

Mutual Benefit Card/Coupon System

Wealth, development and the MBCS

The MBCS is a government revenue system that has a wide range of applications to national economies. It is not solely a system for helping developing economies and poorer countries. It can apply to developed and advanced economies as well. Indeed in the fast developing global economic order it is prudent to consider that today's economic giants are being challenged by the Asian tigers and need to respond in an innovative and responsible way to the opportunities and challenges of competing for national resources and pride.

No economy can rest too comfortably on its past or indeed its assumptions and this applies equally to economic performance as it does to the way governments collect and use their revenues. According to Michael Porter of Harvard University Business School national economies demonstrate four basic characteristics that differentiate them by stages of development:

1. Factor driven
2. Diversified production base
3. Research and developmental
4. Wealth driven

The above characteristics show the path from dependence on for example extraction industries to the achievement of wealth on a scale enabling a country to derive benefit from its efforts in the form of investments. Of course the above four conditions can be found in any economy at all times. The point made by Dr Porter is to ask what characteristics dominate an economy? What is the relationship between wealth and development?

Another way to order the development of a nation is to look at the issue of quality of life. The United Nations issues a human development index using measures that represent a contribution to the relative development of a nation. It uses broader ranges of measures than economics although the issue of wealth remains a core issue as the richest nations in the world tend to have the highest Human Development Index score (HDI). The table below sets out a sample of HDI scores.

[Table]

The HDI measures not only GDP, but education, health services, literacy, communications, population characteristics and so forth to gain a broader assessment beyond simple money.

Wealth in itself is not enough. How that wealth is used is a key factor in measuring the relative development of a country.

From the MBCS point of view it is interesting to ask if the development stages of a nation's economy influence the tax system in place and its effectiveness. This can lead on to another and equally important question. Can the MBCS be applied to a range of national economies and be more effective?

Richer countries and the MBCS

There is an acceptance in some quarters that the richer a country becomes the more it relies on taxes to initiate improvement in life. The ultimate examples of which are the Scandinavian countries of Sweden, Denmark and Norway. But this is nothing to do with tax policy it is to do with *social policy*. For example the Arab Gulf states currently with the world's highest GDP's are in the main 'tax free'. They do however score much lower on the UN HDI than the Scandinavian nations. How long the oil rich (factor driven economies) of the Gulf can remain free of direct and indirect tax is a moot point given their aspirations to improve the quality of life.

The key issue for all states seeking improvement in life and society is the distribution of wealth and income. In those countries with a higher HDI score distribution of wealth and income is characterized by a large middle class capable of creating real wealth and through taxes funding good education, health and national investment. Middle classes en mass always contribute far more to national economics than the rich.

But is the tax system the best way to forge ahead nationally? Can it be replaced with a new system, more efficient and acceptable? Because there is also little doubt that taxes are unpopular and governments continuously try to balance taxes within the 'social contract' and the wealth available to tax. Indeed in the most advanced economies taxation has become a multi headed monster imposing its presence in many forms including direct, indirect, local

and so called stealth taxes (i.e. Government charges for services). Low tax Governments such as those of Margaret Thatcher and Ronald Reagan in the 1980's were popular but the legacy of these governments in the opinion of many is now evident in serious underinvestment in core public services and infrastructure.

Thus the question arises, how does a government achieve revenue and invest in developing the life of a nation without resorting to the unpopular means of taxation?

Let us take the example of the United Kingdom as a target for radical change in the manner the government collects revenue. Let us also bear in mind that the UK in keeping with the top 8 industrialized nations in the world collects tax post facto i.e. after wealth has been created. The UK does not operate a revenue collection system that actually encourages economic growth.

The UK in profile

The United Kingdom has a population of circa 60 million and its annual government budget is 7.5 billion pounds (2006). Since 1945 every British Chancellor of the Exchequer has had to balance external trade deficits and internal budget deficits against an economy that has at times (1945-1950, 1960-1967, 1972-1982) been fragile.

Collecting taxes has played a major role in the economic fortunes of the United Kingdom as successive governments since 1945 used taxes to regulate economic activity and pay for the country's massive external debts arising from war and a reduction in its trading position. In addition to this and up to the Government of Margaret Thatcher (1979-1990) successive governments were practicing 'Keynesianists' seeing taxation as a means to both regulate and stimulate economic activity. It implied the omnipresence of Government in economic life and the proliferation of state owned industries.

