
Testimony

To: Commission on Fiscal Responsibility and Reform – June Forum

From: Stephen Moorhead

Re: Written Testimony – June 30, 2010 Forum

Date: June 29, 2010

Who?

My name is Steve Moorhead and I'm from Dedham, Massachusetts.

What is the crisis?

There are three critical issues facing our country. A growing deficit, reduced personal savings and an enormous national debt.

What is proposal?

My 3 part proposal enables Congress to address each issue:

1

First, it increases taxes to reduce the deficit

2

Second, it increases personal retirement assets

3

And third, it reduces interest payments on our federal debt and our dependence on non-US holders of federal debt.

How does it work?

How does my proposal work?

While personal income tax rates go up, taxpayers can choose to buy a US Savings Bond instead of paying the tax increase. The price of the bonds is tied to a taxpayer's bracket – so wealthier taxpayers pay more for their savings bonds. For example, if a taxpayer in the highest tax bracket has an increase in taxes of \$50,000, that taxpayer would have an option to purchase a \$50,000 US Savings Bond for \$100,000, thereby eliminating the increased tax.

By requiring taxpayers to hold the bonds until age 65 – or suffer a penalty for early sale -- their retirement assets will increase.

Revenues from the sale of these bonds will go exclusively to reducing the federal debt – and the interest payments will be lower which will mean reduced cost of debt service and less reliance on foreign holders of U.S. debt.

Treasury will retain fiscal flexibility because: they will have the right to call Savings Bonds at any time; the right to pay out bond proceeds over a four year period; and, the total amount of bonds available for purchase would be determined annually in April.

Who are the Winners?

Deficit improves as tax revenues are increased, federal debt is reduced, and federal debt service costs are decreased.

Current generation's retirement assets are increased and next generation inherits better US balance sheet.

Who are the Losers?

In the short term, Santa Claus. Fewer presents under the tree so retail America suffers.

And there will be less private capital available to invest in our economy.

Closing Remarks

Congress must once again appeal to Americans to sacrifice for their country, similar to our successful Liberty Bond campaigns of WWI and WWII.

These "Save for Ourselves/Save for America Bonds" (SFO/SFA) could:

- 1) Improve financial literacy across the income spectrum by increasing the number of Americans who have privately owned retirement savings
- 2) Repair America's balance sheet, allowing us to better compete globally
- 3) Build a stronger economic foundation because more Americans will have a direct stake in the fiscal future of our government.

The proposal details are provided in my earlier written submission.

Thank you very much for providing a public forum for Americans such as myself to offer their thoughts.
