

THE PAIN AT THE END OF THE MONTH

A Discussion with the ‘Yellow Vest’ People

Yellow Vest: We are very interested to find out why you are so confident that the Carob Tree System could help us meet our needs?

MG: Please let’s start by giving you an opportunity to list your needs in as few words as possible.

YV: Here goes: We are fighting for a future which offers us:

- Jobs which pay a ‘living wage’ income and future prospects
- Reasonable working hours
- Respect for our labour
- Reasonable retirement age
- A ‘living wage’ retirement income

MG: Thanks. Your list is straight forward and very clear. Each of your ‘five needs’ requires a viable economic model in order to be realised / provided.

Let me start by saying that small or large concessions which the State may offer you now will not deliver your listed needs. What must be done now is to start a systemic economic change: A systemic economic growth process.

YV: What do you mean?

MG: To a significant extent the reason why so many of the current populations in so many countries are living in fear of running out of cash ‘at any time’, not only at the end of the month, is because our economic model has been hijacked by an incredible level of financial speculation. The power of mathematical algorithms, computers and the speculation in derivative ‘products’ has become the ‘greatest’ economic activity of our time – by far. For example: The global annual GDP is said to be some \$85 trillion whilst the daily speculative activity in currencies alone is said to be \$5-6 trillion. This means that currency speculation on an annual basis could be, say, around \$2000 trillion on its own or some 20 times the total global real economy annual GDP! Amazing. Although for many speculative financial transactions the life span can be

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counted in seconds – each one of them has to be backed by a financial commitment. Most of these financial commitments are made by the speculating parties without any money changing hands. This means that these transactions are based on virtual funds which the parties invent, based on their financial standing and nothing else.

YV: Does this financial speculation create value for our economy?

MG: This financial speculation – the levels which are being transacted – have nothing to do with the real economy. It is casino-style gaming. Every day the financial speculation people are betting the world economy on the tables of derivative speculation. They bet on currencies, on the interest rates, on the stock market, on coffee, meat, wheat, corn, Everything. Think of a big casino table – but instead of the usual numbers we have the food that feeds us, the money in our pocket – and our jobs and our pensions.

YV: Why is this activity allowed to continue?

MG: The reasons are unclear. Possibly, because the lobby of interested parties (conflict-of-interest) is too strong for those lawmakers who may wish to restrict it. Originally, hedging commercial risk was invented to serve needs of the real economy. Hedging was very useful when buying or selling raw materials with long delivery time. Hedging helped global transactions, too, especially currency risks.

YV: Please, the Yellow Vests are not sophisticated financial people. Please explain what we can demand that our governments do now to help us.

MG: Reducing financial speculation requires legislation. The first step could be a new tax to be applied to every transaction – at source. Each party will have to pay it. We could start with 0.1% of the value of each contract, paid by both sides. Or, a bit higher if the introduction of the new basic tax does not reduce the volumes sufficiently. The second step should be to limit the levels of gearing (debt) which is used in each transaction – by both parties. This means limiting the ability of the financial institutions to create virtual money for pure speculation purposes. And no more speculation for their own accounts. And much less for clients. The third step could be

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to limit financial investment to real needs: Hedging could only be done to cover real currency risk and real-economy financial exposure.

YV: OK. But we are here to learn from you how our own lives could be improved by change.

MG: My message so far is that as long as financial speculation is allowed to flourish as the monster at the heart of the real economy of the world, our world will be constantly at risk of a meltdown. This means near fatal or even fatal seizure.

YV: And

MG: To change the quality of your life and that of the majority of the population we need an economic model which is focussed on the development and growth of the real economy: The only economy where at this time – still – the majority of the people are employed, and salaries are being paid.

YV: This is what we desperately want and need ‘living wage’ jobs. We need some kind of job security. We cannot take out mortgages if we do not have a regular job ...!

MG: I agree. The basis for a good standard of living for the individual and the entire population is totally dependent on the level of productive investments in the real economy: Investments which are well managed over time are likely to produce improved productivity and overall greater economic growth.

YV: We are told that the economy is doing well. But jobs are not easy to get hold of or keep – and our income is not sufficient to keep our heads above water.

MG: The ‘secret’ that you are seeking to unlock has very much to do with achieving improved personal opportunity through skilling and much better distributed prosperity.

YV: That sounds better. What needs to be done ...? What needs to be done to get this ‘personal opportunity’ and ‘distributed prosperity’ you have mentioned?

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MG: this is where our Carob Tree System could start re-developing the real economy to the benefit of the whole population and not just the few. Where cascading prosperity is not dependent on transfer payments.

YV: Are you proposing to abolish the ‘Welfare State’?

