

—BELIEVE IN— AMERICA

.....
Mitt Romney's Plan for Jobs and Economic Growth
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.....
Introduction by
Mitt Romney

Foreword by
R. Glenn Hubbard

— BELIEVE IN —
AMERICA

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Mitt Romney's Plan for Jobs and Economic Growth
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First Edition

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Printed in the U.S.A.

Table of Contents

i	Foreword
02	Introduction: Letter from Mitt Romney
06	Day One, Job One
09	Part I: America in Economic Crisis
21	Part II: President Obama's Failure
31	Part III: Mitt Romney's Plan
37	Tax Policy
53	Regulatory Policy
69	Trade Policy
85	Energy Policy
101	Labor Policy
119	Human Capital Policy
135	Fiscal Policy
151	Conclusion
154	Appendix: 59 Policy Proposals
156	Endnotes

Table of Figures

- 12 **Figure 1:** Unemployment Without End
- 16 **Figure 2:** The Jobless Recovery
- 23 **Figure 3:** The Obama Jobs Plan in Action
- 42 **Figure 4:** The Burden of Tax Complexity
- 44 **Figure 5:** Falling Behind the Curve on Taxes
- 57 **Figure 6:** The Hidden Cost of Red Tape
- 62 **Figure 7:** Tale of the Red Tape
- 89 **Figure 8:** The “Green” Job Myth
- 104 **Figure 9:** The Real Manufacturing Decline
- 110 **Figure 10:** The Right Way to Work
- 112 **Figure 11:** The Union Decline
- 126 **Figure 12:** Foreign-Born Job Creators
- 139 **Figure 13:** Doubling Our Debt
- 140 **Figure 14:** A Reasonable Spending Cap

Foreword

The financial crisis we recently experienced and its economic aftermath in lost output, jobs, and wealth will be studied for decades by economists. Of course, economic policymakers must react more quickly, and in scope and costs the past few years have witnessed unparalleled policy activism. Much of this activity has misunderstood economic trends and how economic policy works.

In the first conversation I had with Governor Mitt Romney in the post-crisis period, he asked me why policymakers were not more focused on the seeds of the crisis and on the need to build a foundation for long-term growth. With the mantras of fiscal stimulus and easy money being repeated in Washington, his question seemed spot-on to me. Could we change the conversation from policies contributing to the long-term growth of government to policies contributing to the long-term growth of the economy?

Robert Lucas, a Nobel laureate in economics, famously wrote that once one starts to think about economic growth, it is hard to think about anything else. In other words, even slight increases in growth rates, when accumulated over time, have an overwhelming impact on quality of life. Not just corporate profits, but the livability and prosperity of nations and regions depend on economic growth. Moreover, economic growth and the enterprise-level performance that underlie it are not givens, but can be shaped.

Entrepreneurs and business, and the innovation they produce, have transformed society through economic growth. At the end of the twentieth century, management thinker Peter Drucker looked back and wrote that underneath all the epochal events of that century were important social transformations linked to business. Business not only spurred transformations through innovation, it also created the material basis for social change. It created wealth that allowed society to adjust to the civil rights revolution of the 1960s, as it had during the profound changes of the 1760s and the 1860s.

America needs to get its growth groove back. And getting it back is about not just incomes, but jobs as well. To bring the unemployment rate back to its pre-financial-crisis level by the end of the next president's first term would require real GDP growth averaging 4 percent per year over that period. That is an aggressive goal, but great progress can be made.

But how? A growth agenda for the nation requires several parts: (1) an emphasis on productivity growth, with policies to support saving and investment, innovation and research, trade, education, and training; (2) a budget framework that does not threaten our fiscal health; (3) tax policy that enhances economic growth; (4) regulation that balances growth with concerns about safety and soundness; and (5) a healthy financial system that meets the needs of savers and borrowers.

These policy elements have three themes in common. First, they are unabashedly about long-term growth, not about papering over structural economic problems with "stimulus." Second, they note that long-term policy uncertainty about runaway entitlement spending, or threats of higher tax rates, or increasing regulation, or failing to pursue global markets, constrains household and business spending today. Third, they are the key to shared prosperity.

Our problems transcend the 2012 presidential election. One can certainly make a compelling economic case that the Obama administration's policies, taken together, have worsened prospects for economic growth. But it should not escape notice that they have accomplished this by deepening longer-term problems that have threatened the nation's prosperity in earlier years. Economic shifts and economic policies that had encouraged consumption and government spending, and discouraged business investment and exports, diminished growth before the crisis.

Indeed, the crisis years of 2008 and 2009 pulled back the curtain on a problem: economic growth had been slowing. U.S. GDP growth has averaged 3.3 percent over the past 50 years. But in the 2002-07 period, before the crisis's eye of the storm hit

the financial system and the economy, that growth averaged just 2.6 percent. And many economists argue that we are in a growth downdraft, where deleveraging and an aging population limit growth. Some economists speak of a "new normal" of growth of at most 2 percent per year for an extended period of time. At that rate, joblessness will remain high.

But these are shadows that might be, not that must be. U.S. economic growth can be faster. All-important productivity growth can be lifted by better tax and regulatory policy. Changes in retirement ages, immigration policy, and support for employment can boost labor force growth.

These themes, likely to be front and center in 2012, will remain a critical part of economic policy debates in the coming years. From here, three policy steps are required: grasp (of the structural problems facing the nation), clarity (in the future path of policy), and action (leading implementation of smarter policy). Governor Romney's economic policy grasp, clarity, and leadership offer a clear path forward.

Getting economic policy right is not just about GDP numbers. My Columbia colleague Ned Phelps, a Nobel laureate in economics, has illustrated that job satisfaction and general satisfaction are higher in dynamic economies. These economies succeed in the elements stressed here—high levels of research-and-development spending, labor force participation, and economic growth.

Failing to change course will set the nation on a path of slow growth and high joblessness. Action requires leadership. If not now, when?

R. Glenn Hubbard

Dean and Russell L. Carson Professor of Finance and Economics
Columbia Business School
New York, New York





Introduction: Letter from Mitt Romney

Things are happening in America today that break my heart. Joblessness is one of them. Back in the beginning of 2009 we were told by the incoming Obama administration that a massive federal spending package would keep the unemployment rate from rising above 8 percent. Eight percent is itself a shocking number, far above what was then the post-war average of 5.6 percent. If only President Obama had been right, for he proceeded to borrow nearly a trillion dollars for his “stimulus.” And yet the unemployment rate blew right past 8 percent until it hit the high-water mark of 10.1 percent.

At the moment that I am writing—three years into the President’s four-year term—joblessness remains above 9 percent. Close to 14 million Americans are unemployed. Another 8.4 million are considered “underemployed,” holding one or more part-time jobs because they can’t find full-time work. An additional 2.8 million are regarded by Washington as “marginally attached to the labor force”—in plain words, they are no longer even counted among the unemployed because they simply have given up seeking work.

These numbers are not mere abstractions. They represent suffering and hardship on a grand scale. Over the past year, I’ve crisscrossed the country and met so many bright and capable people whose lives have been upended by the continuing economic crisis. I’ve encountered stoicism and hard work and American ingenuity in the face of adversity. But I’ve also encountered anguish and tragedy. With rising gasoline and grocery prices compounding the strains of a barren job market, a great many Americans are struggling just to pay their bills. Almost 46 million Americans—that’s 34 percent more than two years ago—are living on food stamps, the highest number since that program was created. Millions of homes have been lost to foreclosure. I’ve seen far too much hopelessness and too many dreams shattered. I’ve met Americans who lost everything that they had saved a lifetime to build. I’ve also seen fierce anger at

Washington, D.C., and the politics and politicians who led us into our travails and who now seem unable to find an exit.

The anger is justified. Things don’t have to be this way. I believe America can do better. That’s why I am running for president.

In 1947, the year I was born, unemployment was 3.9 percent. In 1968, when I turned 21, it was 3.6 percent. Let’s not forget all the periods in our recent history when our economy was humming along at high speed, creating the opportunities that made our country the most successful and powerful in the history of the world. We’ve done things right in the past. We can do things right once again. We have recovered from recessions before. Indeed, the American economy has repeatedly proved to be extraordinarily resilient. After we hit bad patches, as in the early years of Ronald Reagan’s presidency, the economy came roaring back.

But we’ve just gone through 30 consecutive months with the unemployment rate above 8 percent. That’s the longest such spell since the Great Depression, and the end is not in sight. A 21-year-old today fresh out of college is facing very different conditions from those in place when I graduated. Jobs for recent graduates are simply not there. With things so difficult this time around, it is worth inquiring why.

No small part of the answer has to do with the wrenches the Obama administration has thrown into the economy. Badly misguided policies have acted as a severe drag on growth. We can count here the binge of borrowing and spending that set off worldwide alarms about the creditworthiness of the United States and led to Standard & Poor’s unprecedented downgrade of our nation’s sovereign credit rating. We can also count the vast expansion of costly and cumbersome regulation of sectors of the economy, ranging from energy to finance to health care. When the price of doing business in America rises, it does not come as a surprise that entrepreneurs and enterprises cut back, let employees go, and delay hiring.

In addition to the administration’s errors are its missed opportunities—paths not taken that should have been taken. We have just been through

a period of extraordinary economic turbulence. Restoring clarity and predictability are essential for igniting hiring and investment. Yet in so many areas, from tax rates to energy policy to labor regulation to trade, the Obama administration has only added to the lack of clarity and the uncertainty. The most dramatic illustration came midsummer, when the absence of presidential leadership brought the country to the precipice of default. Uncertainty is the enemy of growth, investment, and hiring. Unfortunately, uncertainty has been the hallmark of the Obama administration.

As we move forward, a fundamental question before us is the proper role of the federal government in our economic life. The President appears to believe that government can do a better job managing the economy than can a free people and free enterprise. I disagree. Washington has become an impediment to economic growth. Extracting the overreaching hand of government will not be easy. Entrenched interests and their allies in government will fight every step of the way. But it is not a battle from which we can shrink. We must restore the principles that have enabled the American economic engine to outperform the world. The federal government has become bloated to the point of dysfunctionality. It needs to be pared back and redirected. Instead of threatening and stifling enterprise, it must encourage investment in growth and people.

