

STEP 1: Un-liquidate Funded Obligations

Any Trust Funds “capitalized” with non-dedicated resources during years of deficit spending were done so by cycling the same dollars through multiple trusts. These balances are omitted from Government balance sheets as they simultaneously represent an asset and a liability; thus, they either don’t exist or don’t materially change the Government’s ability to honor obligations. Purchase this debt in increments of \$0.1 trillion and move the underlying expenses back to agency budgets. As it is proven that there is no material change in our fiscal position, retire all “Trust Funds” without dedicated tax revenues.

STEP 2: Reverse Intragovernmental Transfers

While Trust Funds with dedicated revenues, such as Social Security and Medicare, are mathematically similar to those without, the public’s perception of their existence is much stronger. Redeem this debt in increments of \$0.2 trillion and invest in anything besides “Special Issued Treasury Debt” (e.g., TSP’s C, S, and F Funds). As it’s proven that sustainability increases with a higher rate of return, retire all remaining “Special Issued Treasuries” and guarantee benefits will be paid regardless of investment returns during periods of market volatility, similar to the Government’s willingness to pass Stimulus Acts in periods of economic uncertainty.

STEP 3: Simplify the Tax Code & Close the Gap

Tax all incomes uniformly and restrict the number of itemizable deductions/credits to limit tax code complexity. Index and cap aggregate itemized deductions/credits to a designated number such as 33% of the previous year’s tax revenues, and review and replace as often as the politicians enacting them to reduce lobbyist and special interest group influence. These measures will increase tax enforceability and help close the \$0.7 trillion plus in illegally unpaid taxes (Tax Gap). Use the additional tax revenue to retire debt while also reducing future debt issuances and associated interest expenses.

Have feedback or questions? Please get in touch:

CONTACT: Stephen Paluga, CFP®
SITE: www.watchguardcapital.com
EMAIL: info@watchguardcapital.com
PHONE/TEXT: 480-478-0517



WATCH GUARD
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IMPACT ON INVESTMENT PHILOSOPHY

Want to know how **The National Debt Project** impacted my investment philosophy? See links below to white papers that explain my investing strategies prior to and after understanding the magnitude of our debt “problem.” The only thing I am certain of is that we are investing in an era of increased uncertainty, so we should keep our options open, know what is real and what is fiat, and **invest our time wisely.**

PRIOR



AFTER



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How to “Solve” Our National Debt “Problem”

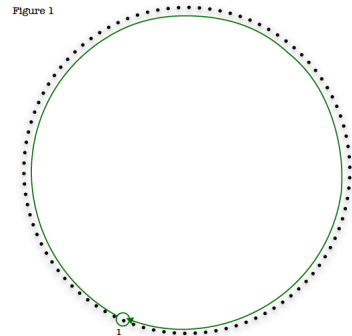
Stephen Paluga

How to “Solve” our National Debt “Problem”

Stephen Paluga
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Imagine 100 people form a circle. Each person owes \$1,000 dollars to the person to their left. It’s rational to conclude that there is \$100,000 of aggregate debt in this system as 100 people * \$1,000 = \$100,000 (Figure 1).

Figure 1



But if one individual (1) received a \$1,000 windfall and paid off all of his or her debt, and every subsequent individual did the same, the entire \$100,000 would be retired ending with the windfall individual receiving his or her original \$1,000 back from the person to his or her right.

If a Government introduced a “Special Issued Dollar” that could only be used to pay down debt, and could not be held or stored for future use, it would cycle from person to person paying off \$1 of debt per exchange and \$100 of debt per lap. After 100,000 exchanges and 1,000 laps all debt would cease to exist. So, if one was trying to “solve” this system’s debt “problem,” would it be more accurate to say there is \$100,000 of aggregate debt, somewhere between \$1 and \$1,000 on a cost-required to settle-basis, or no debt at all?



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INTRODUCTION

In 2019, I started a project to model the entire spectrum of possibilities that could be taken to solve our National Debt problem. Unfortunately, Intragovernmental Transfers between Government Trust Funds share eerily similar mechanics to Ponzi schemes, and additional research invalidated my understanding of monetary theory and a large portion of the investment principles used by the Financial Industry to collectively manage our life savings. Empowered by four years of National Debt research, I finally asked, “what happens if I put the system in “reverse” and paid off “Special Issued Treasury Debt” with equally “Special Issued Currency” that velocity far exceeded the rate of which National Debt was compounding?” When the debt disappeared, I knew I had “solved” the National Debt “problem” but found a new political one. See below for the 34 steps I took during my National Debt Project journey.



VIDEOS & WHITE PAPERS

- 1 Balancing the Budget by Eliminating Tax Deductions & Loopholes
- 2 Myself IOUs (Intragovernment Transfers)
- 3 Balancing the Budget by Trust Fund Optimization
- 4 Where Does Stimulus Money Come From?
- 5 A Tale of Two Eugenes (White Paper)
- 6 The Compounding Military Pension
- 7 Calculating Labor Costs with an Overlapping Generations Model (White Paper)
- 8 Estate Tax Part I: Who Pays Estate Tax?
- 9 Estate Tax Part II: The History of Estate Taxes
- 10 Estate Tax Part III: Estate Tax Return Assets
- 11 Estate Tax Part IV: How to Avoid Estate Taxes
- 12 Estate Tax Part V: The Fix
- 13 A \$3.6 trillion-dollar Idea to Pay for Unfunded Veterans' Benefits
- 14 Optimize the Military Retirement Fund
- 15 Fixing the Debt Ceiling
- 16 Tax Gap Part I: What the Hell is the Tax Gap and Who Stole \$600 Billion Dollars?
- 17 Tax Gap Part II: What the Hell is the Tax Gap and Who Stole \$10 Trillion Dollars?
- 18 Russian Sanctions: Are They Working?
- 19 MMT Part I: The Flaw
- 20 Why we need a Unified Federal Tax System Part I
- 21 Why we need a Unified Federal Tax System Part II
- 22 Why we need a Unified Federal Tax System Part III
- 23 Social Security is an Entitlement Program Structured like a Ponzi Scheme & How to Fix It
- 24 What is Reckless Spending & How To Fix It
- 25 MMT Part II: A Government We Do Not Have
- 26 The Tax Evader Protection Act
- 27 Tax Gap Part III: Top 10 Ideas to Fix the Tax Code
- 28 Ten Reasons the “FairTax” Act Fails Us
- 29 **How to “Solve” the National Debt “Problem” (AEA White Paper)**
- 30 MMT Part III: Variables to Grade Government Spending
- 31 **MMT Part IV: How to Fix It (Video)**
- 32 Scrap the Cap on Social Security
- 33 National Debt Interest vs. National Defense Spending
- 34 **The National Debt Project (Capstone Video)**