MG: No. The current economy will continue as is. There is no magic wand. We need time to develop the Carob Tree potential. Hopefully, the appropriate regulation and legislation to curb pure financial speculation will be implemented and strictly enforced. This is likely to divert more resources to the ‘real economy’. And the extra funding will help the economy to grow.

The Carob Tree System is a continuous process which keeps investing very substantial equity funds into important national projects and general economic activity. All the investments are to be made in the national economy in order to generate new value for the benefit of the whole population. All the investments would be made in income earning assets using only the capital provided – no borrowing and no leveraging. None of the investments will be made in the stock market. Each enterprise acquired or established will be wholly owned by the Carob Tree System.

YV: Sounds really promising. But where will the investment money come from?

MG: This is where the vision and innovation of the Carob Tree System is coming into its own. The State will provide 0.5% of annual GDP by way of a grant in order to develop over time a new Pension Pillar. These moneys will be used right away and continue to be used over the long term to re-build the national economy to the benefit of all. The new pension, too, will be paid – when the time comes – to each individual: male and female alike. The 0.5% of GDP means billions of equity investment funds provided every year. New money for real economy productive investments.

YV: Are you promoting the re-nationalisation of important assets? Like the railway system and the utilities?

MG: Well, I am glad you asked this question. The effect of the Carob Tree System will be, that, over time, many nationally important enterprises and infrastructure assets will be owned by the various Super Trusts and not by companies currently

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traded on the stock market. The differences between the ways public companies operate and the Super Trusts were designed to operate are substantial. The time horizon of both private and public companies has become shorter and shorter – for reasons of maximising short-term profitability and management bonuses. However, the best way to build value in most infrastructure type investments is to take the time needed to nurture the assets and the people who work for these organisations. The interests of customers are very important as well. For example: The railways are a very important link in the transportation of people and goods. When the railways fail to invest in their infrastructure and service, the passengers and the economy suffer the consequences. Delays, costs, frustration, impotence. The same applies to roads, electricity supply, water supply, hospital infrastructure, etc., etc. Past experience of State ownership of strategically important economic assets has been totally unsatisfactory – to say it kindly. The moment such important economic activity is owned and operated by the State all the conflict-of-interest situations possible are raising their ugly heads. Costs rise, service quality drops, disruption of service increases, and the State has to pump in huge amounts to cover the growing inefficacy and operating losses. We have been there already. We know how the assets and service quality are destroyed and how much more it costs to operate these vital services.

All the vital infrastructure-type assets must be managed professionally and without conflict-of-interest. Investments in the infrastructure of each enterprise needs to be done with a longer time horizon. And, the business has to deliver a profit – sufficient to allow for future re-investment, as well as, offer a reasonable return on capital employed. This is the way forward. All the while offering value-for-money service to the customers.

YV: Please continue. Is it a re-nationalisation or not?

MG: This is not a re-nationalisation exercise under a different name. The Carob Tree System offers us an opportunity to achieve far more successful commercial and service values from these important assets than either the Private Sector or the State Sector could ever offer. This is our hypothesis.

YV: Is the Carob Tree then a ‘Third Sector’? The ‘Third Way’?

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MG: In a way yes, the Third Way.

The various Super Trusts will in time own many of the assets under discussion. Each Super Trust will have the time required to improve the overall value each asset they own is delivering to the benefit of all stakeholders – including the employees.

Sometimes large important assets could be owned jointly by a number of Super Trusts. This cooperation would increase the ability of the Super Trusts to tackle very big projects and still have balanced and diversified investment portfolios - thereby keeping investment risks low and under control.

YV: This is very exciting. Finally, real progress. Please tell us more about the new Pension Pillar which will make all of this economic transformation possible.

MG: The new pension will be referred to as the 4th Pension Pillar in the Universal Pension System. Unfortunately, not every individual at present has access to three pension pillars. Some do. For those people who, in the future, will not have access to three good pension pillars, the 4th Pillar will be a very important contribution. For some it could be a ‘life saver’.

YV: I agree. What are the current three Pension Pillars?

MG:

- The National Social Security System
- The Employment Related Pension (employee / employer contributions)
- The Personal Pension Plan (where the individual undertakes additional pension accumulation plans from personal savings)

YV: Many of my colleagues are dependent on the income they receive from the first pension pillar and other ‘Welfare’ payments. This is why we are on the roads wearing our yellow vests.