Obama is not working. Obamanomics is a failure. With little private-sector experience, President Obama turned to the only thing he really knew: government. His distrust and antipathy for the private sector led to policies that burdened and constrained business at the very time we needed it to advance, to invest, and to hire.

My experience could not be more different from his. I spent 25 years in business. I led an international consulting firm through difficult times to growth and success, led a financial services business from start-up to global prominence, and led the turnaround of a Winter Olympics to world acclaim. I know what it means to meet a payroll. I know why businesses hire people, and why they become forced to lay them off. I know what it means to compete in this country and abroad. My entire life experience convinces me that with a

leader who fundamentally understands the economy, with a government that encourages investment and hiring, and with the faith and hard work of the American people, we will right the economy, create good jobs, and restore the promise of the future.

I believe in America. We have always been a land of discovery and pioneers. We flew the first plane across the ocean, we planted the first flag on the moon, we connected the people of the world with the telegraph, the telephone, the television, and the Internet. It is not an accident of history that America is the home of Facebook, eBay, Apple, Microsoft, and Google. These companies reflect our singular capacity for innovation. Nor is it an accident that the productivity of the American worker is unparalleled. The dynamism of our society is renowned around the world. We should build upon our strengths, not burden them with bureaucracy, excessive regulation, and intrusive government.

There's much that needs to be done and done quickly to put America back on the right path. I have formulated a comprehensive and integrated plan that focuses on seven areas where reform is urgently needed: taxes, regulation, trade, energy, labor, human capital, and fiscal policy. Change in any one of these seven areas would be important and helpful by itself. Taken together, they hold the potential to revitalize our economy and to reignite the job-creating engine of the United States.

So much is at stake: nothing less than the future of our great country.



Mitt Romney

Boston, Massachusetts

September 1, 2011

Day one, job one.

When Mitt Romney says that fostering job creation through economic growth will be his top priority from his first day in office, he means it. While some elements of his plan will take time to set in motion, much can be done from a running start. On Inauguration Day, he will submit a jobs package to Congress consisting of at least five major proposals and will demand that Congress act on the package within 30 days, using every power at his disposal to ensure its passage. He will also take immediate and specific steps within his sole authority as president by issuing a series of executive orders that gets the U.S. government out of the economy's way. The goal: restore America to the path of robust economic growth necessary to create jobs.

FIVE BILLS FOR DAY ONE

The American Competitiveness Act

- Reduces the corporate income tax rate to 25 percent

The Open Markets Act

- Implements the Colombia, Panama, and South Korea Free Trade Agreements

The Domestic Energy Act

- Directs the Department of the Interior to undertake a comprehensive survey of American energy reserves in partnership with exploration companies and initiates leasing in all areas currently approved for exploration

The Retraining Reform Act

- Consolidates the sprawl of federal retraining programs and returns funding and responsibility for these programs to the states

The Down Payment on Fiscal Sanity Act

- Immediately cuts non-security discretionary spending by 5 percent, reducing the annual federal budget by \$20 billion

FIVE EXECUTIVE ORDERS FOR DAY ONE

An Order to Pave the Way to End Obamacare

- Directs the Secretary of Health and Human Services and all relevant federal officials to return the maximum possible authority to the states to innovate and design health care solutions that work best for them

An Order to Cut Red Tape

- Directs all agencies to immediately initiate the elimination of Obama-era regulations that unduly burden the economy or job creation, and then caps annual increases in regulatory costs at zero dollars

An Order to Boost Domestic Energy Production

- Directs the Department of the Interior to implement a process for rapid issuance of drilling permits to developers with established safety records seeking to use pre-approved techniques in pre-approved areas

An Order to Sanction China for Unfair Trade Practices

- Directs the Department of the Treasury to list China as a currency manipulator in its biannual report and directs the Department of Commerce to assess countervailing duties on Chinese imports if China does not quickly move to float its currency

An Order to Empower American Businesses and Workers

- Reverses the executive orders issued by President Obama that tilt the playing field in favor of organized labor, including the one encouraging the use of union labor on major government construction projects

PART I

America in Economic Crisis



A CRISIS OF UNEMPLOYMENT

In 2007, with the housing bubble deflating, the United States entered what has turned out to be one of the deepest and most enduring economic contractions in its history. As we approach the fourth year of Barack Obama's presidency, the disastrous effects are with us still. Indeed, they are now multiplying and reverberating in ways that are not always easily discerned but that extend well beyond the narrow realm of lost income, cutting into the fabric of American society. The social and human costs of sustained high unemployment are becoming ever more tangible and distressing.

The Worst Recession

In 2007, shortly before the crisis came to a culmination with the collapse of Lehman Brothers in September 2008, the unemployment rate in the United States had been as low as 4.4 percent. By October 2009 it had swung up to 10.1 percent. This dramatic 5.7-point upswing—representing an additional 8.9 million workers joining the ranks of the jobless—is the sharpest of any recession the United States has experienced since World War II.

In the 1990-91 and 2001 recessions—both relatively mild—unemployment rose by less than 3 percentage points. In the more severe two-year downturn induced by the oil shocks of 1973, it rose by 4.4 percentage points. In the worst of the previous post-war recessions—the double dip of the early 1980s, when the Federal Reserve under Paul Volcker acted decisively to choke off the stagflation of the Jimmy Carter era—unemployment increased by 5.1 percentage points. Only the Great Depression of 1929 witnessed a sharper rise, an inconceivable 22-point increase over two years, one that dwarfs all other economic downturns in our history.

Our most recent contraction pales in comparison to the Great Depression, but it has nonetheless set dismal post-war records of all sorts:

- Gross domestic product shrank a record 5.1 percent from the fourth quarter of 2007 to the second quarter of 2009.
- More than 6 percent of all jobs in the United States were lost.

- A total of 9.4 percent of full-time jobs disappeared, a percentage nearly triple the previous high of 3.3 percent set in 1981-82.
- The average duration of unemployment has risen to more than 40 weeks.

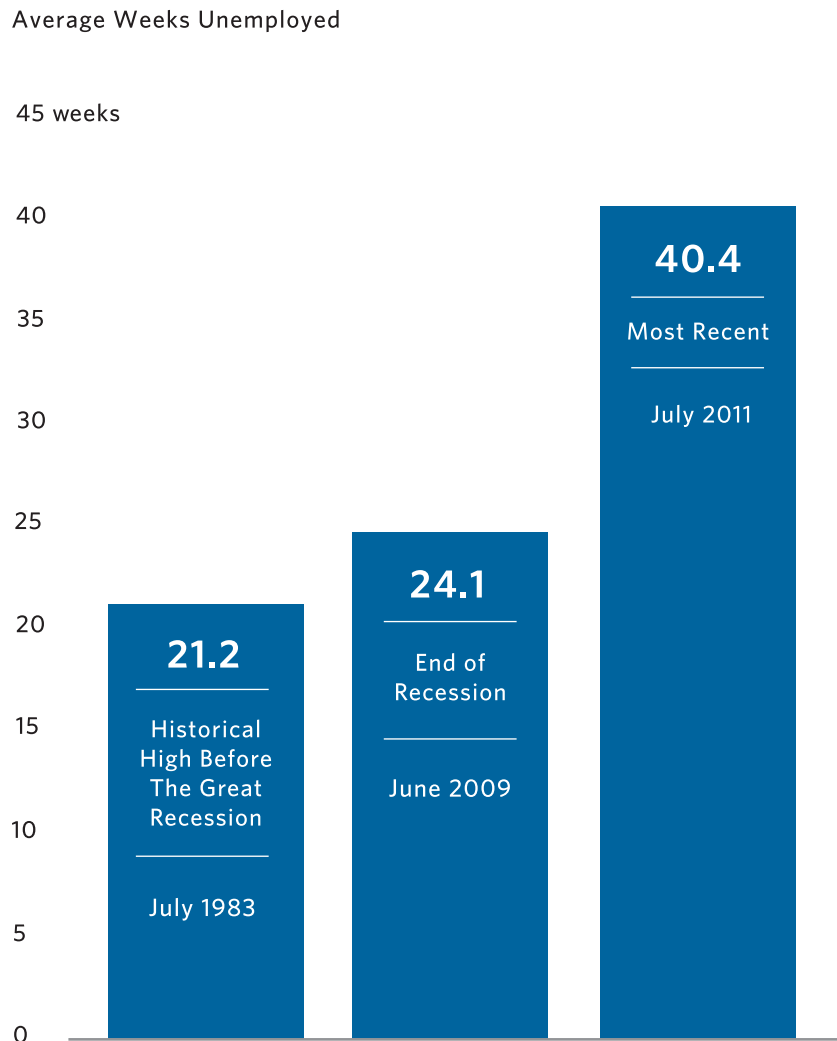
If the chain of events that began in 2007 has come to be called the Great Recession, these deviations from the trajectories of previous recessions amply explain why.

The causes of the downturn are complex and multifarious. Economists will be debating them for generations to come, just as they continue to debate the origins of the Great Depression. Between the real-estate bubble, easy credit and subprime mortgages, financial legerdemain, and Washington mis- and over-regulation, there is ample blame to spread around; decisions of omission and commission by leaders of both of our major political parties contributed to the debacle. Understanding the various tributaries of the crisis is vitally important if we are to avoid a repetition.

Yet the origins of the Great Recession are not the only quasi-mystery that needs to be fully unraveled. The National Bureau of Economic Research (NBER), the non-partisan research organization that determines when business cycles begin and end, tells us that the Great Recession came to a conclusion in June 2009, when the economy technically returned to the path of growth. However, if the downturn officially ended at that juncture, that assessment is almost an artifact of NBER's definitions and nomenclature. For the Obama Recovery is different from its predecessors. As one team of economists has put it in the colorless language of their profession, "the path of adjustment [has] exhibited important departures from that seen during and after prior deep recessions." In plain words, we are now more than two years into an economic recovery that has been one of the most lackluster in our nation's history.

The labor market in the aftermath of the Great Recession appears to be following a unique and deeply alarming trajectory. After unemployment reached a zenith of 10.1 percent in October 2009, it declined to 8.8 percent in March of this year. However, at that point it once again began to tick upward, rising above 9 percent and hovering some 3.5 percentage points above the post-war national average of 5.6 percent. The share of the eligible population holding a job has now declined to the lowest level since the early 1980s. Things could easily turn worse. The economy is visibly sputtering, and economists are warning that we are on the edge of a double-dip recession.

