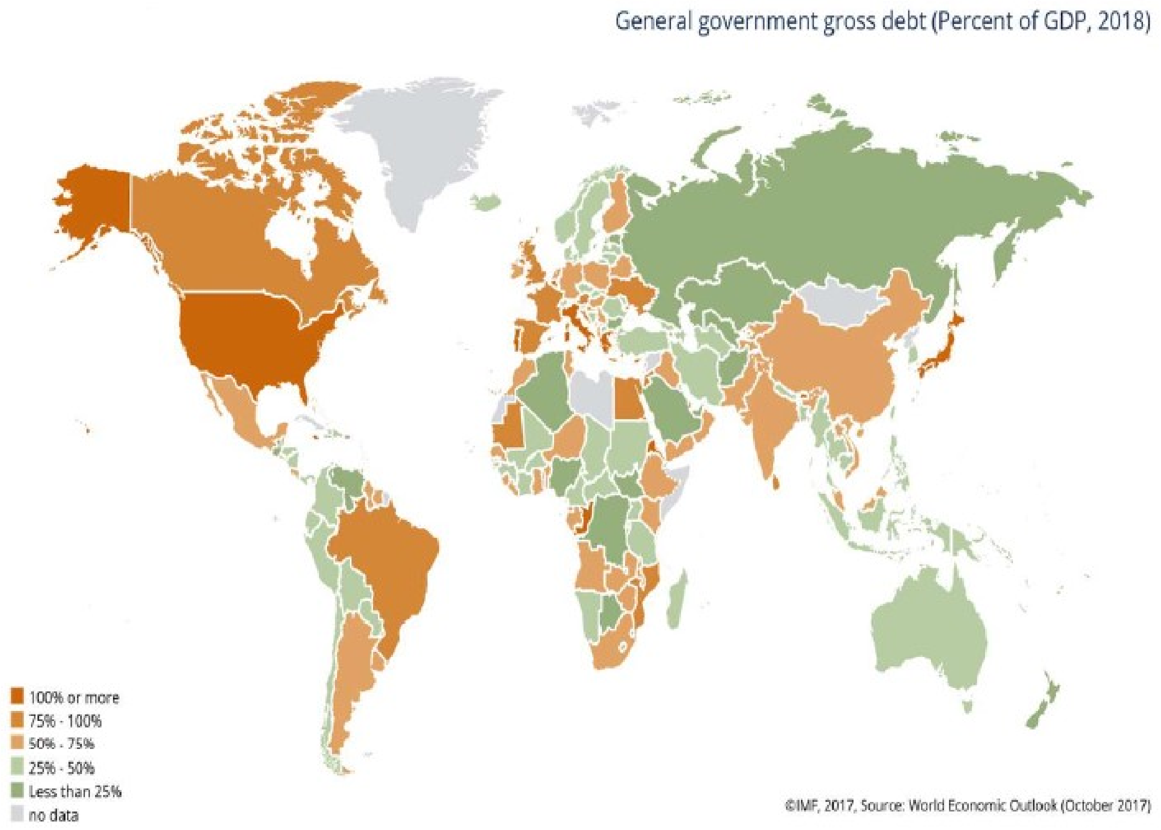
State refinancing

By converting public debt into budgetary revenue



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Pr. Jean-Christian CLAIRVIEL

CLAIRVIEL

Introduction

State (re)financing, for having been perhaps the first difficulty of economic organisation since the dawn of humanity, has not kept pace with the evolution of financial knowledge in the past decades. There is still an unconscionable tendency within officialdom, driven by the democratic competition, so by political pressure, to use the collective expenditure via public solvency as a tool for the satisfaction of elected officials and it tends to breed nepotism, unnecessary investments and expenses sumptuary[1] financed on credit on the backs of future generations.

One of the weaknesses inherent in democracy, "the worst form of Government except for all those other forms", according to Churchill's famous words, is the irresponsibility of elected officials after their mandate. And for good reason : they have sometimes been designated by the vote of the people (certainly sovereign but terribly incompetent) to implement an expensive program, since the majority always prefers demagogy over the strict language of wise experts. Wisdom is rarely popular.

The thesis presented in this booklet aspires to improve this know-how by distinguishing for example economic programs which, instead of being financed by borrowing, could be financed by fund equivalents collectives own fund whose mechanism is here described in detail, would allow one lower compulsory levies, measure which - curiously - does not usually meet big oppositions in the

[1] Thus, taxes should be constitutionally capped not to insatiable public expectations but limited to a reasonable volume according to the GDP of a country whose economy is subject to international competition, so as not to compromise performance of it. Then voters are free to choose the government in the distribution of this budget.

electorate. However, this is only an alternative adaptation in the consolidation of claims by transforming their legal nature, and the prospect of better funded long-term projects. We know the general distrust of these combinations that mix public and private money. Wrongly, because failures are mostly insufficient anticipation, account control, or human ignoring the legal frame of reference.

It isn't a new form of mixed capital which is proposed here but rather to adapt the new knowledge in risk management, and mainly those established the last decade in a period of low rates, even negatives rates, to introduce the notion of juniorization and seniorization in the nature of the debt, more or less subtle nuance that allows progressive sliding from the public sphere to the private sphere of profitability but also uncertainties of financing risk.

In fact, the proposed solution will allow first reduce past mistakes by confidence in the future, believing that collective enrichment also involves earlier generation liability management, and creates a new alternative to financing future projects. It could result in a reduction in charges and a growth in both public and private assets backed by this new technique, by a better balance of accounts because in good financial orthodoxy, investments in medium or long term MUST be funded by permanent capital. The ultimate ambition of this essay is therefore to achieve collective enrichment. An ambition that confronts the greatest planetary debt never reached according to IIR[2] : $250 000 billion or about €30,000 per inhabitant is the debt accumulated by the States.

[2] Institute of International Finance

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1°) The concept of competitive debt

The second half of the 20th century shed light on the theoretical competition for economic policy choices to reach a “socio-liberal” consensus.

The corollary to this new paradigm will gradually be to reduce the role of the State to that of an arbiter, and not of an actor in the economic game; consequently to constrain the limit of the compulsory deductions to the strict service of the sovereign functions (redefined), without generating deficit carry forwards indefinitely.

State debt must then be considered as a temporary claim interposed between the revenue to be collected and the expenditure and investment to be committed.

It has long been known that the effects of "the" economic stimulus programs financed by the debt of the nation concerned can have vastly different results. If we have seen the positive effects of Keynes-style stimulus debt and its "new deal", as well as the great Marshall-Kindleberger plan , we have more often been able to observe the failures of these "economic stimulus plans" when the revenue does not perfectly couple the debt to the growth of budgetary revenue.

The remain of these plans, where the expenditure is certain but the revenue more than uncertain, is the memory of the continual increases in compulsory levies and the concern of the present generations at a considerable past debt.

Even more serious is the situation of structural deficit where the debt does not serve any hypothesis of economic recovery, realistic or not, but just allows to maintain an artificial public lifestyle , such as the over-indebted who refuses to give up his addictions!

2°) The practical case of the European debt

With 345 billion euros of public debt at the end of 2016, Greece looked like a scarecrow. But if we consider all of the European public and semi-public indebtedness , including certain “state branches” - in fact if not in law - of states, landers , monopolies etc… and that we compare these long-term liabilities At the end of their current tangible assets, this Greek debt was then very little.

As we could also have considered that out of 12.500 billion € in “official” debt of European states at the end of 2016, around a third or 4,500 billion resulted directly from the bailout (recapitalization) of banks following the financial crisis of 2008 , entirely financed by the loan from the states concerned, GB and Germany in the lead, since these countries were the most exposed in volume.