MG: All State provided ‘welfare payments’ are sourced from taxation revenue – whether from direct or indirect taxation. The State Pension, too, is dependent on the state of the national treasury. Same applies to the pensions of State employees. The payroll taxes and contributions are paid to the treasury and used to cover all sort of outgoings. This system means that when taxation income falls short of total State

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spending the difference is financed from State borrowing on the financial markets: National and/or International. This means that when the annual and accumulated budget deficits (as above) become substantial the cost of borrowing rises. Why? Because the risk of failure is greater. And the people 'buying' the national debt (lending to the State) do not want to lose their capital. If the annual and accumulated deficits grow and grow – the time could come when the State could find itself unable to re-finance its debt. It will be unable to borrow to repay the old debt and could be declared bankrupt.

The State could 'print' new money to finance its expenditure, but this action will inevitably bring the currency and the national economy into disrepute and the citizenship will have to cope with ruinous inflation. The rise of the Nazi regime in Germany followed a long and ruinous period of hyperinflation.

YV: What are you trying to tell us?

MG: Simply, that in order for the State itself to be able to have the good 'income' needed to meet its expenditure outgoings - it is necessary for the citizenship to have the skills needed to fulfil productive job requirements. A thriving economy is needed to generate the funds the State requires in order to pay salaries, pensions, welfare, etc.

YV: We feel confused....

MG: Its natural to feel confused. Because, to truly understand the situation it is necessary to understand and accept that everything in the economy is intertwined and interdependent. This means that the State can pay 'Welfare' only when the economy is generating enough taxation revenue. When the economy is weak the overall commercial activity does not generate sufficient revenue. Government employees do not create products which can be sold in the national market or internationally. Much of this cost is allocated to the bureaucracy that keeps the 'system' going. This is important, too, but without the wealth generation by the productive 'real economy' the future is not being optimised. The 'spending' of State employees (the bureaucracy is quite large) and the people on 'welfare' is important – but only a certain percentage ends up in the local economy. Much of what we buy today comes from the global community. This is why we have to strive to have a very productive and growing

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national economy. We need to compete internationally as well. This, too, requires productive work skills.

YV: We hope that we now have a better understanding of the interdependency of the various elements in the economy. But what we want to know is: Why should we demand that our government be obliged to study and implement the Carob Tree System? Please go back to the basics. How will the Carob Tree System work?

MG: The ‘basics’ are very simple:

- The government will provide each newborn with a one-time grant-at-birth of say €10,000. This amount will be accounted for in a new personal pension account opened for each child.
- The €10,000 will be deposited immediately in the name of each newborn (male and female alike) with a new investment vehicle to be invested in the real economy until the respective individual reaches age 70 (first investment stage).
- Every three years a new investment vehicle, we named them the Super Trusts, will be launched in order to act as the trustee for the children born during the coming three years. The Super Trusts will compete and cooperate with each other to enhance overall performance.
- The Super Trusts will operate independently of the State and their Charter will oblige them to invest only in the real economy of the nation and only in income earning assets.
- The Super Trusts are expected to invest and re-invest all their income during the 70 years (first investment stage). No dividend (or any other distribution) will be paid in the interim. All income will be allowed to compound and grow. The Super Trusts are projected to achieve an average compounded growth rate of 5% p.a. net over the 70 years.
- The 5% p.a. net compounded average growth rate means that the €10,000 granted at birth is expected to be valued at €300,000 after 70 years. A 30 times growth or 3,000% in total.
- The combined investment value (capital) of each Super Trust over the years will become substantial and then very substantial. The Super Trusts will be investing in good times and bad times. They will not seek short term profit –

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like the financial speculators of our age. Their investment horizon will be long-term.

- The Super Trusts will make a substantial contribution to the national economy helping to achieve greater operational productivity and greater overall GDP growth. The never-ending investment commitment to the real economy of the nation is the new economic engine for growth which the Yellow Vests should be asking for.
- The Super Trusts will help the desired future personal opportunity and distributed prosperity to cascade throughout society. This will happen naturally through the improved work skilling, operating efficiency and increased productivity of much of our future economic activity. GDP growth will follow.

YV: Did I understand correctly? Is the Carob Tree proposing to give the same Grant-at-Birth to the children of the rich as well? Why? Would it not be better to divide this money to the grant given to the children of the poor? The children of the rich don't need the Carob Tree

MG: There are many reasons why the Carob Tree vision is proposing to establish the pension account at birth and grant the €10,000 to every child born in the country to parents who are formally recognised by the authorities. This would also mean children of people who have a temporary status in the country.

The basic idea is to employ the Carob Tree System as a means to embrace all the children together and create a spirit of national cohesion and solidarity. Each Super Trust will be the Trustee for the grants of hundreds of thousands of children. In some countries to many hundreds of thousands of children. The 4th Pillar Pension to be paid in the future to these children will come from their particular Super Trust. All these children will have an interest in the economy and in the Super Trust system. Even children of refugees born in the country will qualify. Once they get to age 70, they will also be old citizens. If they leave the country their growing grant money will remain in the Super Trust to bolster the total capital amount available after 70 years to the surviving pensioners.