The watershed in government *thinking* came in 1979 with a new Conservative Government elected with a mandate to end the tireless succession of economic gloom and lackluster performance that had prevailed since the end of world war two. 'Free market' economics and minimum government intervention became the mantra of an aggressive and determined administration under Britain's first women Prime Minister. The message

was clear. Remove the restrictions of government and reduce taxes as the incentive for people to embrace enterprise and create wealth.

The period starting from Margaret Thatcher's re-election in 1983 until 1990 marked the turning point for post war Britain. By 1990 Britain through low taxation and the sale of state owned assets had revolutionized the way British people thought about wealth, work and enterprise. This contributed to the resurgence in private and personal investment, home ownership and greater spending by consumers more confident then of the future than for the previous fifty years.

However since 1997 and despite a commitment to maintain a free market philosophy the United Kingdom has become involved in a debate over the Thatcher legacy and has seen successive Labour government budgets set aside albeit indirectly the low tax policy. The United Kingdom although the 5th largest economy in the world is mired in high personal debt, increasing stealth taxes, VAT at 17.5% and fears concerning its competitiveness in the new world order. In addition the Thatcher legacy is being questioned because the blame for the socio-economic dysfunctions of under-investment in state services e.g. health and education services are being placed at the door of her government's period in office.

Let's take a look at the economic position of the United Kingdom.

End of session

The internal loan is 37 billions pounds and external loan is 456 billion pounds. The currency is on float with other international currency and preset rate varies between 1.36 dollars equals to 1.45 dollars per pound. Unofficial unemployment rate is 5% and same amount is living below poverty line. Budget collection varies from 4 to 4.8 billion pounds and expenditure forecast in this year is 7.5 billion pounds.

Need to place the economy in a global context and discuss real issues influencing quality of life:

e.g.

1. Education
2. Home ownership

3. Health
4. Pensions
5. Law and order
6. Europe
7. Taxes

For the MBCS to work in the UK it must provide advantages to the middle class.

As for the poor the issue is they will always be with us. The poor are always outside the tax system anyway. But they do place a burden on it!!

The MBC System is devised to remove poverty and ultimately economic depression [Economic depression arises from poor quality investment or lack of economic vitality. The tax system does not always cause depression or prevent it e.g. Keynesianism) which not only comes alone but along with host of other ills and problems.

The reasons for poverty are many but some of them have mentioned as

1. Unemployment
2. Low wages
3. More mouths to feed that means more population
4. Direct and indirect taxes
5. Illiteracy.

Almost all the above mentioned ills are due to lack of good governance or in other words that it is the fault of state. If we take the Govt. point of view which is lack of enough funds available to eliminate the poverty causing all these problems? Next important question is what the sources of govt. funds are.

1. Taxes which all govt. impose on all its public to run the country. Direct taxes are collected from the salary of the employee and there is no escape for the poor employee whose wages are already low. A private sector employee escapes this harsh treatment by showing increased expenses and less income to tax collecting authorities and hence get away with the maximum income earned. This kind of corruption is very common in the third world countries that are already poor. In order to increase the funds of the state the govt. imposes taxes in all the commodities and services it

is providing which indirectly increases the cost of production and hence make the living of an average individual all the more difficult. Why this is so? The reason is simple the taxes are against the human nature and hence it is forbidden in Islam (Surah Tuba verse 29) but only Zakat is permitted and if Zakat is properly given then there will be no poverty in Muslim countries. But unfortunately most of us are Muslim by name. The increase in indirect taxes on essential commodities will be a deterrent to the new industry so the private sector has only two options.

1. Don't declare the correct amount of end product produced.
2. Don't register yourself as a production house which is the usual way in the most of the underdeveloped countries that are already poor. This effect the incentive for establishing new industry so the govt. doesn't get the lion share of taxes from these production houses because if these production houses declare their full production then they go into loss because of the large amount of income taxes imposed on them. So this is a vicious circle and the budget of these countries increase in deficit year after year. So what is the solution? Apparently there is none but there is one if you read Quran and Hadith carefully. Our creation from Allah Sub Ha Na WA Tallah is on incentive basis so the prophets, angels, Jinnat and Human Beings will be rewarded according to their deeds and will have many grades. This has been repeated in almost every page of Quran and Sunnah. So why not look into a system which is based on Quran and Sunnah and this is what MBC System is all about which will make the state very rich and hence it will not impose any taxes and will provide all the facilities to the public at the cost price. MBC System is one of the systems which once implemented will.