Figure 1: Unemployment Without End



The average period of joblessness for an unemployed worker now stands at more than forty weeks—nearly twice the highest level ever recorded prior to the Great Recession. Long after the recession has ended, that figure continues to increase.

Source: Bureau of Labor Statistics

The Hardest Hit

Joblessness has hit some locations, sectors, and subgroups particularly hard. The NBER has declared the recession officially over, but there is no ignoring the calamitous conditions that continue to exist in places such as California (12.0 percent unemployment), Florida (10.7 percent), South Carolina (10.9 percent), and, at the upper end of the scale, Nevada (12.9 percent). Only 5 of our 50 states—Oklahoma, Nebraska, New Hampshire, North Dakota, and South Dakota—have unemployment rates below the post-war national average. Other states are suffering from elevated joblessness that diverges widely from historical norms.

As troubling as these statistics are, they fail to fully capture the magnitude of the unemployment crisis. They do not count those who are working part time because they cannot find full-time work. Nor do they count “discouraged” workers, those who have found the search too arduous and fruitless and have simply given up. If we include these segments, the national unemployment and underemployment rate is significantly elevated, with a staggering 25 million Americans either out of a job, not looking for work, or involuntarily working part time.

We are squarely in the midst of a jobless recovery, if it can be called a recovery at all.

As our geographical survey illustrates, Americans almost everywhere are hurting. But some Americans are hurting more than others. America’s two largest minority groups, blacks and Hispanics, comprising 12 and 16 percent of the U.S. population respectively, have fallen on especially hard times.

According to the Department of Labor, unemployment among African Americans has continued to hover around 16 percent, down only slightly from a recent peak of 16.5 percent in March and April of 2010. This compares to 12.7 percent at the beginning of the Obama administration and a pre-Obama average of 12 percent. For blacks age 16-24, unemployment has risen from 21.8 percent in December 2007 to 31 percent currently. For blacks age 16-19, unemployment has increased from 33.1 percent in December 2007 to 39.2 percent today. The ramifications have been financially devastating to an already precariously situated community.

Among Hispanics, unemployment is currently 11.3 percent, a stunning rise of 5.5 percentage points above the pre-recession level of 5.8 percent. Hispanic workers are heavily concentrated in sectors (construction) and regions (Arizona, California, Florida, and Nevada) hit hardest by the collapse of the housing bubble. In this light, it is as unsurprising as it is dismaying that Hispanic workers, even as they comprise a full one-seventh of the U.S. workforce, account for nearly one-fifth of the unemployed.

Young Americans have also been hit particularly hard. At the start of the Great Recession, unemployment among young adults, ages 16-24, stood at 11.7 percent. Now it has increased to 17.4 percent, after reaching a peak of 19.5 percent in April 2010. Young people lacking a high school diploma are facing a job market where there are almost no opportunities, even in dead-end jobs. But college graduates are also facing a forbidding market. This relatively high unemployment among young adults promises to have long-term consequences. One is that unemployed young adults face decreased employment opportunities and diminished wages relative to their employed counterparts over at least the next decade of their lives.

While the flip side is that many young people respond to unemployment by returning to school or seeking other training, this is by no means the case for all. School enrollment rates for youth have increased in response to unemployment, but so too has the idleness rate, especially for young males.

Unskilled workers also have an unemployment rate above the national average and strikingly higher than that for skilled workers. The pre-recession unemployment level stood at 7.7 percent for individuals who did not have a high school diploma, but was just 2.2 percent for those with a bachelor's degree or higher. Currently, unemployment for workers without a high school diploma is at 15 percent, while it is only 4.3 percent for highly educated workers.

Explanations for this are not hard to seek. As the U.S. economy has become more infused with technology and automation, the demand for skilled workers has grown. The Great Recession has only reinforced this trend. For example, high-skill employment in manufacturing decreased 15 percent between 2000 and 2009, while low-skill employment in manufacturing dropped by a dramatically larger 37 percent in the same period.

The long-term implications of this gap are troubling. As unskilled workers enter the labor force, they tend to acquire over time the skills that allow them to increase their earning power. But their current high unemployment rate means that fewer are gaining the opportunity to begin that learning process. These individuals and their dependents are thus faced with a future that offers sharply diminished opportunities.

Each of these statistics is troubling, and taken together they paint a bleak picture of the American economy. But they mostly represent a snapshot in time—a moment of weakness. The American workforce has faced serious challenges before, and it has proved its resilience time and time again. The current crisis is unique not only for its depth, but also for its duration and for the lack of progress that has been made toward recovery.

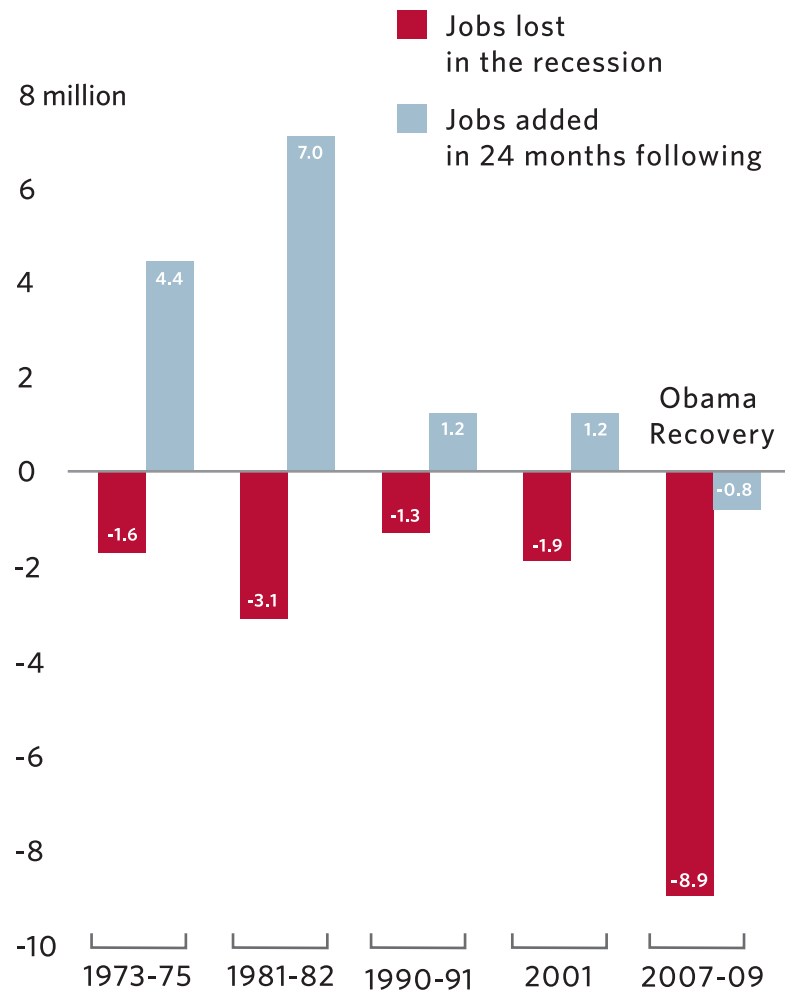
NO END IN SIGHT

The Recovery That Never Was

Job creation and full employment require economic growth. From 1997 to 2000, with GDP growth averaging 4.5 percent annually, the average annual unemployment rate was 4.4 percent. In contrast, from 2009 to 2011, with quarterly GDP growth averaging only 1.2 percent, the average monthly unemployment rate was 9.4 percent. During this period, GDP growth peaked at 3.9 percent for a single quarter before rapidly falling back down to an anemic 0.4 percent and then 1.0 percent in the first and second quarters of 2011, respectively.

Such poor growth is particularly striking in the wake of a recession. If anything, the sharper recession should have produced sharper growth in the course of recovery. Yet President Obama has presided over the most anemic economic recovery on record. As of the second quarter of 2011, two years after the Great Recession officially came to an end, GDP still has not recovered to its pre-recession level. Compare the 1990-91 or 2001 recessions: within two years of their end, GDP exceeded the pre-recession high by 5 percent. Two years after the double-dip recession of the early 1980s, GDP exceeded its pre-recession high by more than 12 percent.

Figure 2: The Jobless Recovery



Recent recoveries have seen significant job growth in the years following the end of a recession. In the sharper recession of 1981-82, the growth that followed was particularly strong. By contrast, since the end of the Great Recession, jobs have continued to disappear.

Source: Bureau of Labor Statistics

With no recovery in economic growth, there has been no recovery in the job market. Post-recession periods of the past have been marked by dramatic increases in employment. In the two years following the 1973-75 recession, more than four million full-time jobs were added. The two years after the 1981 recession saw more than seven million new jobs. Even the relatively shallow recessions of 1990-91 and 2001 were each followed by significant job growth. President Obama's recovery, by contrast, never even started. In the two years after the end of the recession in 2009, the economy has actually shed additional jobs.

The Long-Term Tragedy

If the economy stays on its current trajectory, we will face a dire situation. Keith Hall, the Commissioner of the Bureau of Labor Statistics, has summed up the situation plainly: "We are so deep into job loss, we've really lost quite a few jobs and really fallen [so far] behind, that we really need ... significantly higher job growth than we've had to make a dent, and even then it would probably take years to recover the jobs."

The absence of recovery has transformed the tragic occurrence of high unemployment into the far more catastrophic phenomenon of long-term unemployment. At the end of the recession, the average duration of unemployment was 24.1 weeks. Now more than two years later, that number has spiked to a shocking 40.4 weeks, the highest number since the Department of Labor started tracking the statistic in 1948. Indeed, the percentage of people whose period of unemployment exceeds two years has grown so large that the Bureau of Labor Statistics has had to change from two years to five years the maximum amount of time a person can list him- or herself as unemployed on its Current Population Survey.

Numerous studies show that the longer one is unemployed, the more injury one suffers over the course of one's career. Thus, the long-term unemployed face earnings losses up to twenty years after job displacement and are given fewer employment opportunities than those who are unemployed for only a brief period of time. Because employability diminishes the longer an individual is unemployed, the long duration of unemployment caused by the recession may create a class of individuals who encounter serious difficulty finding jobs even as the economy as a whole recovers.

