

# Saving America's Future

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America faces a population crisis. As young workers confidently join the labor force, millions of retirees are entering their golden years with only Social Security and loose change. Payroll deductions were meant to be just one of three pillars of retirement financing, but the other two—private pensions and personal savings—are being squeezed by ever-rising taxes and regulations. At the same time, consumers have become engaged in a spending frenzy, turning America from a giant of international trade to a debtor nation.

These excesses are encouraged by an income tax system that rewards frivolous consumption at the expense of private saving. Its chief beneficiaries are the wealthy, who have more discretionary income, while the middle class and working poor have fewer resources at their disposal.

Replacing the current income tax with a progressive consumption tax would transform the terms of the debate. The "Save America Tax" would be levied on earned income with a full exemption for personal saving. As a consumption tax, it would discourage unnecessary spending and restore the incentive for Americans to save for their retirement. Principal and interest on savings would be invested in U.S. bonds and remain tax-free until spent.

Anticipated revenues from the "Save America Tax" would be sufficient to cash out all Federal benefit programs and replace them with a National Tax Rebate to all Americans. The rebate would start at \$7,000 per adult and \$3,000 per child annually, and would be reduced proportionally as income rose.

All incomes would thus start at the poverty line. An unskilled worker earning as little as \$3 an hour would have untaxed annual earnings of \$6,000. If invested and compounded monthly at 3% annual interest, that income could accrue tax free to \$570,000 by the time the worker reaches age 65, and could add \$37,000 in annuity to a retiree's rebate.

The financial freedom made possible by the Save America Tax plan would put the glitter back into the "Golden Years." Most importantly, the ISES plan's unique combination of consumption tax and rebate would reorder our nation's spending priorities, restore our economic might, and give every citizen a chance to achieve the American dream.

In coming weeks, we will explore the positive impact of the Institute's Save America Tax Plan on health care, education, employment, and industrial competition. For more information, please visit our web site.

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