1. Remove all kinds of taxes or reduce to such an extent that the cost of production becomes less than half.
2. This will produce an industrial boom and hence employment.
3. The state become very rich in the shortest period of 30 days after implementation of MBC System and will collect at-least three times the total annual budget without asking anybody to pay any tax.
4. Boom in employment sector is guaranteed in the shortest possible time of 30 days (see the text).

5. If the state becomes so rich then it will increase the salary of all the employees specially the lower grade so that their quality of life improves tremendously.
6. Since the taxes are eradicated then there is no Black money which will come into circulation immediately and will be the major factor in the industrial boom and ultimately all this money will end up in Govt. funds and the Govt. will invest it in every major private establishment (see the text).
7. This is not unIslamic because there is no concept of Black money in Islam and same will be the case of money laundering. These two terminologies have no meaning in Islam and are conceived mainly by Jews because of the interest on lending money they have created. Now the question is how the system will work as this seems to be wishful thinking and not a reality. Let's prove it otherwise.

In order to achieve all these goals the MBC System proposes of printing a legal tender called coupon or a card which has to be purchased with real state currency which will work as backup and will vary in value which depends upon the time and amount of purchase. This new legal tender has to be printed by the state with the same standard as the actual currency but in different size, shapes and denomination so that it is not confused with the actual currency. The larger value coupons will be in the currency notes of different denomination to be used again and again like the actual currency and will also be available in debit card form, Coupon accounts and the ATM machines. The only difference is that this is the legal tender only inside the country and it is not recognize outside the state. A small instrument will be available to check the Genuineness of the coupons at a very low cost and it will have an unlimited shelf life and can be exchange or sold for real currency at the prevailing open market rate.

Where will and how these coupons will be used and what will be its face value?

1. It will be used in all Govt. services and commodities and will replace the actual currency when buying these services. The only difference will be that you have to multiply the actual currency bill with 2 and that amount will be number of coupons to be surrendered to buy that commodity. Example currency bill is 100 pence. Payable in 200 coupons and the private sector it will be used as 15% in coupons and 85% in cash. What is the benefit?

Example:

Present Electricity or Telephone Bill = 10 pounds or 1000 pence

Pay in coupons = 2000 coupons

So the value of 2000 coupons = $2000 / 5 = 400$ pence or 4 pounds

Savings = $2\frac{1}{2}$ times.

So all govt. services and commodities will have similar example with the saving about 2-3 times on the present prices.

1. When you pay in coupons to the govt. services your saving will vary from 50 to 75% depending upon the commodity and service provided by the state and the amount of tax imposed on them. The coupon value will be so less that even price of double amount of the coupons will be one third of the present price to be paid. All the services under Govt. control can be directly purchased with the coupons instead of cash. In the private sector the cost of production will become one third because of cheap commodities available but with the condition that you have to pay 15% coupons plus cash which will be less than two third of present price of the merchandize (see text of Goldmine). Seeing these benefits everybody will try to collect money and buy these coupons in bulk as

early as possible. At the start of the implantation of this system Govt. will offer a discount price for the purchase of these coupons see details in text and the result is less the price in coupons the more is saving. This option is given on the certain amount of currency depending upon the country that if it purchased within 30 days the coupon rate will be cheapest and the coupon will become costlier in the second and third month after which it will become stable.

2. The second incentive will be duty free options. The govt. will give a duty free option on all the goods purchased in the period of these 30 days or taken an option for the import of the goods at the later date. Most of the black money will be used to import machinery and setup industry and this is how all the Black money is ending up into Govt. accounts. End result. The state has become so rich that after the 30 days it announces that there are no direct taxes of any kind and indirect taxes are already slashed as the coupons are sort of indirect taxation of the very less amount. In this way Govt. has lost all the money which it used to collect at the end of the year through present means. But the benefit is that it has collected many more times within thirty days and much more to come by the end of the year.

How the MBC System will work for United Kingdom?

