



**Boulegeris  
Investments, Inc.**

## **“Katrina Bonds” Redux**

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Almost six years ago, following the devastation of Hurricane Katrina and the seeming paralysis of the country to respond to its physical, emotional and economic impact, we proposed a capital campaign to provide the financing required to mobilize the country in time of need. The plan was modeled after the Victory Bond Campaign so successful during World War II.

Today, our nation has again been wounded by hurricane, fire and flood. The juxtaposition of a stagnant employment environment suggests that revisiting the Katrina Bond offers a duality of advantages – addressing both reconstruction and revitalization of the employment base.

The May Household Survey Data from the Bureau of Labor Statistics (BLS) reports that 13.9 million Americans are unemployed. In addition, there are 2.2 million who are marginally attached. These are individuals who were not in the labor force, want to work, but had not searched for work in the preceding four weeks prior to the BLS survey. Among the marginally attached, there were 822,000 discouraged workers who have simply stopped looking, believing there are no jobs available. Our strategy recognizes a national priority to put Americans back to mission critical work. Neighborhood by neighborhood, our citizens could engineer and rebuild homes, schools, communities and infrastructure.

To review, the basic features of the proposed financing are as follows:

- Just as Treasury debt securities, Katrina Bonds would be backed by the full faith and credit of the United States of America.
- They would offer a modest interest rate; exempt, however, from federal, state and local taxes.
- The bonds would be non-callable and adjusted for inflation.
- The duration of the bonds would be linked to the anticipated timetable for reconstruction. For example, bonds to finance the loss of schools, hospitals and 8,000 homes in Joplin, Missouri might have a duration of approximately three years.
- A non-partisan Compliance Board would serve as fiduciary to the bondholders and provide independent oversight of targeted disbursements.

The fundamental benefits of this proposal include:

- Rallying the country to a common purpose, similar to the WW II Victory Bond campaign, which raised over \$185 billion.
- Securing financing for the country's present and future needs. Proceeds from the capital campaign would be used solely for reconstruction consistent with local and regional priorities.
- Increased integrity and transparency through the Compliance Board, utilizing forensic accounting and other specialized means to ensure high standards.

One modification to the original proposal seeks to resolve the repatriation conundrum of overseas corporate assets. We recommend that the corporate tax rate for repatriation be permanently reduced from 35% to 9% with the stipulation that the tax revenue be allocated as follows:

- One-third for immediate Federal debt reduction.
- One-third for purchase of Katrina Bonds, the business community thereby taking a leading role in domestic reconstruction and job creation.
- One-third to a 21<sup>st</sup> century Education Fund with the aim of retooling the nation's skill sets through job training. This would provide vocational and technical expertise to fulfill unmet demand in such fields as science, engineering, healthcare and energy.

Current taxation policy motivates US multinationals to adopt tax avoidance strategies, evidenced by \$1 trillion of offshore earnings parked overseas. Instead of designing complex shelters and transfer strategies, corporate leaders would be incentivized to participate in the Katrina Bond program. By linking this policy prescription to employment, both public and private sectors would begin working more closely to remedy a deep structural problem.

The jobs deficit is the rational outcome of a bubble created by the misallocation of resources and leveraged speculation in real estate and the financial sector. Some of these jobs are unlikely to return even in a healthy economy. Moreover, technological advances in manufacturing further limit human capital demands. The workforce needs to adjust and adapt to these new realities, and maintain its zest for innovation. We should strive to bring certainty to a unifying policy that aligns long-term capital formation with the repatriation of corporate profits earned in the expanding global economy.

Historically, the American people have always demonstrated a generosity of spirit and willingness to sacrifice to aid their countrymen. All leaders must develop pioneering programs to harness the will and talents of the populace. Our citizens are strong, compassionate and self-reliant. Katrina Bonds would be marketed not as competitive personal investments, but as a moral commitment to the future of the country.

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