What you suggest is referred to as 'means testing' the financial circumstances of the parents to see if their child would qualify. This means testing has a very emotional aspect for people. When welfare is demanded the respective authorities seek to verify

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that the individual qualifies. This is a tough call. When it needs to be done it is tough. In the future it is possible that the State will insist that people, within a certain income range, but who cannot cope financially, will be asked to undertake specific courses teaching them how to prepare household budgets and learn ways to be more efficient in the way they spend their money – focussing on essentials. Also, learning to delay gratification. But, coming back to the Grant-at-Birth, we understand the value that comes from the act of giving to the child of the better off the money in his/her own right. S/he will be part of the crop of children of the nation. Anyway, the numbers of the very rich is not that large and the amount ‘saved’ will not make much of a difference when divided to a very large number of children. It might also be worth noting that during the 70 years that the child will have lived to retirement the wealth of the parents may have been dissipated. Wealth is difficult to assemble but very easy to spend, waste or lose on bad investments, especially during long years of economic upheavals. The grant money of the better off and the children of the ‘temporary’ will work within the economy just like that of the rest and help create a better standard of living for all. Each and every child and over time the adults living in the respective country will be a proud stakeholder in the real economy of the nation and entitled to receive his/her share in the accumulated capital of the respective Super Trust. All the funds accumulated will be distributed by way of the 4th Pillar Pension from age 70 to death.

YV: Did you say that the Super Trusts will not be controlled by the State? Will the politicians agree to reduce the hold they have over the economy?

MG: The cost to the State will depend on the number of children born every year to parents who are formally registered in the country. The percentage of the cost by reference to the national GDP is not expected to be greater than 0.5% of annual GDP. This means 1/200 of national GDP. The absolute amounts contributed by the State every year will be substantial because the one-time €10,000 per child granted will be multiplied by the total numbers of annual newborn. The size of the overall accumulating capital will allow the Super Trusts to take the economy on a new journey of rebirth and growth. Yet, the 0.5% of GDP p.a. should not cripple the rest of the current economic activity. The Carob Tree cost is affordable, sustainable and productive.

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The Charter of the Carob Tree will define the independence of the Carob Tree System from the State. Anyway, the €10,000 grant money is registered in the name of each child. It is their money – but, it is dedicated to the life-long journey of the Carob Tree as per the Charter. As to your question about the politicians? The voice of the people will be needed. The Carob Tree System was designed for the people of the nation – not for short-term party politics.

Please think about each Super Trust as an independent giant wealth fund which is wholly owned by the children in whose name the grant was registered. If every three years a new Super Trust will be established, after 70 years from the launch of the Carob Tree System we can expect that there would be 24 such Super Trusts -each working hard within the national economy to deliver greater personal opportunity and greater distributed prosperity, as well as, to earn the 5% p.a. net compounded on the total of its invested capital. Millions of individuals will be the future beneficiaries of the wealth being accumulated for them. It will be a first in the history of mankind in the sense that up to now only the very rich could have their own group of investment specialists working for them without extracting much of the value for themselves (the specialists!). With the Super Trusts system every child is a winner. Calculations show that at present the overall cost of managing pension investment programs over the years (never as long as a 70-year period) can reach as much as 40% of the expected final value. The poor often end up with only the basic Social Security Pension and some additional welfare payments. The 4th Pillar Pension is projected to yield some €1850 per month for life – based on the 5% p.a. net compounded and the €10,000 Grant-at-Birth. The annual management charge is estimated at only 0.1% of income (not capital).

YV: How long before the new Carob Tree investments could start creating new jobs? And will they pay us a ‘living wage’ salary?

MG: Right away. We believe that because the national infrastructure has been badly neglected for so long and because housing has been a painful issue for a long time and because so much funding has gone into virtual speculation in financial instruments that the prudent investments made by the Super Trusts in the real economy will start to stimulate productivity and growth very quickly. Improving the work skills of the population will make a very important contribution. Productivity could improve right away. We are hopeful that within ten years the annual new growth will be greater than

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the annual expenditure. The cumulative new growth should already have become greater than the annual cost earlier. But this is subject to economic conditions as and when the Carob Tree System will be implemented. The Super Trusts will be obliged by their Charter to be a fair and considerate employer. We expect them to be able to offer a 'living wage' and career opportunities to their employees. They will also offer an ongoing system for work skilling opportunities. Helping to develop personal opportunity for the keen and hard working.

YV: Although we, the Yellow Vests, want the government to assume more responsibility for our wellbeing, we now understand that if we do not create a new independent productive economic activity on the lines of the Carob Tree, all of us will become even poorer: with the exception of the very rich. Without the new economic growth, the State will be too poor and unable to offer the welfare support programs, either.