For United Kingdom the currency is pound but one pound has 100 pence. So each penny will buy 5 coupons if the money spent is at least 5000 pounds in the first 30 days. In the next thirty days the rate will be 4 coupons per penny in the third month the rate will be 3 coupons per penny or the second option is 30000 pounds will be written off as a duty on the goods imported in United Kingdom. This will be decreased to 15000 in the next month and 10000 in the third month. One can have also the option of taking

half coupons and half duty free merchandize in any month. So the condition is that one has to deposit 5000 pounds in the first month.

Formation of UKMF (United Kingdom Monetary Fund)

Govt. will announce the bids to sell its coupons. Any agency (UKMF) (just a name given) giving the lowest bid will be given the charge to sell these coupons with the condition of employing 1.5 million people as an agents for a certain yearly fee and agent will get 10% commission for every coupon sold. The agents will be selected from the unemployed persons who are literate. U.K. spends about 100 to 105 million pounds on Social Security and about 50 to 56.8 million pounds on unemployment benefit which will be eliminated after the implementation of this system. Their monthly quota will be fixed beyond which they can't sell the coupons. 10% commission is a lot of money which they can share with the valued client who is willing to purchase coupon frequently and the discount coupon agent will give from his share of 10% and this can vary from person to person and maybe between 4% and 8% depending on the client. The agents who can't pay the fee in the beginning of the year will have their quota cut to half till they pay their annual fee then the quota will restored to full amount. The second, third and fourth unsuccessful bidders will be appointed as the auditors of the UKMF and they are all private sector companies and nothing to do with the Govt. Any case of fraud detected by these agencies will also be verified by the Govt. machinery who were collecting taxes will be employed for this purposes but their word is not final and other three agencies employed as auditors will also verify the fault. What are the benefits to the auditors in this? They will get the handsome fee to be paid by UKMF and any case of fraud or a mistake UKMF will be fined ten times the amount involved. Half of it will go to Govt. and half to the auditor detecting mistake so there is no question of fraud but mistake can happen and incase of large amount of money involved in the fraud by UKMF agency will become bankrupt as the fraud can runs into billions of dollars. Now the ultimate result is that the state has not to borrow any money from outside and retire all debts so in other words good bye to I.M.F. and World Bank (as a conservative estimate at-least 20% of the population of UK can afford to spend 5000 pounds which will collect 60 billion pounds just in the first month). Anybody who looks at the system might say that it is paradise for rich and hell for poor because rich can afford a very large sum in the very first month and benefits through out the year but poor haven't got the money to buy these cheap coupons because large sum is needed to buy these coupons at the cheapest rate. So how can the poor are benefited from this system? It's a good question but if you look in the details of the system it makes a lot of room as well. How?

1. 20, 30 or 100 poor get together and purchase the cheap coupons offered by the govt. But one can reject this condition and say that this is not a justice.
2. A rich or clever businessman will buy these coupons at the cheapest rate and will also take 5-6% share from the agent's commission as well. He comes back home and sell the coupons at the cheapest rate like the Govt. and there is no restriction on the amount purchased. Now a poor person who has only got one pound can also buy the coupons at the cheapest rate. Within no time this rich man or clever businessman will have sold out all his coupons and gained 5% of the commission which he got it from agent and is ready to purchase new coupons. In this way he will keep on buying and selling as long as the demand lasts. At the end of the 30 days period he has earned so much of the profit which may be 100% to 200% that he can buy duty free or cheap coupons from this profit on the last day of offer. The end result is that even the poorest person has got the same rate as the rich but for the 5% profit which the clever businessman got from the agent. Within one month all the unused money will either be used in buying coupons or buying duty free goods. Think of population of 60 million people of United Kingdom who will pour all their savings into Govt. accounts to buy these cheap coupons or take duty free options. Why?
 1. With the help of coupons they will reduce their routine bills to half which is a lot of saving whether he is poor or rich.
 2. He will sell these coupons later on at the higher price and will make profit.

So it is an incentive based system which has created a euphoria of business without any experience and overhead charges so even a housewife sitting at her home's comfort will buy and sell coupons and make profit. The second most flood gate of money will come from the Govt. offer of registration. There are three categories of registration.