Simultaneously, the poverty rate continues to move higher. It stands now at its highest level in fifteen years, and is expected to continue increasing. It could soon reach levels not seen since the mid-1960s, when the War on Poverty was first launched.

Earlier this year, Don Peck, an editor at *The Atlantic* who writes widely on economic affairs, offered an assessment of the social impact of unemployment that is as bleak as it is compelling:

The worst effects of pervasive joblessness—on family, politics, society—take time to incubate, and they show themselves only slowly. But ultimately, they leave deep marks that endure long after boom times have returned. Some of these marks are just now becoming visible, and even if the economy magically and fully recovers tomorrow, new ones will continue to appear. The longer our economic slump lasts, the deeper they'll be.

Another four years or another decade of high unemployment will stamp an entire generation. It will also stamp the children who are now growing up. It will alter many of our fundamental social institutions, from marriage to public education to attitudes toward work and government. It will have a profound effect on groups that were struggling hard even before the economic crisis struck. "Ultimately," as Peck concludes, "it is likely to warp our politics, our culture, and the character of our society for years."

If Peck is right about what the future holds, the urgency of tackling America's unemployment crisis could not be more acute. The Obama administration has had almost three years to face the issue. For two of those years, the President's party had undivided control of Congress. What did President Obama do, and where did it go wrong? It is time for an assessment.

☆☆☆

Now, my administration has a job to do, as well, and that job is to get this economy back on its feet. That's my job. And it's a job I gladly accept. I love these folks who helped get us in this mess and then suddenly say, 'Well, this is Obama's economy.' That's fine. Give it to me.

—President Barack Obama
Warren, Michigan
July 14, 2009

“The administration’s economic missteps went well beyond its poorly designed stimulus. Rather than focus on the economy, the president embarked on a dizzying array of initiatives intended to ‘change’ America and install his liberal agenda. The economic crisis was to be exploited, not solved. Unfortunately, the initiatives were decidedly anti-investment, anti-growth, and anti-jobs. Obamacare was slated to raise taxes by one-half a trillion dollars, to place heavy administrative burdens on small business, and to radically change health insurance and healthcare. Cap-and-trade would rocket energy prices by an indeterminable amount. Financial reform legislation would fundamentally change the rules for financial services companies—sometime in the future. Individual and small business taxes were set to sharply rise: The tax on dividends, for example, would jump from 15 percent to 39 percent. The administration would slant the employment field toward labor unions by installing a labor stooge at the NLRB and by promoting ‘card check’ and mandatory arbitration.”

(Mitt Romney, No Apology)

PART II

President Obama’s Failure

President Obama assumed office at a moment of crisis. While some of the policies that both he and President Bush pursued helped to pull us back from the brink, it rapidly became apparent that the real challenge facing him was finding a path toward longer-term recovery. Washington was at a crossroads.

One option was to put faith in American workers and businesses. Down this path lay an embrace of market-oriented solutions that empowered the private sector to succeed as it had succeeded before. While the market had clearly gone off the rails, driven in no small part by unwise government policies, the underlying strength of the American free-enterprise system was intact and could have been harnessed to create a recovery as sharp as the recession was deep.

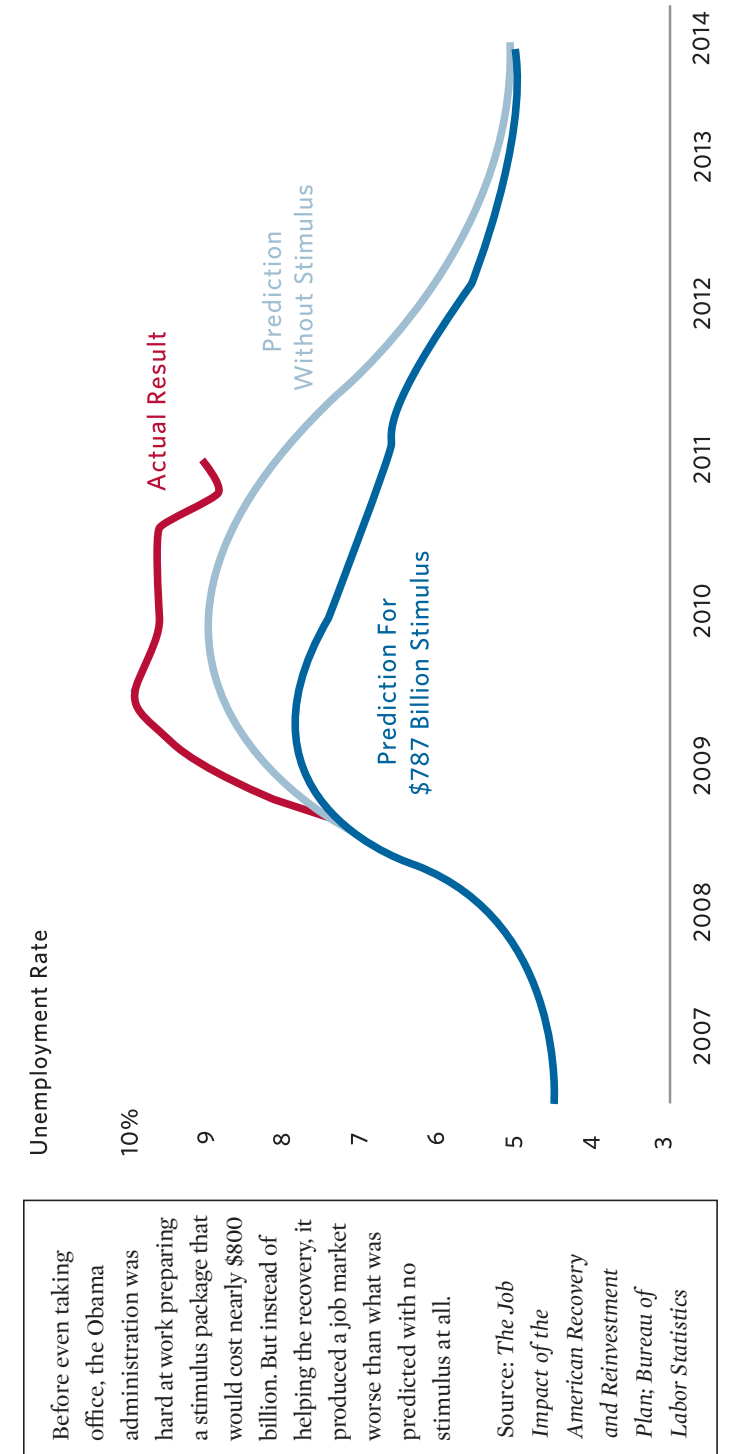
The other option was to put faith in government. Down this path lay more spending, more debt, more government regulation, more bureaucracy—ultimately, more control for Washington over the national economy. Unfortunately, primed by decades of liberal orthodoxies, and liberal suspicions of the private sector, this was the direction in which the Obama administration marched.

THE STIMULUS

Even before taking office, Barack Obama and his team settled upon an approach to resuscitate the economy that entailed massive fiscal stimulus. The idea behind it was standard Keynesian pump-priming in which government spending, or “purchases,” are cycled through the economy and, thanks to a “multiplier” effect, generate rapid economic growth. The plan was set forward in a publicly released memorandum, “The Job Impact of the American Recovery and Reinvestment Plan,” prepared by two of the incoming administration’s top economists, Christina Romer, the designated chair of the Council of Economic Advisers, and Jared Bernstein, an adviser to Vice President-Elect Joe Biden.

Proposing to begin the stimulus with more than \$775 billion in new government spending, which Romer trumpeted as the “biggest, boldest, counter-cyclical fiscal policy action in American history,” they put forward highly specific predictions about what their policy would accomplish: “A package in the range that the President-Elect has discussed is expected to create between three and four million jobs by the end of 2010.” Because some of the funds would be targeted, they

Figure 3: The Obama Jobs Plan in Action



wrote, “[c]ertain industries, such as construction and manufacturing, are likely to experience particularly strong job growth under a recovery package that includes an emphasis on infrastructure, energy, and school repair.”

The plan would also have the virtue, according to its authors, of stimulating markets and not merely feeding government itself: “More than 90 percent of the jobs created are likely to be in the private sector.” The memorandum came complete with a chart showing the expected arc of unemployment with and without the stimulus. If Congress enacted the package, the chart showed unemployment rising to 8 percent in the third quarter of 2009 and then beginning a steady descent to 6.5 percent in the third quarter of 2011 and then to 5.25 percent in the beginning of 2013. The authors were careful to warn that their estimates were “subject to significant margins of error.”

Unfortunately, Romer and Bernstein’s own caution about potential error turned out to be the only thing accurate in their forecast. In every other respect, the Obama stimulus package failed to fulfill the predictions of its authors and their White House sponsor.

Instead of the stimulus creating between three and four million jobs by the end of 2010 as forecast, the labor market continued to shrink and an additional 2.5 million jobs were lost. As the private sector continued to hemorrhage jobs, the public sector was a major beneficiary of the spending. And instead of holding unemployment to 8 percent, it soared past 10 percent.

What went wrong? Despite the Obama administration’s insistence that the stimulus would be “timely,” “targeted,” and “temporary,” the program was poorly conceived and managed. The bill that was rushed through Congress in February 2009 was laden like a Christmas tree with a long list of items that had little to do with creating jobs, or that created jobs only incidentally and inefficiently. One provision in the miscellany mandated the computerization of the medical records of every American. Another gave the Department of Homeland Security \$200 million to design and furnish its new headquarters. Smaller amounts went to everything from an “eco-passage” for helping turtles cross a Florida highway to the collection and documentation of flowers and plants in Ohio. And so forth, and so on.

President Obama made much of his commitment to “green” jobs, and his stimulus legislation was rife with provisions subsidizing initiatives in these areas. One such provision directed \$4.5 billion to a General Services Administration program to build and upgrade federal buildings as “high performance green buildings.” Another allocated \$300 million to purchase Neighborhood Electric Vehicles—golf-cart-like battery-operated vehicles with top speeds of 25 mph—for federal employees, along with a tax credit for consumers who bought these transportation devices. In total, approximately \$60 billion was committed to clean-energy initiatives.

