Chairman Bowles, Chairman Simpson, and Members of the Commission,also Director Reed and your staff-- thank you for extending an invitation to the general public to provide comments. I enjoy an unusual privilege of speaking today before people who have actually balanced a federal budget.

I do generation planning for an electric utility, but I am speaking about my own concerns.

Budget Director Orszag has said, “The overriding economic priority of the Administration became to boost economic growth to prevent the economy from falling off the proverbial cliff. Doing so meant temporarily sustaining higher budget deficits.” I agree with his logic, and also I agree with the same logic in reverse, that spending cuts will cool the economy when necessary. This is the premise for my presentation.

I am proposing that when the economy heats up, in lieu of rate hikes by the FED, we have equivalent cuts in federal government spending. The FED posts its interest rate increase. Congress would then have 30 days to enact a package of spending cuts. If Congress doesn’t act, the rate hike kicks in.

To illustrate why this is needed: Imagine landscapers who want to expand their businesses in Rock Hill, SC. Congressman Spratt’s district. They show up at an auto dealership in Charlotte, NC and are looking at 5 pickup trucks. A federal agency buyer is there and is planning to buy those same 5 trucks. This is classic inflationary scenario: too much money is chasing the same products and/or services.

The FED has anticipated this scenario, and has raised interest rates. Who doesn’t show up to buy those trucks. It’s the private sector.

Have we dealt with the inflation?—yes. But at what cost? We now have a smaller private sector that must support a bigger government.

If we tell the federal agency buyer, “You stay home. Come back in a year,” then we have the same disinflationary effects. But now the private sector has a chance to grow.

Over the course of a year, those expanded businesses pay more taxes to their local school districts, to their state, and to the federal government. At the end of a year, perhaps one of those trucks can be purchased outright based entirely on the increased taxes from these businesses and their employees.

This would reduce State and Federal Deficits and ultimately our National and State Debt FOUR ways:

1. It would allow business to continue to grow, increasing the tax base for all taxing entities.

2. It would keep rates low and reduce borrowing costs for government.

3. It would keep mortgage rates low, increasing construction spending, thus raising local tax base.

4. It would reduce the cost of the Federal Government, directly reducing deficits.

If enacted by the Central Banks of Germany, France, and the U.S., interest rates could be kept low so countries teetering on the brink of fiscal insolvency could continue their recoveries.

It would be a grievous mistake to toss aside this plan because the Federal Government is too big to respond in time. Businesses can change quickly by cutting back on overtime, canceling expansions, reducing inventories, and so on.

It is time to make government as flexible as we ask business to be.

Interest rate increases would level out business growth, but at a cost of a larger government which is paying higher interest rates on its debt, forcing larger tax increases on a smaller economic base. Domestically, states could have to shut down services. Internationally, countries could become insolvent.

A Rate Hike Equivalency Plan would mean a larger business base supporting a smaller government base, a goal which we would all agree is ideal.

The administration needs to take recommendations of this committee and layer them into predetermined spending reductions of a size determined with the help of FED economists. Each spending reduction is a package that can be set into play when the lever is pulled.

These measures need to be carefully planned. Having to take emergency measures like Greece did will disadvantage the politically weak. Economic panic can mean extensive layoffs.

Lastly, We are talking about allowing our private economy to grow so it can help sustain the public debt load and interest payments, and ultimately a government whose services can expand as necessary, once business has grown sufficiently.

Interest rates may ultimately reach a higher level, but business will have been allowed to grow more than it would have under continuous and unilateral rate hikes by the FED.

So my proposal is to have a package of federal spending cuts that can be implemented in lieu of that quarter point rise in short term rates posted by the Federal Reserve.

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