Category I registration

This category includes businesses that establish a special relationship with the agency appointed by the Govt. for selling the coupons by agreeing to sell their entire output through this agency for pre agreed market prices plus 5% cash or 15% coupons. This will entitle them to import all their materials needed into United Kingdom duty free, equal to what they sell to this agency or buy

cheap coupons throughout the year. The quota for the amount sold through this agency will be 10 times of registration fee. The combined effect of duty free options and cheap coupons will cut the cost of production to more than 50% hence every thing produced in United Kingdom will be at least 40% cheaper when there is also Zero tax (See gold mine option). The minimum registration fee for this category will be 10,000 pounds.

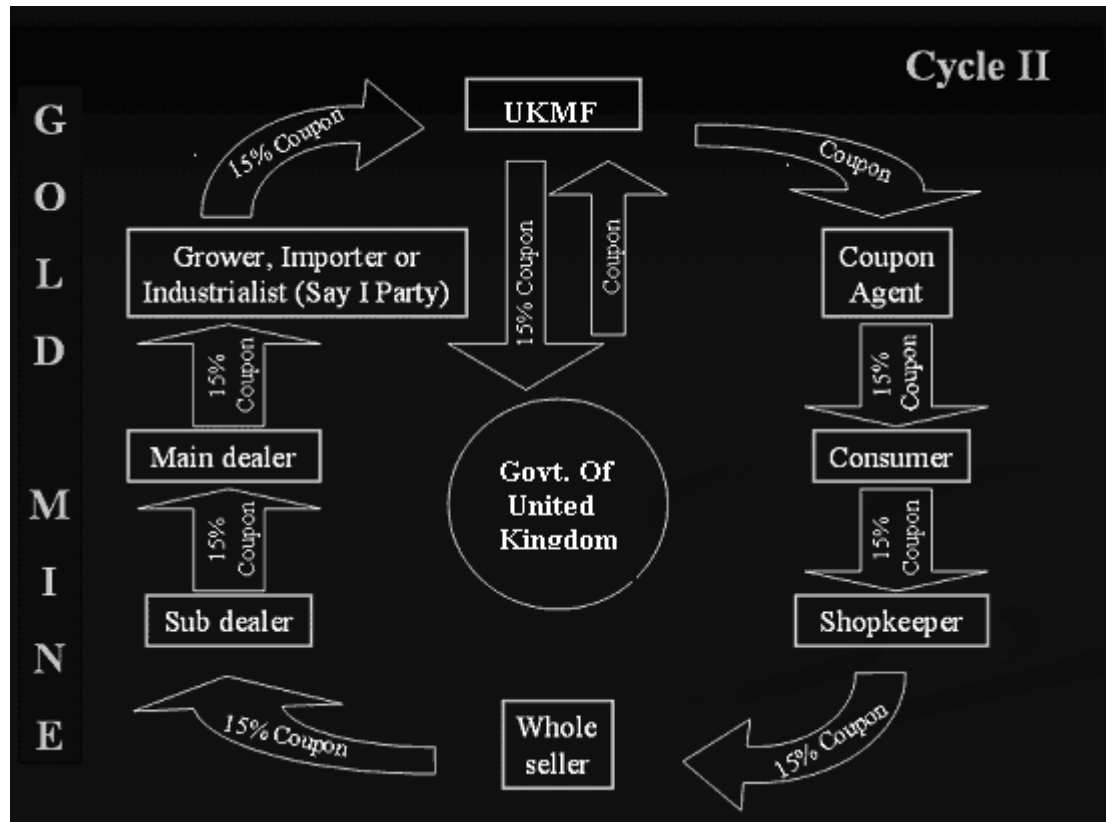
Category II registration

All businesses who pass their products or services onto an end user i.e. consumer can register at the start of the year for 1000 pounds (minimum). This fee entitles the business to get 100,000 coupons for 2000 pounds provided that 50,000 coupons are collected during the month shall be surrendered and exchanged with the new coupons with new numbers without any additional cost.

A registration fee of 5,000 pounds entitles the business to buy 3 times the number of coupons collected at the special rate of 500 coupons per pound.

Category III registration

It is difficult for small traders and specially retailers to buy large quantities (annual requirement) of coupon in the first month of the fiscal year. Under this category they can deposit a registration fee of 5000 pounds in the first month. This will entitle the business for 2,500,000 coupons per month at the special rate of 500 coupons per pound throughout the year.