But the “green” jobs segment of the stimulus, however much it appealed to environmental activists, was not an efficient instrument for job creation. For a number of reasons, including the relatively low baseline of activity in the “green” jobs sector, federal spending could have only the most marginal impact on employment. The clean-energy industry, like the semiconductor industry, is not labor-intensive. Quite the contrary, it is capital-intensive. Green-tech workers, i.e., the highly skilled personnel who design and build heavy capital equipment such as wind turbines and solar panels, comprise only a minuscule fraction of the U.S. labor force. Even if the sector were to grow rapidly, it would not make much of a dent in the overall employment picture. “The bottom line,” says James Manyika, a director at the McKinsey Global Institute, “is that these ‘clean’ industries are too small to create the millions of jobs that are needed right away.”

The infrastructure portion of the stimulus, some \$150 billion of spending, was particularly problematic. Although President Obama had spoken out about “shovel-ready” projects that the stimulus program would underwrite, in fact, few if any projects were actually ready for the shovels. The envisioned infrastructure projects were often tied in knots by the federal government’s own regulatory apparatus, as President Obama was himself belatedly to discover. When the President’s Council on Jobs and Competitiveness met with him, it recommended streamlining the federal permit process for major construction projects. It was explained to the President that the numerous hurdles in the process of applying for a permit and then gaining approval can cause delays for “months to years ... and in many cases it can cause projects to be abandoned. ... I’m sure that when you implemented the Recovery Act your staff briefed you on many of these challenges.” President Obama reportedly reacted with a smile, saying, “Shovel-ready was not as ... uh ... shovel-ready as we expected.” The Council, led by General Electric’s CEO Jeffrey Immelt, is said to have erupted in laughter.

DISTRACTIONS

If economic stimulus was President Obama's major initiative, it was followed by a legislative agenda that had little to do with jobs or promoting economic recovery. His administration pressed forward with a cap-and-trade program, designed to reduce carbon emissions, that would have imposed higher energy prices for consumers across the board. The Congressional Budget Office estimated that such a plan could cost the average household in the bottom income quintile 3.3 percent of its after-tax income annually, or approximately \$680. The three middle quintiles could face between \$880 and \$1,500 in additional expenditures for energy, while the top quintile could have paid 1.7 percent of their income. Congress ultimately refused to move forward with cap-and-trade legislation, but the debate shaped the economic climate, creating uncertainty among consumers and enterprises alike.

Congress did, however, move forward with a massive reform of the financial sector called the Dodd-Frank Wall Street Reform and Consumer Protection Act. Designed to put Wall Street on sounder footing, the Act—2,319 pages in all—is a complex package with implications that will take years to work themselves out. Indeed, one of the salient features of the law is the extraordinary discretion it gives to regulators. It sends a flood of new regulation washing over the financial sector and anyone seeking to borrow money to buy a home or build a business. As the law's primary sponsor, Senator Christopher Dodd, remarked: "No one will know until this is actually in place how it works."

The Consumer Financial Protection Bureau (CFPB) that Dodd-Frank sets up is a prime example of the kind of uncertainty the law introduces. This new body will have almost unlimited authority to regulate almost every sort of consumer financial transaction and will also wield influence over the allocation of credit to consumers and small business owners. But even as it has been granted far-reaching powers, it will also be one of the least accountable entities in the U.S. government. Unlike other independent agencies, the CFPB will be headed by a single administrator rather than a balanced, expert board. What is more, because it is funded directly by the Federal Reserve rather than by Congress, it is not subject to the standard congressional appropriations process and accompanying oversight. With its role both exceptionally broad and undefined, it can easily come to inhibit economic activity, including economic activity that leads to job creation.

While the plumbing of our financial system was definitely in need of an update, Dodd-Frank represents a massive overreach of the federal government into private markets. Some of the provisions in Dodd-Frank will no doubt cause banks and investment firms to avoid the kind of risky and leveraged behavior that led to the financial crisis. However, instead of streamlining and modernizing our financial infrastructure, Dodd-Frank layers mountains of incremental rules and constraints on the system that allocates capital—the lifeblood of our economy—to businesses of all sizes. Lending institutions are now forced to comply with myriad new requirements and onerous rules that are unclear and open to interpretation. The ultimate victims will be small business owners and those who need access to credit and capital to grow their enterprises. Once the CFPB is fully up and running, these problems will only intensify.

Dodd-Frank will also have a direct and deleterious impact on the ability of American banks to compete in a global economy. If it is interpreted by regulators too stringently, it could disrupt the flow of credit in the economy, constrain capital formation, and choke off the flow of capital to both consumers and businesses. Because foreign regulators are not likely to implement similar restrictions of their own, U.S. banks will be left at a competitive disadvantage. Thus, a major unwanted consequence of Dodd-Frank will be to accelerate the loss of the America's share of the global financial marketplace. Effective financial regulation would attract business to our shores rather than pushing it overseas.

The largest elephant in the room, of course, is Obamacare. This is not the place to spell out its problematic implications for the quality and availability of health care in America. What is relevant here is its impact on economic growth and the labor market. The transformation in American health care set in motion by the Patient Protection and Affordable Care Act is based on a dense web of regulations, fees, subsidies, excise taxes, exchanges, and rule-setting boards. The bill itself was more than 2,400 pages long, and the regulations that will arise from it are certain to be far more voluminous. The costs are commensurate: Obamacare added a trillion dollars in new health care spending. To pay for it, the law raised taxes by \$500 billion on everyone from middle-class families to innovative medical device makers, and then slashed \$500 billion from Medicare.

Obama's EPA Has Admitted It Does Not Consider Jobs When Examining the Impact of a New Regulation

I'd like to see a list of all the rules you've proposed that haven't taken into account jobs. And then the executive order that was issued, will you ask for a review under the look-back provisions of the executive order so that it does take into account the effect on jobs?

Rep. Cory Gardner (R-CO)

Well clearly we would look at any job consequences.

EPA Assistant Administrator Mathy Stanislaus

But you haven't and you said that you won't, that you didn't.

Gardner

As I explained earlier, we have to look at the direct consequences of the rule, so to the extent that there are direct job consequences – we'll take a look at that.

Stanislaus

So you have taken a look at jobs?

Gardner

We have not directly taken a look at jobs.

Stanislaus

Like every complex piece of social policy, Obamacare comes complete with both intended and unintended effects. The largest unintended effect visible thus far is an enormous injection of uncertainty into the business community about the costs of compliance. In their mandatory SEC filings, public company after public company is now listing the unknown aspects of regulatory compliance as one of the risks that will impinge on profitability in the coming years. Precise estimates of the law's impact on GDP growth and employment are impossible to generate given the vagaries of the regulatory process itself, but the impact on the market is certain to be large.

☆☆☆

Taken cumulatively, the programs in Barack Obama's agenda in his first three years in office have set back the American economy and contributed significantly to the high levels of unemployment we are now enduring. The stimulus, Dodd-Frank, and Obamacare are the administration's signature achievements. But they represent only a few of the highest-profile ways in which the administration has expanded government and injected a huge amount of uncertainty into the economic arena. Threatened tax increases, impending environmental regulations, special favors for politically connected interest groups and labor unions, stalled trade agreements, draconian restrictions on energy exploration, and out-of-control spending undermining the nation's fiscal position also took their toll. It was precisely the immense uncertainty thereby generated that inhibited investors and entrepreneurs from moving forward with the very kinds of plans and investments that the economy depends upon for growth.

Standard & Poor's August 2011 downgrade of America's sovereign credit rating was almost an inevitable outcome of a set of policies that produced massive year-in, year-out deficits, a national debt that approached the total size of U.S. GDP, and a stalled economy. It will take a long time to repair the damage, restore consumer and business confidence, return to economic growth, and thus ultimately restart job creation. It will also take presidential leadership of a very different kind from what Barack Obama has offered.

“To strengthen America’s economy, we must minimize those things that retard economic growth and promote those things that accelerate it. A growth agenda favors low taxes, dynamic regulation, educational achievement, investment in research, robust competition, free trade, energy security, and purposeful immigration. And it seeks to eliminate government waste, excessive litigation, unsustainable entitlement liabilities, runaway healthcare costs, and dependence on foreign oil. This, in a nutshell, ought to be the economic agenda for America.”

(Mitt Romney, No Apology)

PART III

Mitt Romney’s Plan

- Tax Policy
- Regulatory Policy
- Trade Policy
- Energy Policy
- Labor Policy
- Human Capital Policy
- Fiscal Policy

Mitt Romney is a leader of a very different kind. At a moment when America faces exceptional challenges, he has the right set of skills to guide our country through challenging times, restore our economy, and enable it once again to create jobs for all Americans.

Romney is not a career politician. He has spent most of his life in the private sector, which gives him valuable knowledge of how our economy works.

Following his graduation from Brigham Young University in 1971, he earned dual degrees from Harvard Law and Harvard Business School. After working as a business consultant for several years, Romney co-founded the investment firm Bain Capital in 1984. Under his leadership, Bain Capital helped to launch or grow over 100 companies, including household names such as Staples, Domino's Pizza, and The Sports Authority. As Bain Capital was growing in prominence, Romney returned to his old consulting firm, Bain & Company, at a time of financial turmoil. As interim CEO, he led a team that brought the company back from the brink.

Along with his business career, he has also distinguished himself in the non-profit world and government sector. In 1999 the Salt Lake City Winter Olympics was mired in controversy. Romney was asked to take over. At the time, the event was bogged down in a bid-rigging scandal, sponsors were threatening to leave, and the budget was seriously out of balance. Romney revamped the organization's leadership, balanced the budget, and restored public confidence. Then, the attacks of September 11, 2001, happened, just months before the Games' start date, creating a major security challenge. Some were contemplating scaling back the competitions or even moving the Games out of the country altogether.

Romney oversaw an unprecedented security mobilization to ensure the safety of the athletes and hundreds of thousands of international visitors, and staged one of the most successful Games ever held on U.S. soil.

Following the Olympics, Romney was elected governor of Massachusetts. At the time, in 2002, the state economy was in distress and the budget was out of control. Working with the legislature, Romney restructured and consolidated government programs, paring back where necessary and finding efficiencies throughout. He cut taxes nineteen times, balanced the budget without raising taxes and slashed red tape for businesses. By 2007, when Romney left office, the state had accumulated a \$2 billion cash cushion in a rainy day fund.