MG: This is correct. We need also to remind ourselves that we are facing a few big additional unknowns, for example:

- The State of the international economy and international cooperation
- The impact of technological developments under the Artificial Intelligence banner

YV: Meaning?

MG: Most of the vast numbers of the bloody wars in human history were the result of national economic difficulties (or greed) which encouraged kings and other rulers to attack their neighbours with a view to rob them of their resources. A financial 'seizure' of the global economy (in 2007/8 we were quite close to it) could endanger the degree of existing cooperation between nations. And the future impact of Artificial Intelligence is a great challenge. We can just about work out its potential effect on existing jobs but it is much more difficult for us to imagine which new jobs will emerge.

YV: So

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MG: We believe that the single-minded dedication of the Super Trusts to the real economy of the nation and to the wellbeing of the entire citizenship and the fact that they will be obliged to have a long-term investment and profit horizon will give them an advantage in their ability to create new productive investments. Without the continuous investments of the Super Trusts (new annual grant money and the growing portfolio of productive investments) it is likely to mean that the national economy and the wellbeing of the population would be in a bad state. We are already in a very problematic economic state.

YV: Makes sense: Today everyone only wants the ‘quick buck’. Our people already have to worry about every penny spent – even on basic necessities. What is awaiting us in the future? Who knows. Something effective has to be done now. Maybe, the Carob Tree System is the answer? The Third Way? Will our government agree to invest the money?

MG: The future is very challenging. Unfortunately, politicians are mostly focussed on the next election and their party’s standing in the polls: This preoccupation leaves little time and concentration to attend to the complicated needs of the future. Maybe the energy of the Yellow Vests will encourage them to investigate the Carob Tree System. And then implement it.

YV: What makes you think that our government will yield to a demand from the Yellow Vests to study and then implement the Carob Tree System? Politicians are not known for their reforming zeal!

MG: Unfortunately, you are spot on. Politicians often make promises they know they neither intend nor can deliver. Our concern is that only through strong public demand we have a chance to be heard. Strong peaceful pressure on government, not through violent destruction. Violence will erode the public’s support which the Yellow Vests enjoy at the moment. As far as your question is concerned, my answer is a straightforward challenge to anyone listening: namely, if anyone has a better proposal to make in order to transform the future of the people who are in panic every month because they have only a few coins left, please let them make their voice heard. Professor Piketty, a French economic star himself, has proposed a Manifesto which expects governments across Europe to deliver, each, 4% of GDP and hand the cash to

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a new 'superior' council to supervise the way the money is spent. Piketty also proposes confiscatory tax rates of 80% in order to finance the ideas of the Manifesto. Neither the leaders of Europe nor the entrepreneurs of Europe are going to agree to this format of transformation. Basically, I personally do not know of any other program which could in any way employ as little as 0.5% p.a. of GDP in order to leverage over time the whole national economy, develop personal opportunity, distributed prosperity, work skills, productivity, economic growth, international competitiveness and the 4th Pillar Pension: which is expected to provide every individual of the Carob Tree Generation Children with a new pension from age 70 to death paying something like €1850 per month or over €500,000 between ages 70 – 95. All the above projected success will be achieved by employing equity capital investments in the real economy of the nation and allowing income to compound over the whole life time cycle of the Carob Tree Generation Children. Let the others speak Let the better system win The Carob Tree System is evolutionary in process yet revolutionary in outcomes. I believe this is exactly what the people need, and the State can afford.

YV: We think we understand the logic of providing new equity capital to boost productivity and economic growth. And to have a focus on the long-term. We want a good future for our children and grandchildren, too.

What about the 4th Pillar Pension. Will we be able to benefit from it when our time to retire will come? Many of us are already retired and others hope to be soon.

MG: Very sorry. The 4th Pillar Pension will be available only once the first generation of the Carob Tree children will reach age 70. Not many are aware that Pension Contributions have to be built up over time from productive investment. Very few private employers can afford to pay 20 -30 years of pension income from their revenue. The 'guaranteed' pension system was working when the average retirement period was 5 – 10 years. Not anymore. However, the growing Carob Tree economy and growing individual income, which we expect to come from the improved skilling and better economic growth, are likely to make the funding of current pensions a little easier. The current 'pension time bomb' is going to remain a serious challenge to the State, employers and naturally the individual for the foreseeable future.

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YV: So, the Carob Tree will only become relevant to the Yellow Vests 70 years into the future?