Corporate Farming:

MBCS Govt. will give rights to the selected corporate farming organizations through bidding process and will provide best up-to-date machinery, equipment, free water, very low cost electricity and fuel. Airplanes will be used for spraying the pesticides and the sowing the seeds on these areas. All the boundaries will vanish except on papers and computers so that if anybody wants to sell his/her land it can be done easily without fear of any litigation. The MBCS Govt. is now sharing the profit with these corporations and is giving subsidies to keep the cost of production of these crops much less than at present. The end result will be every piece of land will be cultivated with high class quality of crops and at the cheapest production cost under MBCS Govt., and will export these crops and will earn much needed foreign exchange and will also sell these crops inside United Kingdom with profit through corporate farming agencies. Hence the prices of these crops will be easily regulated by the MBCS Govt. As there is no compulsion few big landlords might not agree to give their lands on lease as they will see their wings being cut completely. Under these conditions they will not be able to cultivate their lands as their production cost will be much higher than the cost of production of the corporate sectors and hence will not be able to sell their

produce in the market. Farther more they will not get cheap labor which they used to get before and hence they have no way but to opt for the leasing arrangement which will give them more profit.

Interest free banking

This seems to be impossible under the present circumstances as interest has very deep and firm roots in the whole world. We consider this to be easily possible if the MBC system is implemented in its totality. With the result all kinds of money inside and outside United Kingdom in the banking sector or otherwise will be attracted and will fill the MBCS Govt. accounts because of massive incentive of reduction in prices (1/3 of the present price with help of buying cheap coupons) and duty free options will attract all the black money (about 100 billion dollars) lying inside and outside United Kingdom which is mainly used for smuggling purposes. This massive increase in MBCS Govt. accounts will drain all the money in the banks belonging to the private sector. In other words this will shift private accounts to MBCS Govt. accounts in the same bank according to the new arrangement. Once there are little or no funds available to banks from the private sector they will have to depend upon the MBCS Govt. who will be more than willing to provide funds on loan but only on profit and loss sharing basis. The Banks then will have no other option left but take loan from the MBCS Govt. and invest in the Private sector on the same basis but after thoroughly checking the feasibility studies so that the investment is profitable. Any bank constantly losing will not be given fresh loans hence facing a situation of closing down. This source of income of banks will be much more than the present one as 100s of new businesses and industries will be setup from these loans on profit and loss sharing basis.

Role of central Bank:

1. Banks will not advance any cash to the private concern but will provide all the necessary equipment, land, buildings and setup industries on turn key basis (BOT) according to the specifications of the private investor.
2. The investor has to deposit at least 20% of the total capital and running expenses will be provided from these funds.
3. The bank can act as a partner in profit and loss sharing or lease all the equipment or charge rent of the equipment or building.
4. Any business running into loss and can't pay the rent or lease money the bank has a choice to buy the business at the open market rate with mutual agreement.

5. No collateral will ever be needed as 20% advance is the only collateral.
6. Bankruptcy law will cease to exist.
7. All kinds of over invoicing in setting up industries with the help of loans will be eliminated.
8. Liquidators and all kinds of liquidation process will be just like a bad dream.
9. Central bank will check every feasibility report through his own experts before allowing the banks to go ahead with investment.

Result:

Banks' profit will increase many folds by advancing interest free banking with the simple reason that 100 times more industry will be built as the availability of massive funds without collaterals is easy to get. Banks will also make profit by buying and selling coupons of their own of coupon account holders. The interest based banking will be wiped out because there is no money available to invest and even if the money is available no body is willing to take money on interest basis.

Now imagine the profit MBCS Govt. is sharing with the banks as every business will go for loans which are easily available and at profit and loss sharing basis with no preconditions of collaterals. The total amount of money earned by MBCS Govt. in this way will run into trillions. Under this situation there is nobody loser but only loser is the interest based banking.

Comparison:

Current System (Amount in Billions)	MBC System (Amount in Billions)
Total Budget = £ 7.50	Proposed Budget = £ 60.00
Unemployment = 5 %	Unemployment = 0%
Current Debt (approx) = £ 475	Total Debt = £ 0.00
Currently VAT on Retail Sales = 15%	GCA (Govt. Controlled Aid) 3%

FAQ's

MBC System Presentation
Islamic Banking