Yet we remember more of those who had to resort to IMF intervention to deal with it : Portugal, Ireland, Greece, and Cyprus. And it allowed a beautiful demonstration of intercontinental correlation of markets since what represented 36% of the European debt stemmed from globalization of some form of so-called American real estate debt called " Subprime ", formerly noted triple A.

The international financial system has, in this case, established a record in terms of pooling of losses which proved to be the first historical proof (by the amount of capital committed) of a globalization of governance in times of crisis. Unless this is proof of the effectiveness of a certain American economic imperialism, faced with the emptiness of the small isolated rules country by country, when it was a question of avoiding a chain explosion of all the economies of all the other nations.

This has proven to be inevitable as the interdependence between banks and states has traditionally formed an incestuous couple subject to rules other than those of the market.

Many governments then considered the concept of systemic risk and advocated the need for capital through outside the banking sphere, by increasing direct recourse to the financial markets, beyond the intermediation of credit institutions. And this despite the many cases where the bank bailout was reimbursed quickly by the institutions concerned: the public debt has not been reduced !

Officially the weight of the average public debt in Europe was then around 80% of a year of GDP which was 16,750 billion Euros in 2018, i.e. a debt of around 13,400 billion €. Let us stick to this figure whatever the reality, the figure having only an illustrative importance here.

Unless not considering debt as an essential criterion of state funding, which really does strike at the absurd, while taking account of annihilation financial costs but also maintaining annual deficits carried forward continuously, it is clear that even a spread over one or more centuries of the past debt, added to the current payments of the present debt, still represents the prospect of a long muddle of economic unproductiveness, the debt nourishing the debt. This by reducing each year more the room for manoeuvre necessary for voluntary policies .

Even in the absence of inflation and financial expenses now virtually zero, but in the presence of high budget deficits, the inevitable increase in debt burdens cannot be the public refinancing solution of all in the presence of 'essential and so useful notation of the states. At least if the rating tends towards neutral objectivity.

The debt cannot therefore remain in its current state under penalty of huge sluggish of all public initiative and to feed populist criticisms : what would be the use of electing determined deputies, talented rulers, if they are immobilized by relentless debt? In France, the debt is practically equal to GNI despite a budget deficit close to 50% of public revenues .

Imagining a citizen whose debt would be equal to an entire year of his income explaining that to honour this debt he will spend one and a half times his annual salary by borrowing more !

But neither can this debt be denied or interrupted at the risk of causing an international cataclysm.

Even if all European countries could reach 1% of excess of their combined budgets (how? For now, we see an annual deficit of 1% per year so a continual deterioration of public accounts), it would about a century to absorb this liability. And such unanimity does not seem to be included in the priorities of any capital of the old continent. A century of budgetary efforts to reduce the debt, which would be a century of European immobility at a time of great intercontinental economic confrontations, is not an extremely exciting prospect...

Then... What is the solution ?

3 °) The Investment Voucher in Economic Performances

The concept proposed here is based on a simple idea : **create for the benefit of the State, the economy and savers, a new investment medium which, taking the appearance of a negotiable statistical index, will become an instrument refinancing and then alternative financing.**

It is a matter of replacing the growing weight and static cost of past debt with a “voucher” representative of the country's present and future economic performance, in the form of a dynamic investment medium that reflects a proactive economic policy.

The latter will innovate in the sense that the "manner" to alleviate the debt burden without despoiling the lenders will be to exchange a state debt (OAT or treasury bills, in France, with a repayment date and of an identified yield), with a security whose notional value will be equivalent - at the time of the exchange - to the value composed by other underlying than the signature of the State, but whose quotation at the time of negotiations over time will depend on actual macroeconomic performance.

This trading value will depend on the market, only valid judge a performance index in a healthier economy and will be paid not by the state but by the financial market.

It is therefore a question of exchanging an amount X of debt with a voucher of initial value X with a high potential for valuation, but devoid of maturity date or certain return (perpetual swap). However, with a guaranteed minimum repayment corresponding to the initial value of the capital remaining due by the State at the time of the substitution and incorporated into this voucher, until a term defined when the voucher is issued. From a few months to 30 years in some cases.... A Step outside of this term, the voucher will continue its life of negotiable value content without debt. Its value becomes a reflection of the economic situation reflected in the statistical index described below.

The essential innovation is that this reform of public debt is based on an economic component intimately linked to the investment medium, creating an interdependence between the financing of a state and its companies. This notion transcends the ability to obtain enough public budgetary revenue in the future without increasing compulsory levies and without significantly impacting the potential for competitive growth of economic players.

As the currency should reflect the public trust and not arbitration between supply and demand of a "barbarous relic", as the state debt is already an object of speculation (at least downward, as in Argentina sometimes), the tool of financing which allows a nation to enrich itself must have a negotiability which can appreciate and depreciate. This is achieved by transforming the yield value of a state debt into a variable capitalization value, as a realistic reflection of its economic fundamentals. And this will allow the State to make the market pay its own debt, which to seem surprising in fact amounts to reconsidering the potential value of an economy in the process of consolidation, diversification, or mutation, in terms of its restructuring cost.

The substitution debt to be created will be negotiated by conditioned exchange of the "contractual" type and will de facto transform a State debt into a partially guaranteed investment medium (for the principal and for a limited time as set out below) by the State. This optional exchange, at the option of the holder, therefore without forced conversion , will require an incentive.

This 'carrot' will be linked to changes in the "voucher" index called BIPE and transferable on the stock exchange. The new debt will therefore take the form of a negotiable instrument but of a legal nature totally distinct from a public debt instrument , in the sense that the concept of debt at maturity is replaced by that of an instrument of perpetual validity, non-refundable because negotiable at first request on regulated markets, issued by a parastatal structure.

The state guarantee, initially associated with the public debt incorporated in the BIPE, will be summed up at the outset by a repurchase option of the BIPE capped at the fraction of the equivalent value of the debt exchanged in principal, but only if the trading price falls below the intrinsic value. This guarantee is, moreover, only an accessory element - although essential to confidence - because it is the state guarantee combined with the evolutionary value of this voucher, likely to progress at the rate of the country's economic growth, which must become an autonomous reflection of the solvency of a state and not the formal signature of a government.

Thereafter, this guarantee on the bottom of the value of the security will become *de facto* in a simple guarantee of the form of negotiations, in other words by the control of a separate management facilitators of this security on the stock markets, State control necessary to ensure market liquidity and security of transactions; because the proposed process is not incompatible with the management delegated by successive periods to asset management professionals.

Thanks to support refinancing designed around an economic index reflecting the consumption, investment and the financial health of a wide range of independent companies, in addition to the synthetic courses main market capitalizations of the issuing country of BIPE, one could then demonstrate to voters the effective interdependence between the cost of the necessary functioning of the state, and its financing which rests first of all on the success of its private companies. Regarding the BIPE instrument, it will be necessary to create this financial tool by making it negotiable at incredibly low costs, benefiting from a slightly privileged tax system to provide subscribers with a medium or long-term wealth management instrument. term, complementary to savings banks without having the disadvantages.

In this scheme, a specialized body mandated by the State proposes the substitution of a treasury bill (OAT) in an Investment Bond in economic performance (BIPE), by an irrevocable exchange of the commodity of pre-existing debt for a negotiable and perpetual market security, with a purchase commitment for a period pre-agreed at an amount equal to the residual value from original loan contained in each BIPE, tracks which receive a recovery option, according to appreciation of the capital market, of the evolution of a benchmark economic index, without revaluation of the guaranteed capital.