This stringent fiscal discipline provided an essential backdrop for economic recovery. When Romney came into office, the state was losing jobs every month. When he left, the economy was generating new jobs by the thousands. The Standard & Poor's rating agency responded with a credit upgrade that recognized the state's sound fiscal management and the improving strength of its economy. In upgrading Massachusetts's bond rating, S&P cited the state's budget certainty, improving economy, and growing revenue as positive credit factors.

Whether in public life or in enterprise, one thing has remained constant: Mitt Romney is a family man. He married his wife, Ann, in 1969. When they met at a friend's house during high school, he was smitten. Between them, they have five sons and sixteen grandchildren, who are the center of their lives.

Anyone can offer criticism of current economic policies. And anyone can offer a list of alternative proposals. Few, however, are able not only to do those things but also to claim the experience and leadership qualities needed to set a plan in motion and achieve the desired results. Mitt Romney has a background that uniquely qualifies him to change the fundamental direction of the ship of state. His lengthy experience in the private sector, his accomplishments in the public sphere, and his demonstrated ability to bring people together make him the man to match and overcome the crisis in which the Obama administration has left us.



Mitt Romney will rebuild the foundations of the American economy on the principles of free enterprise, hard work, and innovation. His plan emphasizes critical structural adjustments rather than short-term fixes. It seeks to reduce taxes, spending, regulation, and government programs. It seeks to increase trade, energy production, human capital, and labor flexibility. It relinquishes power to the states instead of claiming to have the solution to every problem.

The plan does not increase the size of the federal budget or bureaucracy. To the contrary, it cuts spending and streamlines regulation. It does not promise the immediate creation of some imaginary number of jobs, because government cannot create jobs—at least not productive ones that contribute to our long-term prosperity. It is economic growth, not government growth, that provides productive

opportunities for American workers. That is the lesson of these past three years, and one that America has learned well even if the White House has not.

Any American living through this economic crisis will immediately recognize the severity of the break that Mitt Romney proposes from our current course. He is calling for a fundamental change in Washington's view of how economic growth and prosperity are achieved, how jobs are created, and how government can support these endeavors. It is at once a deeply conservative return to policies that have served our nation well and a highly ambitious departure from the policies of our current leadership. In short, it is a plan to get America back to work.

“The best course in the near term is to overhaul and to dramatically simplify the current tax code, eliminate taxes on savings for the middle class, and recognize that because we tax investment at both the corporate and individual level, we should align our combined rates with those of competing nations. Lower taxes and a simpler tax code will help families and create jobs.”

(Mitt Romney, No Apology)

Tax Policy

INDIVIDUAL TAXES

- Maintain marginal rates at current levels
- Further reduce taxes on savings and investment
- Eliminate the death tax
- Long-term goal: pursue a flatter, fairer, simpler structure

CORPORATE TAXES

- Lower the corporate income tax rate to 25 percent
- Transition to a “territorial” tax system

Why is the American economy lagging? Are taxes too high? Is our system of taxation too complex? Do constant shifts in American tax policy generate too much uncertainty for individuals and businesses to plan for the future and invest their capital? With debate swirling around these questions, we are in the midst of yet another great American discussion about taxation. Perhaps no policy area has become more sensitive or controversial. At stake are two vital concerns for the American future: How will we generate sufficient revenue to balance our budget without discouraging economic activity, and will the burden of taxation fall equitably on all Americans?

Tax policy shapes almost everything individuals and enterprises do as they participate in the economy. With bad design, tax policy can discourage economic activity. With good design, it can encourage it. Yet our current tax system is an accretion of decades of patchwork decisions that came into being with no systematic thought for their implications for job creation or economic growth. Every year, individual taxpayers are forced to confront a Rube Goldberg contraption of bewildering complexity that leads to a range of undesirable outcomes, including the fact that millions of Americans have to pay hundreds of dollars to have their tax returns prepared by a professional who understands the rules. Corporations, for their part, are subject to rules and regulations that all too often encourage tax gamesmanship while discouraging reinvestment in the American economy.

The Obama Approach: “Eat Our Peas”

In approaching the nation's fiscal challenges, President Obama has repeatedly called for a “balanced approach,” by which he means cutting spending but also raising taxes. That may sound appealing on the surface. However, the reality is that before President Obama exploded the size of the federal government, our existing tax rates were more or less adequate to pay for the government we needed. President Obama claims now to be offering a compromise. In fact, by undoing only some of the harm he has inflicted on our fiscal health over the past three years, he would ratchet up permanently the size of government and the tax burden on the American people.

To make the case for a permanently expanded government, President Obama has laced his speeches with inflammatory rhetoric. He aims to pit lower- and middle-income Americans against so-called “millionaires and billionaires” (he actually includes every household earning more than \$250,000 in that category), whom he asserts are not paying their fair share. The blame game is politically counterproductive in that it directly undermines the possibility of the very kinds of compromises that the President purports to be seeking and that America in fact needs. It is also economically counterproductive in that it places under attack the very investors and job creators Washington should be encouraging.

President Obama's proclivity for fostering uncertainty about the long-term shape of the tax code is particularly troublesome. He has embraced one temporary solution after the next while rejecting permanent adjustments that would bring some predictability and stability to investment decision-making. The result is a business climate marked by hesitation. When President Obama complains about banks refusing to lend and businesses refusing to hire, he should consider the impact of his own policies on that state of affairs.

No discussion of President Obama's tax policies would be complete without a reference to Obamacare and its \$500 billion in tax increases. Whenever President Obama discusses the need for more tax revenues, Americans should remember that he already got them and spent them on a health care scheme that is itself proving to be hugely disruptive to the economy. Embedded in the program is a full

panoply of taxes that fall disproportionately on some of the most innovative—and fastest-growing—sectors of the American economy. The very biotechnology firms whose billions of dollars in research and development have done so much over the past 25 years to conquer one disease after the next will find that such investments make less sense. The consequences of this will be invisible, but all Americans will suffer them in the form of cures that go undiscovered.

Mitt Romney's Plan: Promote Savings and Investment

Mitt Romney will push for a fundamental redesign of our tax system. He recognizes that we need to simplify the system. He also recognizes that we need both to lower rates and to broaden the tax base so that taxation becomes an instrument for promoting economic growth. We also need to find a way to keep the tax structure stable so that investors and entrepreneurs are not confronted with a constantly shifting set of rules that makes it impossible for them to plan ahead.

INDIVIDUAL TAX RATES

Mitt Romney believes in the conservative principle that Americans, to the maximum extent possible, should be able to keep the money they earn. Unfortunately, as Benjamin Franklin wrote, there are only two things that are unavoidable: death and taxes. We need taxes to pay for the operations of government. But they should be collected by a system that is simple and fair, and that causes the least possible disruption to the productive economy.

Maintain Low Marginal Rates

While the entire tax code is in dire need of a fundamental overhaul, Mitt Romney believes in holding the line against increases in marginal tax rates. The goals that President Bush pursued in bringing rates down to their current level—to spur economic growth, encourage savings and investment, and help struggling Americans make ends meet—are just as important today as they were a decade ago. Letting them lapse, as President Obama promises to do in 2012, is a step in precisely the wrong direction. If anything, the lower rates established by President Bush should be regarded as a directional marker on the road to more fundamental reform.

Further Reduce Taxes on Savings and Investment

As with the marginal income tax rates, Mitt Romney will seek to make permanent the lower tax rates for investment income put in place by President Bush. Another step in the right direction would be a Middle-Class Tax Savings Plan that would enable most Americans to save more for retirement. As president, Romney will seek to eliminate taxation on capital gains, dividends, and interest for any taxpayer with an adjusted gross income of under \$200,000, helping Americans to prepare for retirement and enjoy the freedom that accompanies financial security. This would encourage more Americans to save and to invest for the long-term, which would in turn free up capital for investment flowing back into the economy and helping to facilitate economic growth.

Eliminate the Death Tax

Government should not tax the same income over and over again. The federal estate tax, also known as the “death tax,” does exactly that by taxing the wealth that Americans have been able to accumulate after already paying taxes throughout their working lives. This tax also creates a series of perverse incentives that encourages the most complicated and convoluted tax-avoidance schemes at tremendous cost to all involved. Finally, it can have catastrophic effects when a small family-owned business, in the course of passing to the next generation, creates tax liabilities that the family cannot meet without breaking up the business itself.

The federal estate tax has become a political football in recent years. The tax was temporarily eliminated in 2010, was reinstated in a last-minute deal between Congress and President Obama at a top rate of 35 percent for 2011 and 2012, and is slated to bounce up to 55 percent in 2013. As president, Mitt Romney will work to eliminate the tax permanently. All told, the negative effects on savings, investment, and job creation show how pernicious an estate tax can be. For those reasons, it should be stricken from the books as soon as possible.

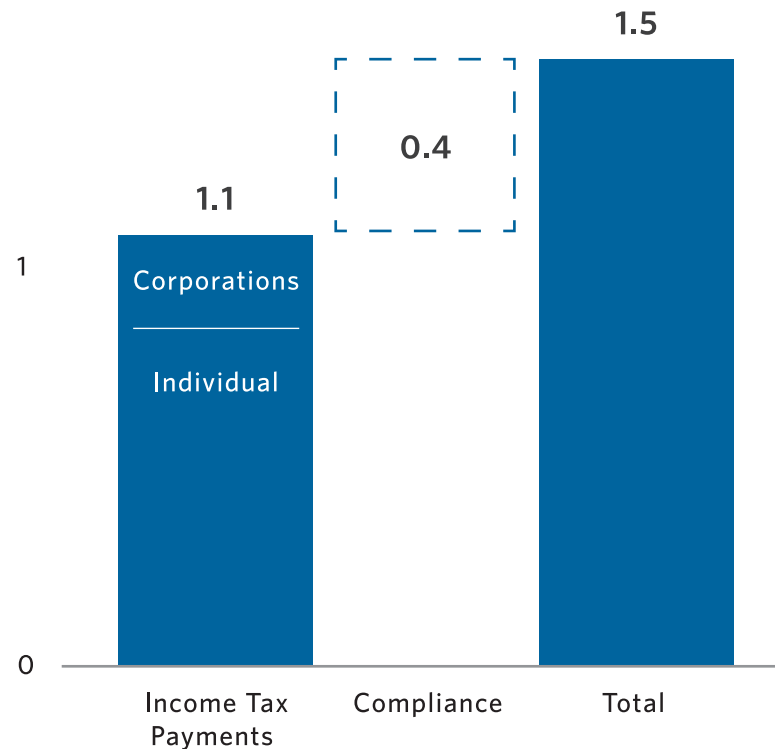
Long-Term Goal: Pursue a Fairer, Flatter, Simpler Tax Structure

In the long run, Mitt Romney will pursue a conservative overhaul of the tax system that includes lower and flatter rates on a broader tax base. The approach taken by the Bowles-Simpson Commission is a good starting point for the discussion. The goal should be a simpler, more efficient, user-friendly, and less

Figure 4: The Burden of Tax Complexity

Costs of the Income Tax System

\$2 trillion



The federal tax system has become so complex that Americans spend more than \$400 billion annually in complying with—or creatively circumventing—the code. This amount represented a 40 percent surcharge on the taxes actually collected last year.