MG: Definitely not. On the contrary - the Carob Tree System will become very relevant to the Yellow Vests from Day One – because it will start to restructure and rebuild the economy right away. The 4th Pillar Pension itself will start 70 years from implementation. All surviving children will be able to expect to receive a monthly income of about €1850 for the rest of their lives. We calculated to age 95. It is based on the assumption that the declining capital base of the respective mature individual Super Trust will continue to earn 5% p.a. net compounded. (This is the second investment stage). The 4th Pillar Pension will offer a Universal Basic Income to the retired Carob Tree Generation Children.

YV: €1850 per month per person? This is tremendous news! Two persons living together will have €3700 per month! Wow. What an additional pension income!

MG: €1850 per month per person is what we expect that the projected average 5% p.a. net compounded growth rate will make possible. This monthly income will be available to all surviving Carob Tree generation persons. Each individual will receive their pension from their respective Super Trust – based on their respective capital accumulation. This projected income is not going to be guaranteed by anyone. The outcome will fully depend on the overall performance of the respective Super Trust over the years. We are all sailing in the same boat. It's one for all and all for one. The hundreds of thousands of future pensioners (invested with each Super Trust) will also have the benefit that all the funds are invested together. Reducing personal risk.

YV: Would it be possible to start paying the 4th Pillar Pension a little earlier? Before age 70?

MG: Sorry. The answer is no. the whole magic of the system is the ability to compound and grow the capital. At 5% p.a. net compounded, the capital doubles every 14 years. This means that after 56 years from launch the total capital of the respective Super Trust will only be 50% of the total capital it is expected to have accumulated by the end of the next 14 years. Think about the magic of €10,000

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growing to provide over €500,000 in total pension payments between ages 70 – 95. Best deal ever. [$€1850 \times (25 \times 12) = €555,000$ or 5550% growth!].

YV: It's a great pity we cannot each have €1850 extra per month now. But, we can understand how the Carob Tree System works. It takes €10,000 and employs it in the real economy so it grows and multiplies over time. Brilliant.

MG: Exactly. In the future, retirement is likely to take place from age 70 – based on current knowledge of the economy. (All subject to AI surprises). All pensions which are not paid from taxation revenue have to be invested and grow over time. The funds which the people contribute to their work place pension plans and private pension plans, have to be invested for growth – if the eventual pension income is to be meaningful to the retired individual.

The formula is very simple: Contributions x Return % x Time = Capital. Each one of these three constituent parts is crucial. With low interest rates our investment returns make it impossible to generate enough of the capital which is used to fund the monthly pension check. As said earlier, in the economy everything and everyone is dependent on each other. We are all rowing the same boat. We are dependent on each other.

YV: The Carob Tree economic transformation and the 4th Pillar Pension are built on the foundations of a proposition that the €10,000 Grant-at-Birth will grow at an average of 5% p.a. net compounded for 95 years. Is this realistic?

MG: Very true. As explained earlier, there are three constituent parts in the current (universal) pension accumulation formula which together are expected to deliver the 4th pension outcome to every individual lucky enough to reach retirement age. Each individual will require an adequate 'living wage' in old age. The elements are:
Contributions x Investment Return % x Time = Capital.

Today in the financial speculation dominated economic model the combined level of Contributions x Return % x Time will not be enough to deliver a 'living wage' income for 20-plus retirement years. At least 50% of the population cannot provide a sufficient level of 'contributions': They do not contribute enough during 50 long years and the investment returns on their contributions are inadequate and certainly unable to compensate for the shortfalls of the other two elements. Investment returns

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paid by pension funds today to the average / below average contributor (certainly during the past 10 years) were inadequate. The net overall growth outcome is also reduced by deductions of management fees, commissions and all other costs associated with frequent buying and selling of equities, bonds, derivatives, etc. Professor Thomas Piketty of France has calculated that whilst the rich have been earning an average of 6% p.a. net compounded, the rest have only achieved 2% p.a. net compounded on their meagre capital. Mr. Warren Buffet of Berkshire Hathaway has earned some 22% p.a. net compounded on capital employed over a period of some 40 years. Berkshire Hathaway is a wealth creation machine owning assets worth hundreds of billions of dollars.

The operational design of the Carob Tree System offers to the newborn, for the first time in human history, the same system of long-term wealth accumulation process which today only very rich families can hope to develop for themselves. This wealth creation will be available to every child born into the Carob Tree generation children. This new wealth building system will only apply to the €10,000 Grant-at-Birth funds. How does the Carob Tree do it? By investing all the funds of each Super Trust together (the Grant-at-Birth of the children born during the 3-year period when each Super Trust receives funding) – so that each child's outcome depends on the outcome of the whole group. Greater opportunity to succeed and lower risk of failure. (Example: In Israel 180,000 children p.a. x €10,000 = €1.8 billion x 3 years = €6.4 billion).

