay dividend (nor interest rate) toward holders, and has an OTC price being dependent on the domestic economy and the negotiated hair-cut.*
- *The tax contributors are encouraged to declare the fiscal revenue due to the fact that on the secondary market it is allowed to resale a percentage of that certificates' portfolio held for proving the tax payment. The contributors recover a part of their fiscal outflows either by OTC redistribution of certificates, or by buying them on the secondary market, cheaper than from the state issuer on primary market.*
- *The tax certificate comes to offer a new liquidity flow by generating diversified sources of funding and a better wealth redistribution than the classic taxation.*
- *A collateral favorable effect stays in the positive return of the investment*