The main interest for the investor accepting this substitution will rest on the prospect of a national debt-free economy, prospect favourable to the growth and the promotion of the productive savings: this being able to let him hope for a singular vivacity of space economic concerned; therefore the security, in other words a possible valuation of the BIPE greater than the return on the debt it holds.

It will then easily renounce the “signature” of a more or less well-rated issuer, especially if the latter is previously stuck in his budgetary contradictions, to exchange it for a security whose analytical basis benefits at the time of exchange of an evaluation similar to that of the substituted OAT (for example). The BIPE will then have the characteristic of not being able to devalue itself before the rearranged maturity of the “debt” component and of being able to value itself considerably by the sole magic of growth prospects, public deleveraging and new government policy space, classic tonic of speculative expectations.

Since then, if the negotiable value BIPE is equal to or greater than the residual OAT debt when repayment of the state debt should come, substitution (the exchange) will automatically become final : the debt will be cancelled and the BIPE will have become a perpetual security, the negotiable value of which will depend on its stock market listing. The debt will therefore have served as an intermediary channel to validate a new revenue for the State.

Subsequently, history course will show higher returns than debt substituted for equivalent risk if the macroeconomics of the system follows the common financial sense.

And even before, the signing of this state appears simply correlated independently of public borrowing, but distinctly. This security stock then no longer contains certain debt, in good public accounting, but a strict off-balance sheet commitment capped at the portion of BIPEs issued by a body legally independent of the State, although strongly controlled by it and for the duration ranging from the initial maturity (converted) to that of the completion of its guarantee.

For the French stock market investor, which over the past decade has gone from direct holding of company shares, to the purchase of CAC 40 equity SICAVs to pool its equity risk on a basket of securities, then with the purchase of the CAC 40 index itself, a synthetic index allowing identical exposure at lower cost, the BIPE will be a simple evolution, as an even broader means of acquiring good or bad economic health of France without be limited to a specific number of international companies.

For the economist, the advantage of this system is that it encourages the State to favour private economic initiative to avoid having to repay in the short term the service of a debt which represents certain years 1/3 of the budget of the nation and can only go on increasing even if the deficit remains below 3% of GDP since current inflation does not currently allow this natural erasure.

It is easy to demonstrate that the success of an economic and financial plan for public deleveraging, the revival of private investment and the encouragement of productive savings is necessarily inflationary, but of this healthy inflation is built the dynamism of investments and consumer demand from populations once again becoming confident in their future.

Which means constant currency value of the substituted debt against guaranteed by the minimum value of BIPE provided by the state will therefore all perspectives to gradually reduce by the first inflation effect and the extinction of repayment deadlines, while BIPE will continue its eternity outside the sphere of public accounts.

Correlatively, the central bank, faced with this healthy inflation surge, mainly the first years following the implementation of these measures (through the effect of economic revitalization), will have to compensate by exerting a tension on its key rates ; it can only emerge from the effects favourable to natural balances (steepening of rates and coverage of the volumes of monetary issues re-estimated in various terms).

This substitution policy is however to ease the burden of debt in the accounts of the nation concerned and to allow a tax burden reduction and on economy productive, reducing aversion risk and annuity premiums “still” situations.
Indeed, the reducing compulsory levies mechanically improves corporate financial performance and thus increase their market or intrinsic value, which will favourably influence the calculation of the valuation BIPE index.

The proper regulation of the calculation of this index, which will itself probably be controlled by independent rating agencies, will facilitate negotiations between international investors and this will de facto limit the State guarantee to the risks of excessive volatility during crises listed below, thus offering governors the slow but progressive advantage that over the decades the introductory guarantee will eventually be annihilated in constant currency, without in any way robbing those who will have exchanged it: the state will thus be less borrower than banker since it will transform the maturity of its debt towards zero to infinity while the voucher will offer prospects of valuation consistent with its macroeconomic situation.

The State only makes use of its prerogative of eternity and guarantor of last resort. Better still, it will end up being only the guarantor of the negotiability of an old debt transformed since then into a commodity distinct from its own indebtedness.

From then on, the nation's accounts may consider as “ off balance sheet” the part of the debt provisionally reversed in this new medium and the financial mass exchanged as foreign to its global debt, or reduced to the strict guaranteed part , which does not can only improve its debt ratios and agency valuations. So is inspired the essential ingredient for investment and employment: international confidence.

This will also promote renewed technological competitiveness because the incentive to invest in business innovation results on the one hand from commercial rivalry between them but also from access to private equity open to industrial risks.

This is the case when corporate finance professionals , also in competition with each other, see the strict incentive role of the governors, refraining from favouring companies between themselves, even if they are public for those who will have to stay temporarily, if there are any.

They will also see the political will to contain the various forms of taxation and taxation outside the field of competitive economy, the resulting reductions becoming as much room for manoeuvre for managers. This will also allow public savings to pool the risks of innovation via dedicated insurance funds which will be a natural complementary step in the appearance of these BIPEs.
We can then assume that the velocity of monetary circulation will be increased since the precautionary hoarding of savers would be penalized in the face of dynamic

financial investment returns and this in turn will promote public optimism which is the main ingredient of the investment and consumption.

The state budget will quickly benefit from the sensitive economy of repayments of the debt thus lightened, since at each due date in capital and interest will be anticipated and proposed conversion to BIPE at the value acquired for amortizable loans (para-public sector) as for non-amortizable government loans.

Even waiting for the relevant maturities, certain holders of public debt prefer to see their debt converted into BIPE, voucher perpetual transferable but not refundable (except the warranty set forth above), and this will be useful for many years since some past loans by the State are with multi-decennial deadlines. To reduce, until annihilating, the burden of public debt is to allow the State to find operating margins and communicative incentives for the whole of its economy, by transforming its creditors into shareholders to come up.

4°) State Guarantee method for the alternative medium

To illustrate the point, we will take the France example.

At the time of the 1st issue, the value of a new index will be established (for example: CAC 300 for a new Parisian index extended to a share of European companies having in France a substantial part of their activity even if the their head office and therefore their listing would be elsewhere.

A share of reference companies will be chosen from French unlisted SMEs in the technological, cultural, heritage or tourism sectors, all with a growth anticipation coefficient as estimated by many national and international organizations (INSEE, FMI, BCE…) to estimate the value perspective of the index at N + x).

An undeniable base (such as the net asset value corrected by synthetic share) of a basket of companies featuring the best performances of the nation, will no longer reflect the tradable float, but rather will be capping the particle size tape in the index as it’s currently the case with the CAC40 on the Paris stock exchange. These weights will be made to this index, correcting this value. The state will guarantee for a time, during this 1st issue, the exchange value of € 100 of debt "converted" into € 100 of this new medium, which will also give entitlement to 100% of the change in the index but this without state guarantee for the index part. In the event of a sharp fall in the value of the BIPE (see risks below), the subscriber will be certain to recover on the ultimately agreed due date what the State should have paid in the substituted claim , in current currency.

Obviously, warranty never implies the delivery of the underlying securities of the index, i.e. the buyer or the exchanger in this support can never be served or given some or all the component securities index. This warranty is for the creditor simply certainty until the original maturity of the debt converted, the value of the voucher will be greater than or equal to the value of the "public debt" he held ; if, by a surprising amount of fate, the BIPE suddenly dropped to zero, the subscriber of a BIPE having exchanged its public debt commodity would be reimbursed as if there had been no exchange until maturity of the warranty.