Source: Office of Management and Budget; The Laffer Center

onerous tax system. Every American would be readily able to ascertain what they owed and why they owed it, and many forms of unproductive tax gamesmanship would be brought to an end. Conversely, tax reform should not be used as an under-the-radar means of raising taxes. Where reforms that simplify the code or encourage growth have the effect of increasing the tax burden, they should be offset by reductions in marginal rates. Washington's problem is not too little revenue, but rather too much spending.

THE CORPORATE TAX SYSTEM

Our system of corporate taxation is also in urgent need of an overhaul. Right now, with a top marginal rate of 35 percent, it vies for the developed world's highest, placing our companies—indeed, our entire country—at a competitive disadvantage. That is the bad news. The good news is that with the rate set so high, there is a lot of room to bring it down.

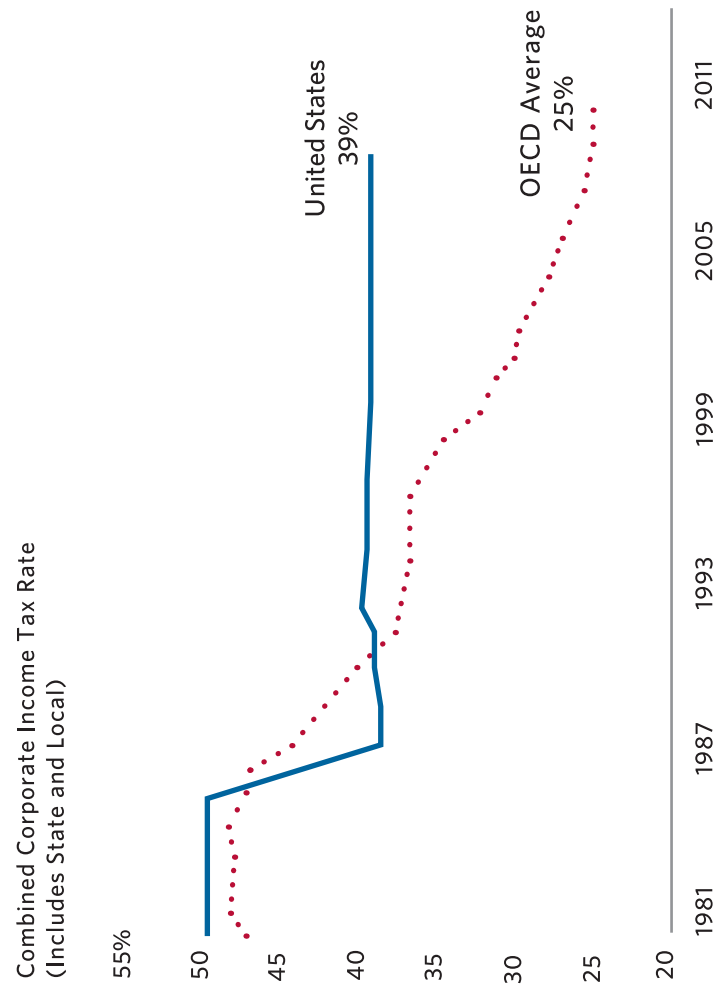
Lower the Corporate Tax Rate

It is vital that we move quickly to reduce the corporate tax rate and put American companies on a level playing field. The Organisation for Economic Co-operation and Development (OECD) has measured the relationship between different types of taxes and economic growth and found that high corporate income tax rates have the most harmful impact on long-term growth. The OECD study also found that lowering the statutory corporate tax rate can lead to significant productivity gains in the very companies that have the potential to make the largest contribution to economic growth.

Worries that a lower corporate tax rate are unfair or unaffordable are fundamentally misplaced. The truth is, as Mitt Romney likes to say, “corporations are people.” They represent human beings acting cooperatively to be economically productive. Each dollar earned by a corporation is a dollar that ultimately flows, in one form or another, to employees or to shareholders. And those shareholders include the millions of Americans who own shares in mutual funds or who have pensions that invest in the American economy.

High corporate tax rates do not even accomplish what they are intended to accomplish. Studies of the American tax system have demonstrated that higher corporate rates do not necessarily lead to higher revenues. In fact, high

Figure 5: Falling Behind the Curve on Taxes



In the past 30 years, developed nations around the world have made significant cuts to their corporate tax rates. As a result, while the U.S. rate was once competitive with those in other economies, today it puts U.S. businesses and workers at a significant disadvantage.

Source: Organisation for Economic Co-operation and Development

corporate taxes can discourage business activity and encourage practices aimed at avoiding tax liability. It is for this reason, perhaps, that corporate tax revenue in the United States is consistently lower than that in other OECD countries, despite our high tax rates.

Other countries have recognized the direct correlation between a lowered corporate tax rate and an increased competitive advantage. At least 75 countries, including some of our largest trading partners, have cut their corporate tax rates in just the past four years. Earlier this year, the United Kingdom began incrementally reducing its corporate rate, first from 28 percent to 26 percent, with the goal of reaching 23 percent in 2014. In January, Canada cut its rate from an already low 18 percent to 16.5 percent, with another reduction to 15 percent scheduled for next year. Aside from these major trading partners, there is broad movement among OECD nations in the same direction. Excluding the United States, combined statutory rates among OECD nations fell from an average of about 48 percent in the early 1980s to 25.5 percent in 2010.

Our high corporate tax rate handicaps the overall U.S. economy in our competition with the rest of the world. It leaves individual American businesses with a smaller portion of their profits to reinvest. Studies have shown that it also hurts workers, by lowering the growth in productivity and wages. With a single bullet, we are somehow managing to shoot ourselves in the foot three times. We need to move to a lower rate. As president, Romney will press for an immediate reduction of the corporate tax rate from 35 to 25 percent. He will also explore the possibility of coupling further rate reductions with measures that broaden the income base and simplify the rules to ensure that American businesses will always be competitive in the global economy.

Transition to a "Territorial" Tax System

As president, Mitt Romney will also act immediately to alter those of our tax laws that encourage American multinational companies to park their profits permanently overseas. The United States currently operates under what is known as a "worldwide" tax system, meaning that business income is taxed at the U.S. rate regardless of whether the income is earned within American borders or overseas. Under this collection method, American companies pay the corporate tax in the host country, and when profits are repatriated back to the United States, the

company pays the difference between what was paid to the host country and what would have been owed under the U.S. rate. Given our higher rates, the effect of this is to penalize those U.S. corporations that bring their foreign profits home to invest in the United States. It is a deeply irrational system that benefits the rest of the world at our expense. It needs to be changed.

Other nations have noted the competitive disadvantage inherent in a worldwide tax system, resulting in a gradual movement of countries converting from a worldwide to a “territorial” system, in which income is taxed only in the country where it is earned. Of the 34 OECD member nations, 26 have either a full territorial system or something very close to it. Alone at the top, the United States is now the only country in the OECD that adheres to the worldwide system while imposing a corporate tax rate above 30 percent.

Romney supports the recommendation of the Bowles-Simpson Commission to make the switch to a territorial system. This would enhance the ability of our corporations to compete around the world and would end the perverse incentives that keep companies from repatriating profits to the United States. Domestic companies that can compete vigorously abroad are in a better position to grow and create jobs at home. Complex technical issues will arise during the transition: amendments to the tax code need to be crafted in a way that does not encourage corporations to game the system and export jobs or to move their U.S. headquarters abroad. With proper draftsmanship, these potential hazards can be overcome. A territorial system must be designed to encourage the creation of jobs in the United States, not to outsource them. A Romney administration will begin work on the transition to a territorial system on day one. As much as \$1 trillion, that could be invested in the United States, is at stake. It is past time to eliminate tax laws that place American firms at a competitive disadvantage, decrease revenue, and diminish corporate investment in America.



Notwithstanding President Obama’s counterproductive meddling in the tax code, there are some short-term measures that—far from increasing uncertainty and discouraging job creators—can serve as powerful incentives for investment and hiring. These short-term measures are very much the subject of current discussion and debate in Washington. Some of them may even be proposed by President Obama in the coming days.

A robust investment tax credit, extending the write-off for capital expenditures for an additional year, and a lower payroll tax could each have a positive effect if properly structured. But such measures are no substitute for the longer-term structural reforms to our tax system that are required to place the economy on sound footing for a recovery. Nor do they address the many other failures of policy that have brought us to our current predicament. The only cure for what truly ails the economy is a fundamental change in how government interacts with the private sector. Government should move from an adversarial posture to one that fosters an environment in which the private sector can flourish. Fixing the tax code is an important first step, but much more is required.

Scott McNealy on Tax Policy



A funny thing happened to Mitt Romney on his way to the White House. Campaigning for the presidency at Iowa's State Fair in August, he got into a sharp exchange with a heckler about tax policy. In the course of the back-and-forth, Governor Romney exclaimed, in mild exasperation, that "corporations are people."