€6.4 billion in equity funds is a very important sum in terms of starting a 95-year long process of building value (as described earlier). The fact that the Carob Tree investments are made for the long-term in the real economy of the nation (not in speculation) and with a view to creating lasting value and not quick profits will further increase the sustainability of the concept. And the viability of the nation and citizenship.

There are very few individuals or families with own investment portfolios of tens of billions of Euros or any other currency. Each Super Trust is designed to become an important value-added institution for the entire nation and the respective children. Current fund managers often charge 1% or more p.a. on the funds under management. The Super Trusts were designed to charge only 0.1% p.a. of the annual income earned. The answer to your question is that we believe that the average of 5% p.a. net compounded return is a reasonable proposition to make at the moment. The Carob Tree System working together with each Super Trust and MaxiLife will do their best

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to adapt to changing circumstances as they materialise. The Carob Tree System was designed to remain independent of the politics of the short-term and conflict-of-interest. This, too, is a great advantage for achieving long-term prosperity and success.

YV: €1.8 billion p.a. is a great deal of money. We Yellow Vests people could use this money to pay our bills. Better give it to us

MG: €1.8 billion p.a. is a ‘big amount’. That is very true. But, when you divide €1.8 billion say by 1,000,000 people, each one will receive ‘only’ €150 per month. It is also true that €150 extra income per month will make a difference for many, many people. Unfortunately, €150 of extra welfare payment per month will be used to pay the bills and not to invest in the economy – to create better personal opportunity and greater distributed prosperity. If the national economy will not be better taken care of by way of prudent investments in infrastructure and employment-providing-activity, the whole wheel of ‘transfer payments’ or ‘welfare’ will come to a grinding halt. All ‘transfer payments’ are made via the State raising income from taxation (direct and indirect) and ‘transferring’ a significant part of it to the people who most need it. The rest of the taxation revenue the State is using to pay the cost of the State bureaucracy (national and local), and provide services such as education, health, security, etc. Very little is left these days to invest regularly in infrastructure and other ways which stimulate the economy. The numbers of people who do not pay income tax and are receiving regular welfare support well exceeds, in each developed State, the 1,000,000 number. Bigger nations have produced a larger number of newborn every year than Israel (in total, not per population) and therefore will allocate annually to the Carob Tree larger amounts than the €1.8 billion of the Israel example. However, in each one of these nations, when the Grant-at-Birth total amount is divided by the numbers of welfare beneficiaries, the monthly extra income is unlikely to exceed the €150 per month – it could very well be smaller.

As discussed earlier, in the economy everything is intertwined and interdependent. The economy has to be strong, active and competitive in order to produce the cash which people pay in taxes. The tax revenue is used by the State to keep the system going – including the ‘Welfare State’. For some time, the growing costs of the ‘Welfare State’ have become unsustainable: They are too large in proportion to the greater economy. This is one of the reasons why the State has a growing annual

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deficit and a growing cumulative deficit – which means a growing debt mountain. This debt mountain costs money. The interest has to be paid to the lenders. The Carob Tree System which will stimulate the real economy to produce more personal opportunity and better distributed prosperity is the only light at the end of a very dark and dangerous tunnel that we are travelling through at this time.

YV: It could be very useful for us to receive the extra €150 every month. It is difficult for us – always with urgent needs – to think about the next month let alone the long-term. OK.

Could you please try to explain to us in a few words how we could convince our Yellow Vest colleagues to chant “We want the Carob Tree” rather than “We want a new government” – for example. We need tangible results now

MG: The Yellow Vests and the rest of the population need focus. We all need better focus.

Any new government will be just as unable to deliver the five focus points which you listed when we started our discussion. We believe in building a new future. Violence is not the way forward – especially if it leads to destruction. It takes a long time to rebuild. It is a waste of resources. And people get hurt, too.

It is much better to give your government a solid and productive way forward with which to satisfy the Yellow Vests movement. We must stimulate the economy first.

YV: We need results. Violence comes from hopelessness. The panic at the beginning of the month, after we pay the big bills, is very real to us.

MG: We believe that the implementation of the Carob Tree System (in full) at the cost of 0.5% p.a. of GDP is affordable and sustainable even in today’s difficult economic circumstances. Moreover, we believe that unfortunately there is nothing else on the economic scene which offers anything as affordable, as sustainable and as effective as the proposed Carob Tree plan: Nor as embracing for the entire population. The Carob Tree Grant-at-Birth will be given to each individual child (rich and poor alike). This will help ease the pain of the rising inequality. The growing funds will belong to the children of all. The economy will rise, roads will be improved, housing will be available, trains will be on time, schools will be built, etc, etc.

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YV: What economic system will emerge from the Carob Tree in time? What will be its politics?