That unlikely situation can however happen, eventually in case of sharp drop in the benchmark BIPE (see risks). It will result in this case the payment of the financial differences that might exist between the current stock index, if the latter were to fall below the value technique known guaranteed value as defined at the time of transmission, and the value of BIPE at the date of redemption in the warranty period. What will amount to the State to pay all or part of what it should have paid, in any case, with an additional delay without costs which in no way constitutes a default. It should be noted that by skilfully relying on modern means of risk coverage, the state or more precisely the intermediary empowered by it can itself guarantee a sudden and abnormal fall in BIPE prices for example, by purchasing CDS on markets foreign to its area of influence.

The same professional subscriber, as the forward seller, will cover changes via a multitude of options that bankers are sure to compose and deliver to their customers. This point provides an adequate response to those contemptuous of the hypothesis of intercontinental economic wars likely to loom in the future: international coverage of CDS by transnational investors proceeds from the same logic as nuclear deterrence, the attacker exposing yourself to a response that is too dangerous for itself. **In this sense, BIPE will, we hope, contribute to the pacification of international relations.**

The individual subscriber will appreciate having a medium to long , even very long term savings tool , moderately speculative since it is based on a base of assets large enough to be removed from the ups and downs of a corporate risk by particular; at least part of which (100% of the original face value) is guaranteed by the state, without transaction costs and whose capital gains will be taxed little, at least up to a certain threshold, we imagine. As soon as it appears, this support will allow the first buyers, as well as probably the next, a likely profit… which will cost the State nothing and will even pay off when the beneficiaries collect their earnings. , by means of a probable and modest taxation of capital gains on financial securities, which will encourage productive savings !

5°) Detailed Mechanism of the economic plan and the functioning of the BIPE

1) It is initially designed a new statistical index, reflecting fiscal health and the economy of a nation, but also its ambitions and therefore its general policy, whose legal nature of being the support a perpetual bond, negotiable on a regulated market, initially benefiting from a State buy-back commitment for an amount equal to the value of the debt exchanged and also if the commitment to permanent negotiability (which is distinguished from negotiation course) on a reliable basis of evaluation.

This index will naturally become "flagship" on the listing market, it will result from it a cumulative estimate between the macroeconomic performances of the country, and microeconomic index elements representative of the value of a few hundred of the main companies of the country at least, chosen among the most representative. The transparency of their accounts and of their governance will be certified by independent auditors acting during specific due diligence procedures, extending by a prospective reassessment their asset values resulting from compulsory certifications to international standards.

2) Initially the coupon value will be that of the technical value of the index and worth 100. This "100" will be a synthesis of both the estimated value of the macro elements circumstantial, that estimates representative of the value of certain unlisted companies, as well as the market value in force for companies already listed and included in the new index. This 100 will be established at a date sufficiently preceding the announcement of the project presented here, but not too far removed from current prices, to avoid anticipations of artificial prices of the underlying. This evaluation will lead to the definition of a value of the BIPE index which will be called "technical value" and its essential quality will be to be the least questionable possible, even in the event of absence or insufficient quotation of stock market values. of reference (in particular in the event of a financial market crisis).

3) When the State definitively adopts this project, <u>it will simultaneously announce a generalized tax reduction</u> corresponding to a good part of the estimated decrease in loan repayments in the national budget which it will consider possible thanks to the BIPE, reduced by the part it intends to reinject into the economy through new public initiatives. The reduction can be moderate, in a multi-year framework, in the form of slight tax cuts granted to companies to taxpayers and consumers, taking care of course to avoid the effects of windfalls in transnational

fiscality: the important thing being to sketch a long-term downward trend in the long term, whose speculation will anticipate the effects and favour the demand for BIPE support.

The government will also announce an investment program based on the productivity savings of the functioning of the state, in other words focused on investment to replace expenses. By promoting technological progress and without fear of upsetting established conservatisms , the objective is to function better without spending more. By also favouring, for the financing of large projects and among the new forms of Public-Private Partnerships , those leaving to the private sector a share of public risk while allowing the objective of increased performance to be obtained at lower costs, under administrative control.

There is no doubt that the political explanation of this reform will require educational knowledge of the role of the state in a modern economy , which is not to own but to control. However, this educational effort will be facilitated since the program to be announced consists of clearly justifying how to obtain tax cuts, new job prospects, progress, and explain the financing of the economic recovery by refinancing the debt. The fact remains that inevitably the partisans of the "all state" will have a challenging time understanding a policy which has been validated by economic history, but which will have its detractors for a long time yet.

The political bearers of the suggested reform will have to remember that the economic role of the State consists in inciting, verifying, sanctioning, and rewarding, and not in financing or managing what others can do better.

The government concerned will therefore specify the part of its refinancing and economic recovery program concerned by the issue of this latest support: the “Investment Bond for Economic Performances.”

The economic impact will have to be measured according to one of the circumstances of the moment but to be effective the measure envisaged will have to be significant, to recreate the necessary impetus.

It would be wise to spend 2/3 of revenues to debt reduction BIPE for 1/6 for incitement to investments and 1/6 of the corresponding budget cut to the announced tax cuts up to significant budget surpluses. This is a nuance of importance in terms of orientation which justify the colour of a social or conservative government.

4) Just before the issue of the securities, technical merit BIPE will be slightly reassessed to establish a value superior underwriting technical merit (but not too much to keep some upside potential speculative) and this objectively because of new economic prospects that the State will be able to offer to these companies and citizens via the reduction in compulsory levies on the one hand and new forecasts

for growth in the internal market on the other. This will give the emission value of the BIPE after the announcement. And will avoid the criticism of "clearance sale" that will inevitably be formulated by the inevitable opponents of the proposed method.

5) The first buyers, but not the only ones, will obviously be the specialists in treasury values, who will then have their own assessment of these perspectives. As usual, they will be able to decompose BIPE into various futures certificates and propose under their signature new subordinated securities which for some will inevitably amplify the volatility of the main support, and for others on the contrary will offer fixed term certificates for the share investors who absolutely need to hold coupons certificates at the predetermined amount as there are currently for some insurers in particular. On take care however that the public can subscribe to "full" BIPE not to book this head apparent boon for professionals only, although of course the priority is deleveraging while few individuals hold Treasury securities.

The effect resulting from these initial negotiations will be to note a probable upward anticipation of the value of the BIPE higher than that of the technical value already a little higher than that of the underlying components of the index. This will benefit the State (since it will avoid having to repay the equivalent debt) but it may contain a bit of the risk of excessive increases or decreases by playing with the "volume" variable as regards conversion of the previous debt in this new medium.

Too much converted debt foster depreciation of the BIPE, while a conversion volume too narrow will cause an excessive increase BIPE, since supply and demand are an autonomous factor, to present a risk of crash which would be unhealthy if it happened too quickly. To avoid this, the issuing State will have several control levers without being able to influence the very content of the BIPE.

6°) The investment medium

This financial instrument to be created, what will be its legal nature?

As just mentioned, the control of the volume of outstanding BIPE must remain a sovereign power and allow the extreme reasoning can redeem the vouchers in traffic, even if running again into debts is necessary for this. Thus, the process is reversible, although it induces the notion of eternity. One can even imagine that a State no longer having a growth target on the horizon could use its budgetary surpluses to buy back all the BIPEs by simple application of the emission conditions, since this will be planned from the origin.

It is therefore undesirable to entrust the issue of BIPE to an investment company whose shareholders are the holders of the debt. The possibility of interposing between the debt and the BIPE a transferable security of the action type or part of the common fund would consist in creating an intermediate security representative of a structure having in its assets a too wide or too limited number of securities, except capital variability clause which would then be considerable…. The value of a share of this fund could then rise or fall too clearly from the underlying BIPE, the distortion resulting from it would prove to be dangerous financially and politically.

If subscribers BIPE consider it as a mere tradable index, they must rely on the reliability of a value cannot be manipulated by anyone, even the state, objective changes in patterns of this support to investment. It would therefore be a mistake to proceed by an intermediate vehicle. Just as it would be absurd to leave BIPE being a simple instrument complementary to the issuance of treasury debts, in the public sphere, since inevitably BIPE would not then be dissociated from State debt.

On the other hand, give BIPE the banal legal nature of an indefinite futures contract, as there is already a CAC40 Index Future futures contract, which will initially and simultaneously be an instrument for converting a debt into a new asset regulated by the state, (1st generation BIPE) then a tool to replace public debt (second generation BIPE), neutral with respect to the official currency (the Euro for Europe) whose level of dependence as for the supervision of the central bank remains little subordinated, is a recommendable way.

The market security must, however, be governed by new rules permitting the assimilation and substitution of receivables, offsetting, issuing ex nihilo by order within the limits authorized by the Finance Law, immediate redemption at variable prices, and other rules, far from the usual OAT emission conditions but perfectly adaptable to several types of BIPE.

It may therefore be suggested to establish an independent private banking and financial shareholding company without an absolute majority to constitute a specialized agent establishment under public control : The State will entrust this entity with the task of issuing BIPEs for its account.

This establishment, which may be chosen by tender, will receive a small percentage of the volume converted according to the costs and risks it will accept under rigorous specifications. This establishment will therefore be a service provider, a delegated transmitter but in no case an interposed transmitter. Of course, the product of BIPEs with or without the content of public debt will feed state revenues in the same year of their issue. For example, by replacing the sums due on the payment of interest on its loans over more than one year, this entity will offer the holders of the debt due, the first generation BIPEs, known as substitutes for the interest certificate , or of the principal due, and in the event of acceptance of the creditor that will generate in the accounts of the State a writing of transfer of the debt and the corresponding agios. Then of a cancellation by compensation on the due date if the negotiable value of the BIPE is then ≥ to the value of the above interests.

The resulting constraint is to record off-balance sheet the guarantee that the State provides for the share of debt contained in this category of BIPE and not yet due. As well as the commitment to animate and control the negotiation of the voucher over time. But such an alternative makes it possible to estimate the growing share of conversions, a good part of which will replace new debts, justifying this structure (with a functioning comparable to that of *France Trésor* in France, under administrative and parliamentary control) which could also issue at the request of the government and under the control of the court of auditors, BIPEs without content of state debt.

This will then be second generation BIPEs , in the form of issues more specifically intended for project financing, it being considered that a program law likely to have an autonomous index and financial independence may contain one or more projects.

The legal nature of the Voucher will therefore be <u>contractual</u> and tripartite between a delegated issuer, authorized and acting on behalf of the State or a local authority, a public issuer and state guarantor, and successive subscribers (by electronic backing and traceability blockchain).

The issuer having the power to demand the withdrawal or confiscation of certain vouchers falling into the wrong hands, only one case or a judicial challenge will fall under the jurisdiction of the administrative judge, all other cases being the responsibility of the criminal or civil courts, as to the attribution of jurisdiction.

In the event of failure of the BIPE among subscribers, the State will reimburse the budgeted maturity as currently the State debt. Except in times of war or equivalent, the BIPE must be for all parties involved an alternative and not a forced conversion.

And if successful, the stock commodity issued in the form advocated replaces the scheduled payments of debt maturities. BIPE is therefore initially based on a particular form of swap aimed at gradually externalizing current debt, up to 100% of State debt, by a "security" organized by the State, but managed via a specialized establishment benefiting from the public guarantee for the part of debt already issued (which amounts to guaranteeing its own debt), ad hoc establishment run by professionals chosen after a call for tenders for a limited period (<10 years?) under permanent control of the officials of the treasury and the magistrates of the court of accounts.

Them will particularly ensure that each stock security is representative BIPE but independent enough for any conversion such as from public accounts corresponding debt. Even if the intrinsic guarantee can be considered as a simple link between the postponement of the maturity of the initial debt, by conditional transfer, it has no reason to remain registered in the book of public debt especially as it does not benefit from any revaluation in the interval separating the maturity date of the initially planned repayment and that of the extreme convertibility date which does not depend either on the issuer or the creditor, but on the price of the BIPE of substitution for the latter dated.

They will also verify that successive holders have traceability making BIPE a transferable asset by the quality of an indisputable monitoring of blockchain- type transactions if the international success of these issues is confirmed. The proposed reform, as we can see, is based on the progressiveness of the substitution of public debt service maturities by these new bonds. These swaps becoming “futures” for contemporary issues not coupled to old debts , but whether they are swaps or futures, we will see that the suggested process is not a new form of debt but and indeed a non-fiscal budget revenue item. This revenue item comes as an alternative to new debt, as a new choice in financing methods.

In good financial orthodoxy, it would be precisely necessary to limit the share of issuance of BIPE financing to the proportion of risk, uncertainty, of any investment program or economic recovery not otherwise guaranteed, by pledging assets for example .

So during a private public partnership where the public part must be sufficiently attending a structure to avoid the risk of construction, the uncertainty of the operation and the heavy debt burden, BIPEs can be issued to provision the probabilistic uncertainty of the behaviour of users who will or will not use the collective good thus created. But not the infrastructure and the same, which often constitutes an autonomous security which can be privatized and therefore negotiable, and which can usually be financed for the most part. And that will avoid many subsequent reproaches made to the political world, of mistakes and inconsistencies.

A note that this method could also be used to establish deposit fund by which a public issuer (a region, county, city ..) instead of going into debt for group equipment it needs, would issue BIPE with a more local index as an underlying element and with the aim of lowering the risk therefore the cost of investment.

Could he then renegotiate his existing debt in the same way? Subject to adjustments in the legal form of the BIPE, since it would not be likely to mobilize the legislative arsenal of a nation for an isolated situation, this does not seem impossible even in the current state of the texts in France by example; and provided that this fund pools several real local assets, it could also benefit from a probabilistic leverage effect because in the absence of collective madness it is doubtful that all public facilities, or even the distributed economic choices engaged by this community fail simultaneously.

However, the success of a local BIPE will be much more limited than BIPE National and Continental fortiori since the correlative logic technique refinancing taxation is national. But in certain cases (fresh ports , new cities, etc.) this can undoubtedly constitute an excellent means of project evaluation, of incentive mobilization of capital and a considerable alternative to public debt.

7°) Q & A

1) Is it reasonable to reduce a public debt by replacing it with “forever” non-refundable BIPEs (or 99 years renewable by tacit agreement in the case of a local BIPE), except for early repayment at the option of the issuer ?

It doesn’t pose any problem for BIPE 1st generation, which would have a content deleveraging; this may have some for BIPE funding. Because beyond 1/6 reinvested in public incentive programs, it would be prudent indeed to advise against issuing it as far as the intrinsic productivity linked to the reduction of charges would disappear for the sole benefit of growth hypotheses realistic.

The disrespect of this rule would not fail to increase the volatility of the prices of the negotiable BIPE and therefore the latent disappointment , by the amplification of financial volumes totally decoupled from the index support and the assets which it represents, at least during the preliminary phases of exploration of the support and behaviours.

But between pure debt and hybridization of the convertible debt as what BIPE, it is obviously better for the State to choose the 2nd medium. The law can also regulate the issue of BIPE to correlate the volume with the organic growth observed considering previous forecasts.