MG: In a democratic system it's the people who vote. The Carob Tree System will not be allowed by its Charter to donate to political parties or politicians. The Super Trusts will concentrate on their investments in the real economy to the benefit of all and to achieve a sustainable future for the nation. The investments of the Super Trusts will be in the 'marketplace' and will have to compete for customers' money and loyalty like every other business. The Carob Tree will not support any economic or political dogma either. The Carob Tree investments in the real economy will help democratic and responsible capitalism work for the benefit of every citizen.

It is very useful to raise at this point the reality of the market economy where alternate periods of economic boom and bust take place. During the boom periods people rush into investments including housing and are glad to pay high prices. When markets fall vast quantities of 'wealth' are wiped out. For pensioners a bust event could destroy the future of their pension prospects. In a market economy it is the individual entrepreneur who decides to undertake new investments. Recessions take place in part because entrepreneurs do not trust the market and prefer not to commit their funds – definitely not to the long term. In the 21st century many entrepreneurs prefer short term stock market 'investments' to longer term real economy investments. The famous British economist J.M. Keynes called the passion for or fear of the uncertainty of the market Animal Spirits. The herd-like swings of passion for buying shares on rising markets or the dumping of shares on falling markets could be said to reflect the ancient 'animal spirit' of the 'fight or flight' decision of the ancestral human.

The 'animal spirit' expression reflects the current situation where investments in the real economy are stagnating, especially infrastructure and big housing projects, because of the attraction which casino-type speculation holds for the individual. The Super Trusts on the contrary were designed to benefit from boom-and-bust cycles alike. The Super Trusts are likely to prune their portfolios and sell assets at good profit during the boom times and buy good assets at reasonable prices during the bust part of the cycle. The activity of the Super Trusts will have some stabilising effect on the intensity of the business cycle: Another advantage emanating from the Carob Tree System.

The Yellow Vests may decide to vote for the political party which undertakes to establish the Carob Tree System. This is your decision.

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YV: Will you agree to come to talk to our people?

MG: We would very much like to work with people, especially lawyers and accountants, willing to prepare the documentation required to approach governments in order to make the Carob Tree process easier for them to understand – we want governments to implement the Carob Tree System – to the benefit of the whole nation. We need to prepare the Carob Tree Charter for the politicians to study.

YV: What about our street rallies?

MG: We are willing to explain the principles of the Carob Tree System – as described today – to the Yellow Vests so that they can explain it to your supporters. We do not believe that a violent revolution is needed for the Carob Tree System to be implemented. The Carob Tree System itself is evolutionary in process yet revolutionary in outcomes.

Good luck to us all. The future is here already. The future waits for no one

YV: Many thanks. We, too, feel good about the Carob Tree System.

MG: One more - and very important aspect – are the skilling needs of the population.

YV: What do you mean?

MG: Already today many employers have difficulty to fill good jobs because the public is either lacking the required work skills or the process of matching skills to jobs is not efficient. This inefficacy badly affects the resources available to pay ‘living wage’ income.

The Super Trusts will fund the development of an Artificial Intelligence driven software program called MaxiLife. The MaxiLife package will incorporate a Virtual Personal Advisor which will be designed to accumulate information about the individual and support his/her personal needs in the years to come. MaxiLife will be free of charge and will never betray the interests of the individual. MaxiLife will help each individual to set out on a life long journey for work skills acquisition. MaxiLife will also help the individual match personal skills to employer needs. Besides employment support MaxiLife will provide guidance as desired by the individual in

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financial matters, hobbies, travel, health and more. MaxiLife will help the interested individual to maximise their life potential. At the heart of MaxiLife will be greater autonomy for the individual. Greater personal opportunity leads to greater prosperity for the individual and community.

YV: Wow. Great. Thanks. We must start the rallying cry right now. There is no time to waste. By the way: What is the meaning of the name The Carob Tree? Why 'The Carob Tree'?

MG: The carob tree is an ancient fruit tree: It was important to the development of the agrarian economies of the Middle East and in ancient Mesopotamia. The carob tree seeds itself (with the help of sheep, goats and other animals enjoying its sweet fruit). The carob is a delicious sweet fruit which can also be milled into flour to be used in baking. For thousands of years shepherds were glad to enjoy the fruit and shade which the carob tree provided with great generosity – even in arid areas. The carob tree is symbol in popular folklore for persistent shared growth and long-term planning. The 'horn of plenty' for the 'simple' people in a way. In other words, for the 'citizenships'. Like the Yellow Vests, seeking, I hope, constructive change. The Carob Tree System will start producing productivity and economic growth benefits from day one. This is the 'constructive change' we must achieve. There is no time to waste.

VY: Yes – constructive change through cooperation.

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