2) Could we imagine and quantify the hypothesis of a BIPE of European scope?

Considering the unlikely event magically charismatic president of a European Union finally divorced from Britain adopt BIPE as an alternative financing and wants to launch it with the consent of a majority of more evolved European than our cautious fellow citizens of today (but the people change their opinion as of governors), and let us admit that the volume of the European total debt concerned is close to the value of 15,000 billion Euros at the end of 2020.

The cumulative capitalization of EURONEXT Europe, London Stock Exchange and Deutsche Börse is around 1000 billion Euros. Or about 7% of the size of the above debt. Despite the enormity of the difference, we can clearly see that this is only a change of scale, the diluted volumes would not be incompatible with the practice of quotations which would greatly favour these places of transactions, while bringing to popular savings are an intermediate medium between the state debt and the flagship index of these large institutions, slightly speculative but without great risks for first generation BIPEs. There is therefore no risk of technical impossibility of introducing BIPE on the markets because of its mass.

It should already be noted that the public debt market is already oversubscribed in the main countries of the Union, and therefore distinct from the mass of stock market capital. Let us then observe that the issue of a “para-public” BIPE, without confusion with the debt, will benefit from an independent rating which even lower than that of the State, will be sufficient to attract by its double component of valuation and guarantee partial public, a considerable amount of capital without any risk for the issuer.

Finally, we can assume that the conversion of public debt will be gradual (it would be prudent to include in a proportion of about 10% in the volume of debt maturity, the first year, and placed with outside networks whereas there is only an indirect correlation between the market of the index to be created and the underlying of this index. This will of course depend on the duration of the guarantee (surety) of the BIPE by the State beyond the nominal maturity.

According synthetic scoring big independent agencies enjoying the qualitative measures of various components each BIPE and macroeconomic developments that could result, a favourable reception of this instrument by the financial community would resorbed all of the European debt in 10 years, to easily reduce the tax and parafiscal pressure by around 50% over the same period and to find a dynamic economy, creating wealth and progress in all areas. Instead of a century of immobility in current perspective.

There is actually every reason to believe that the emergence of BIPE, ranging from the stock market for private securities and medium term savings instruments, generate its own long-term market since the instrument will be liquid at all stadiums, and it is not absurd to suppose that a European BIPE market could generate a sufficient volume for the progressive annihilation of the total debts of European nations while offering a common financial tool at the international level.

So, an enough volume to initiate a multi-annual program of debt reduction, recovery, and progressive consolidation of the public finances of the union if the latter then wanted to finally coordinate economically and therefore tax. But it is mainly the indirect impacts of such a plan (Medici way in Florence during the great plague of 1350) which would stimulate a virtuous dynamic: in addition to the reinjection of part of the savings obtained in a self- financed PRODUCTIVE recovery plan , it is the prospect of a gradual and regular reduction in compulsory taxes which will not fail to encourage the leaders of the private economy.

They will not hesitate to invest in the overhauled prospects for economic growth since they will then have an increased self-financing capacity at identical operating scope, improving the remuneration of the risk taken in equity therefore the feeling of working more for oneself than for others, which is the very logic of the entrepreneurial spirit.

If this were to happen tomorrow, this would allow these essential tax contributors, the large international companies, to reconsider their investment policy, at a time of robotization of the production units which it is always better to place near the markets of solvent consumption. They will receive this message as the rebirth of an old continent adapting to modernity and again competitive. Just as this would allow a multitude of SMEs (a real evaluation variable since they are always reactive in investments and jobs according to the confidence that these companies have or not have in governments) to innovate to adjust to the new expectations of the population by fearing minus tax confiscation and international dumping.

3) Could ECB oppose a such a policy? Is BIPE compatible with meeting European monetary and budgetary commitments ?

In the current state of the texts, nothing seems to oppose it, just as currently the issues of the French or Portuguese treasury are not directly subject to the prior agreement of Frankfurt: the volume of debt being neither increased , nor its service (it is even the opposite) that does not in any way contravene France's international commitments, for example. In the European case, the role of the ECB would remain central since it could not theoretically hold (or few) state securities, would find with the proposed alternative something to be satisfied since the BIPE becomes autonomous once issued.

The substitution of debt is not increasing budgetary burden of European contributors but rather reducing the debt ratio "classic" and separate debt holder status for the nation that uses them. The ECB will also appreciate that the investment programs of the states concerned benefit in this case from locally differentiated autonomy margins, which can be based on the private management of operating risks without compromising public solvency, thus allowing the ECB may on a case-by-case basis - according to notation - facilitate the monetization of BIPE

It will be noted moreover that the states being to date more "eternal" than the European constitutional scaffolding, it may be preferable at present that each country is dilutive emitter of the volumes which it chooses with the support of the BC E, that to know that the BIPE is directly controlled and managed by the ECB, even if it may be regretted, moreover, as regards the necessary harmonization of the European continent.

4) Will the BIPE be an " eternal time bomb" hovering over State accounts of the one that will use it ?

There will initially be only for the first generation BIPEs a substitution of the current mass of the maturities of debts due and its slow reduction in constant value by the monetary erosion of the inflation which will reappear. Then its progressive cancellation, if the value of the BIPE of substitutions is ≥ to the value of the debt, will on the contrary be a form of release useful to future generations since the conditions of substitution of the OAT against the BIPE will signify a definitive disengagement of the 'State as to this support held by investors and not taxpayers.

The second generation BIPE, on the other hand, defuse the growing weight of debt, and its cost which is a function of ratings from independent agencies, and therefore the risk of insolvency in the medium term. However, with the BIPE, the State will be responsible for the conditions of negotiability, not for future courses.

5) Can it drain savings available locally ?

Of course, since the issues operated initially replace the maturities that the State would have agreed to obtain the borrowing volumes necessary to pay for the servicing of the pre-existing debt; and on the other hand, the national BIPEs can refinance themselves on the international markets.

6) May it allow a foreign coalition, public or private, to put the hands on the jewels of the economy European ?

To hold American or Japanese debt for example does not a priori entail anything other than a right to repayment of the capital at maturity, with positive or negative interest depending on the issue period, which does not does not mean that its trading price remains constant in the meantime.

But there is indeed the possibility for the holder of a substantial part of a sovereign debt to sell it at a low price to put temporary pressure on the government concerned and this can indeed influence its foreign policy. At the aftermath of the austerity measures imposed on Greece by the IMF creditor subscriber of the state debt, be a form of reaction to the abstention and the "disunity" European, the latter being determined to want to punish the Greek lies.

This led to the privatization of some large infrastructures for the benefit of the “Chinese,” despite the policy, however, resistant to these restrictive measures of the Κυ β έρνηση της Ελληνικής Δημοκρ α τί ας from Athens.

But these symbolic cessions were only absurd in appearance because the vocation of a government is not, let us repeat, to administer boats, planes, or trains. And Greece could have managed to find European partners rather than consolidate this Trojan horse that will constitute the Silk Road.

Anyway, it would have happened if Athens had issued BIPE instead of issuing debt to bail out banks desperately empty by overexposure to current expenses not covered by revenues (primary deficit). If European subscribers were asked not to bail out the barrel of Danaids but to support a viable and attractive program of restructuring, relying on eternity for the horizon of repayment and great gains linked to skilful redeployments, even if it means having to finance a social support program, capital would have been there: there is no shortage!

But above all, this would have enabled the success and failure of this program in no way to result in any pressure whatsoever from BIPE holders on state policy: unlike a public limited company, BIPE holders do not can meet in general assembly to dismiss a democratically elected government.

Thenceforward, even a sharp drop in BIPE would have resulted that bring the previous situation without creating a major default, BIPE for refinancing. And would also have had no lasting consequences for ATHEX regarding the BIPEs for project financing: a temporary decline does not exclude a recovery when the situation improves. In short, we could have saved a serious social crisis by using the right instrument at the right time. Because there is less risk of influence of a large investor on a State if it holds non-refundable BIPE rather than debt accompanied by covenants. In the case of debt owed by Asian capital, we may see the consequences of this in the event of difficulties in Sino-European trade.

7) What are the conditions for success of BIPE ?

The success of the BIPE financial instrument to be created is highly probable, in the delicate phase which will follow its launch, if the substitution offers at least the prospect of a capital gain on the substitute security without costing the State anything. (so, to the taxpayer).

In fact, if we apply the method described above for estimating the technical value of a BIPE, BEFORE the announcement of the economic measures recommended, to arrive at a perfect parity between the technical value of the index and its equivalent slow in State debt discounted on the date of the initial exchange (important date since it will influence the negotiable value of the perpetual bond), it is logical that the positive effect of the announcement of the stimulus plan thus financed should lead to expectations d e increases for companies affected by these measures, since these companies are also the underlying index which is calculated on the trading value BIPE.

We can legitimately assume that the expected growth effects will allow bullish price expectations synonymous with success with regard to the demand for this new investment medium, during all the years where the self-fulfilling scenario will favour progress, private initiative and public accounts, a bit like during the 30 "glorious" years of rebuilding in Europe after the Second World War.

As a result of that, a parity 100 before the announcement will easily see expectations of 103, 105 or 107 or several annuities of current interest of the annual debt at prices recorded in 2019.If an excessive runaway effect appears, the issuing state could contain it by proposing more volume of debts to be exchanged by anticipating the upcoming maturities see by substituting the emissions to intervene in 2nd generation financing BIPE , which , given the inherent uncertainty of all new media will suffice to calm excessive speculation.

In turn if the policy would probably cause some distrust of the BIPE, it is sufficient to state to reduce the volume offered while stimulating the secondary market (tax benefits, specific improvements warranty ...) to convince professionals investment and therefore reassuring long- term investors in times of doubt. Then suspend excessive benefits in times of euphoria!

Thenceforth, the possibility of a failure of the BIPE is not related to its existence, but the health of the secondary market, where occur of inevitable stock market crises after the nice growth phase initially funded by BIPE.

8) What will happen to be refinancing in BIPE when the "inevitable crisis market" and what about the risk of buyers who traded the "highest" market ?

It is first of all notable that starting from the concept of National Net Income, whose strict definition deducts the consumption of fixed capital but does not take account of revaluations of assets, the index to be created will add to the concepts of wealth above mentioned an extra countable concept linked to the annual growth capacity of future economic flows, taxable in the form of VAT and customs duties. This anticipatory index will therefore be quite sensitive to the minute variations in the statistics observed, such as political orientations, scientific discoveries, social unrest, etc. This will thus make the indicator alive and influential, thus mobilizing savings and energies.

We can then imagine two cases: that where, despite the recovery efforts, State revenues stagnate as a result of any crisis, causing the BIPE to plunge below its guarantee threshold of a minimum value per share of debt “contained” in the BIPE and thus forcing the state to re- indebt in the conventional way, to face a massive influx of bonds and honour its promise to buy back the guaranteed price. And that or not related to index estimates, a political, environmental, or other crisis, plunges the state into a situation of general distrust pushing investors to resell even at low prices their BIPE.

Several assumptions arise : either the BIPE value is at the time of the crisis, not correlated to the economy as the value of the underlying companies by bearish performative anticipation and it will be then a crisis transient risk of contaminating the real economy but reducible if it is corrected quickly.

- 1) It may be the case during a transitional political crisis threatening geopolitical situation or social crisis paralyzing occasionally, for examples. In this case, the corresponding refinancing is analysed by a simple financial portability likely to be anticipated and managed by the State and its institutional investors, with a simple loan relay from the central bank, which does not compromise the sustainability of the 'instrument. The state reimburses its debt via the agent in charge of issuing BIPEs on its behalf, it goes into debt to do so, but it can quickly get rid of this debt and when the crisis is over it can reissue from new BIPE re-evaluated.
    - 1.1[3] The buyer at the highest, reseller at the lowest, will therefore lose money in this case but to a limited extent by the combined impact of the public guarantee of redemption of the residual part of the debt part (not updated) and later by the history of past rebounds from the end of the crisis and the revaluation of BIPEs, over time. This risk will be fully known and

[3] The Consortium of Realization had to manage the quasi bankruptcy of Credit Lyonnais in 1995 and which still exists 20 years later, and undoubtedly for a long time still.

identifiable by the subscriber at each stage of the evolution of the BIPE. By keeping his bought BIPE at the height of speculation, the subscriber can wait for better days without necessarily losing.

- 2) It may also occur if the value of the voucher undergoes the consequences of lowering objective and sustainable outlook for the economy and the business value correlated to BIPE, and this may be due to anticipation of a major economic crisis when the public and the holders of BIPE would doubt the governmental will of a possible return to the previous state (Brexit for example). This can be imagined in the event of a lasting political or social disturbance (revolution), sudden economic isolation or even the domino effect of the fall of a major company by causing others (in the case of the oil countries in particular). In this second case, it is essential that the central bank of the State concerned fully play its role of supporting the real economy, even if it means exposing itself to the exchange value of its currency, in order to support businesses and therefore their investors, via compliance with the BIPE guarantee clause It is therefore important that the guarantee is expressed in currency identical to that of the debt so that the promise is kept even if it must be honoured in devalued currency, as this would allow in this extremity to demonstrate the reliability of the word of the State, the constancy of its commitments and especially to find in post crisis the means to re-engage new financings to pledged on new perspectives and an economic restructuring like the history l has always demonstrated so far.

It is clear that in the larval stage of the current European construction and in the presence of a common currency san 's coordinated fiscal policy, but this may lead during the interphase one country to a temporary suspension of membership in the area monetary concerned. Unless the principle of controlled risk management described below is applied by cantonment in reserve of part of the savings made when the repayment of debt maturities is cancelled, which would require a real European coordinating financial authority, which of course cannot be the ECB in the current state of things.

- o 2.2 The buyer at the highest in this assumption, who sees his stock exchange security devalue suddenly, will necessarily lose the difference between the price or he bought it and the guaranteed value: this is the risk accepted by any investor handing over a speculative value even partially guaranteed, noting however that the more the original BIPE has a history allowing to limit the risk of decorrelation , the less it will have intrinsic guarantee, one shedding light on the other. This will naturally be necessary since the BIPE solution aims indirectly to reduce the direct debt of the State, the unbearable risks of which it has been understood to represent in the long term.

The investor of the financing BIPE is in a situation comparable to that of an action subscriber of any company: he knows he can benefit from good prospects of valuation if the situation is favourable but that he can also lose everything if this situation becomes unfavourable. The user of BIPE is less exposed to microeconomic risk but more to macroeconomic risk, to sum up very simply. It will however be observed that the BIPE could also be useful for a rapid recovery both in the event of a temporary and structural exit from the crisis :
the economic refinancing of a state suddenly ruined but adopting a plan relying on the BIPE to get out of the crisis would necessarily offer great prospects to its companies and to investors from all horizons !

In addition, supply and demand will objectively regulate the value of the BIPE, which will always be worth what the country's economy is worth, according to the appreciation of speculative expectations of buyers and sellers of this voucher. It is not losing sight that the bulk of the proposal outlined here is to achieve a healthy deleveraging of public finances. We will conclude that it could be wise for a significant part of BIPE's emissions to feed a reserve fund made up of unexposed assets (first category soils without geophysical, climatic and geopolitical risks, BIPE from other potentially beneficiary states a crisis in the country presentation, SDR ...) and that from the beginning to face the mentioned risk 2) above.

This reserve in form of sovereign base would then have for mass
[volume ∑ BIPE - (Vng + i ')][4], easy formulation to define a manageable risk if it is continuously monitored and provisioned; but the wisdom of nations remains a historically inconsistent notion.

The admirable reader who had the patience to read to the end this paper, this test, discover unsurprisingly BIPE may itself be a risk index correlated with its two sub - macro and micro economic aspects since the difference between the objective value (≠ hearts) is continuously recalculated via the benchmark index, making it possible to very precisely assess the speculative part with and without consideration of subscription volumes, offering both the issuer and the subscriber a measure of volatility at extremes, a risk that can be modulated by controlling the volume of supply and demand.

That extent speculative risk may make in turn the subject of various hedges in the form of negotiable instruments and options, it allows the issuer and financial partners a leverage smoothing the risk of absurd markets (black swans) including the emission volumes already issued.

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[4] Vng = volume of the unsecured part of the BIPEs; i’ = cumulative inflation between the date of issue of the BIPE and that of the implementation of the guarantee.

Conclusion

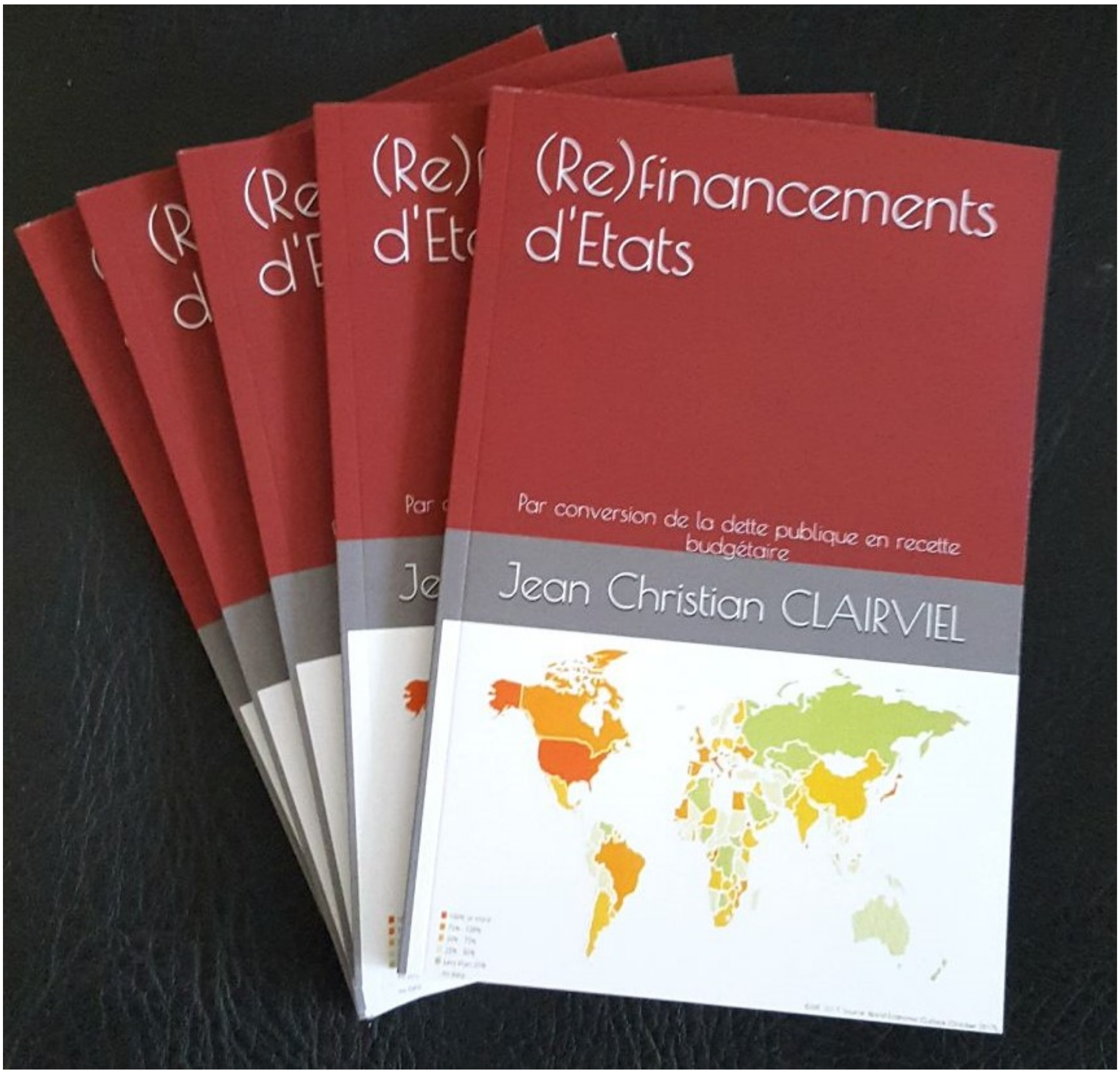
We therefore understand that the BIPE is a controllable instrument whatever its scope of application. Regarding the volume of initial bonds in charge of the balance of public debts, benefiting from the value guarantee clause up to the equivalent debt. But also, when this educational stage has passed and this instrument becomes common, that it is better suited than debt (an intermediate tool between an expenditure and a revenue to be collected) to finance projects and economic policy initiatives of a nation. We can easily establish that some mathematical formulations and this will allow, with more rigor than have been the States in the past to finance themselves, to precisely follow the evolution of their policy of controlled debt reduction. They will thus be able to lead, without stagnation or recession, the prospect of facilitating collective hope in a balanced economy and in good governance of the States.

To conclude, we will simply note that BIPE, a new refinancing and financing instrument, can without detracting from the current commitments of the State, or penalize anyone, increase the choices of orientation and the solvency, by allowing lasting savings and consequent of the financing of the State, the drainage of an increased saving and to favour economic growth. If, moreover, a reform of the State makes him less an actor than a controller, this will thus allow him to disengage from sclerosing budgetary paradigms, outside the hellish spiral of increasing indebtedness.

At a time when private indebtedness continues to increase everywhere in the world, this deported savings which is borrowing supposes stronger banks than in 2008 to avoid the profound consequences which could have followed beyond the few countries assisted by the IMF.

The banks will support this initiative all the better as they will be associated with it in what they do very well: intermediation, with the clientele of private investors and the public. The latter will only be better informed. In this sense the BIPE will also be a useful instrument to satisfy the aspiration for progress of the populations and to promote the economic education of the citizens.

Pr. Jean Christian CLAIRVIEL



How to fit the sphere pub-block new financial knowledge especially those put in work for about a decade in times of low or even new rates gates, to introduce concepts news in the very definition of public debt and transform this in budget revenue?

From the same author :

- The “Overcapitalization back-to-back ” (Wikipedia) ;
- The core business in funding from projects (Sold out)
- Computerizations (editions DALIAN))

In supports teaching :

- The instruments financial
- The new Partnerships Public-Private
- The Trading arbitration and the convenient of over covers
- The cash management international

JC. CLAIRVIEL, lawyer and financial advisor lead a double career as a banker and teacher of finances at the INSTEUROP of Luxemburg.

Translation by Joachim Tramontana

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