To the vast majority of Americans who have held real jobs in the real economy, often in corporations, the point made perfect sense. Indeed, it seemed a statement of the obvious. A corporation, after all, is nothing more than people who have joined together to work cooperatively. The word "corporation" itself means "body of people." And in fact, corporations consist of two groups of "people": employees and shareholders. The former work hard to make a profit and earn their salaries and benefits. The latter, now dispersed widely across the economy by means of mutual funds and retirement-plan investment portfolios, provide the capital and can reap the financial benefits while also assuming the financial risks.

Nonetheless, Democrats in Washington pounced on Governor Romney's comment as if it were some sort of embarrassing gaffe. The Democratic National Committee (DNC) produced a video advertisement attempting to ridicule him. Debbie Wasserman Schultz, the chairwoman of the DNC, issued a statement calling Romney's words a "shocking admission."

A shocking admission? What's shocking here is actually that Democratic politicians believe they are scoring a point. The attitudes they display toward corporations explain a good deal about the current status of our economy after three years of Barack Obama's failed attempts to bring down the rate of unemployment.

The people attacking corporations obviously do not understand what is at stake. Sun Microsystems, which I co-founded way back in 1982, began with only four employees. Four "people," that is. It eventually grew into a workforce of more than 40,000, based primarily in the United States. That's a lot of jobs. It is a safe bet that the number would have been even higher if every year Sun had not been taking a significant fraction of its profits and turning it over to the Internal Revenue Service.

That money could have been reinvested in the company so that we could produce new and better computers, or it could have been sent directly to shareholders in the form of dividends, producing a better return on their investments and thereby attracting even more investment capital. The new employees receiving the money as salary to work on the new products, and the shareholders receiving the money as dividends in return for their investment, would still have paid taxes on it. But more economic activity would have occurred.

Sun did well—we had great products and great people—but we no doubt could have done even better if we had been appreciated by many in Washington as a group of people rather than treated simply as a revenue stream.

Right now, the corporate tax rate in the United States is 35 percent. That is one of the highest rates among developed countries. In a globalized economy where investors can move money and facilities

around the world with ease, it means that we discourage investment in the United States. Meanwhile, loopholes favor those with the best lobbyists. If we close loopholes and lower the tax rate, the American people and corporations will win.

Other things being equal, an entrepreneur contemplating starting a new company will certainly include our high rate of taxation in decision-making about where best to locate a headquarters and facilities—not just which state, but which country. Even more significantly, that entrepreneur must take into account the share of profit to be extracted in taxes when deciding whether the potential rewards of starting a business or hiring new workers are worth the associated risks. Many business risks worth taking at a low tax rate become unattractive at a high one.

As Mitt Romney points out in his plan to get America working again, high levels of taxation not only hurt investment in the United States, but they also fail to accomplish what they are ostensibly intended to accomplish: namely, to raise maximum revenue. The high rates simply serve to discourage investment and also encourage activity aimed at reducing tax liability. It is not an accident that even as the United States has the near-highest corporate tax rates among OECD countries, its corporate tax revenue lags behind.

The suspicion with which corporations are regarded by the Democratic Party these days may go a long way toward explaining why we are living with tax policies that leave American firms—and our country as a whole—at a severe competitive disadvantage with rivals around the world. It also goes a long way toward explaining why President Obama has failed to produce an economic recovery. The answer lies in addressing American competitiveness, not redistribution of wealth.

Scott McNealy is the founder and former CEO of Sun Microsystems.

“Excessive regulation that slows the creation of new businesses and the expansion of existing businesses, as [Thomas] Friedman notes, ‘tends to hurt most the very people it is supposed to protect.’ At the same time, in order to provide the structure and predictability that business needs and to protect against abuses, we need dynamic regulations, which are up-to-date, forward-looking, consistently applied, and free of unnecessary burden.”

(Mitt Romney, No Apology)

Regulatory Policy

- Repeal and replace Obamacare and Dodd-Frank
- Review and eliminate Obama-era regulations
- Cap new regulatory costs at zero dollars
- Require Congress to approve all major regulations
- Reform legal liability system

Multiple factors contribute to America's faltering performance. But a major part of the problem over successive presidencies, and one that the Obama administration has sharply exacerbated, is the regulatory burden on the economy. Regulations function as a hidden tax on Americans. Although their total cost does not appear anywhere in the federal budget, the multitude of rules, restrictions, mandates, and directives imposes stealth expenses on taxpayers and businesses and acts like a brake on the economy at large.

As one recent study has pointed out, almost every aspect of our daily life, "including how Americans heat their homes and light their rooms, what food they buy and how they cook it, the toys that occupy their children and the volume of their television commercials, are controlled by government's ballooning compendium of dos and don'ts." Given the indirect way that regulations often act to hinder economic growth, estimates of their cumulative impact are inherently problematic, but we can say with certainty that the cost is extraordinarily high. The federal government's own Small Business Administration, for example, has placed the total price tag of regulations at \$1.75 trillion annually—much higher than the entire burden of individual and corporate income taxes combined.

It is noteworthy that manufacturing is the sector of the American economy that carries the brunt of the regulatory load. With an average per-firm cost of almost \$700,000, manufacturers carry a burden that is half a million dollars greater than the national average across all industries. The cost of compliance for small manufacturers comes to \$28,000 per employee, more than double the cost absorbed by larger manufacturers. With foreign companies operating in a less-regulated environment than ours, is it any wonder that our country's share of the global marketplace in manufacturing is on the decline and that American jobs have been lost to lower-cost competitors abroad?

How did we reach this state of affairs? A look across the landscape shows that federal agencies today have near plenary power to issue whatever regulations they see fit. While they are supposed to be constrained by the authorizing language in relevant statutes, most recent statutes delegate the lion's share of policymaking authority to the agency. Though most are nominally controlled by the president, in actual practice agencies are frequently able to act autonomously with little or no presidential oversight.

Where standards are put in place to constrain the issuance of regulations—such as requiring the use of cost-benefit analysis—they tend to be vulnerable to manipulation and also disconnected from the central issue confronting our country today, namely, generating economic growth and creating jobs. The end result is an economy subject to the whims of unaccountable bureaucrats pursuing their own agendas. A new regulation can suddenly transform a profitable investment into an unprofitable one or render employees unproductive. This produces uncertainty with all its attendant economic ills.

The Obama Approach: Unprecedented, Unpredictable, Unproductive Regulation

President Obama's expansive agenda has brought the costs of excessive regulation into high-resolution focus. A number of his major initiatives represent a quantum increase in the scale of the regulatory burden on the American economy. Indeed, even as private employment declined during the first two years of his presidency, the regulatory workforce grew by 16 percent, or 276,429 employees. The Federal Register, the government's compendium of new rules and regulations, hit a record in 2010 of 81,405 pages. The rules issued that year, based on the regulators' own estimates, reached a record \$26 billion in annual costs. The pace has not abated even as the economy has stalled. In one recent month, July 2011, the Obama administration issued 229 proposed rules, 379 final rules, and 10 economically significant rules—totaling more than \$9 billion in regulatory costs.

Dodd-Frank and Obamacare

President Obama's financial reform legislation, the Dodd-Frank Act, weighed in at over 2,000 pages. It delegated an extraordinarily wide scope of rulemaking power to the same agencies that had failed to prevent the financial crisis. It mandates 259 rules and suggests another 188. Its Financial Stability Oversight Council and other regulatory agencies will have nearly unlimited power to press financial firms into compliance with the regulatory framework in ways that cannot yet be foreseen. Obamacare is analogous. Like Dodd-Frank, Obamacare's more

than 2,400 pages give broad latitude to rulemakers. Only after regulations are issued—10,000 pages is a crude estimate of the size of the volume that is on the way—will individuals and businesses begin to know what is required of them.

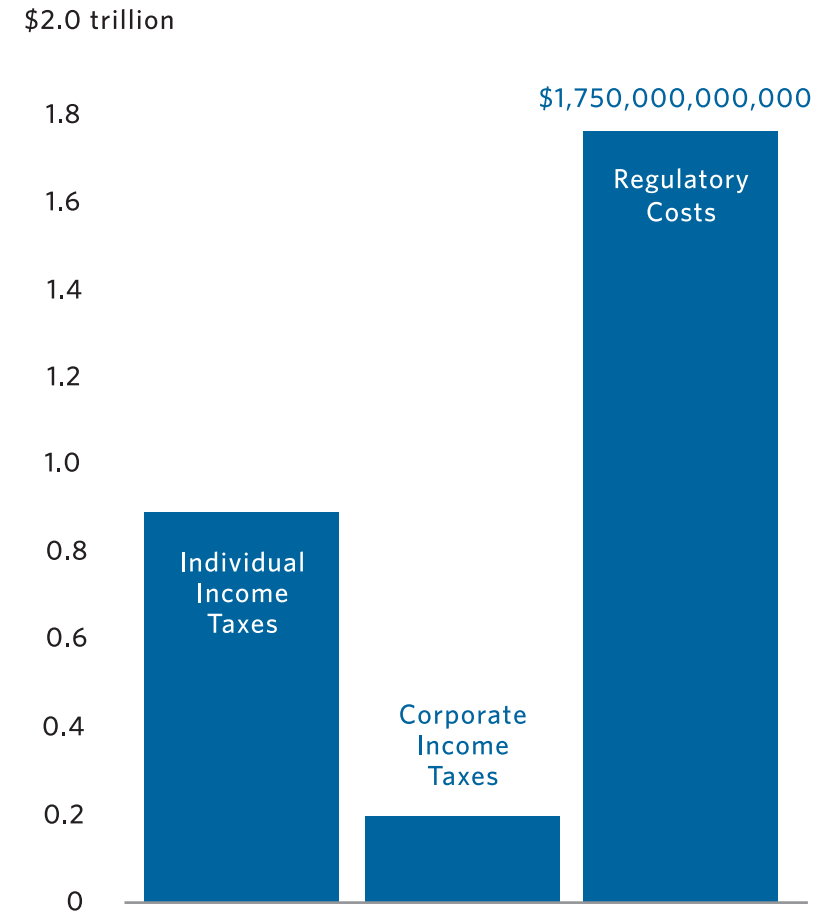
Dodd-Frank and Obamacare have stirred the most controversy, but other Obama administration initiatives that augment the national regulatory burden are showing up on the radar screen. The Credit Card Accountability, Responsibility, and Disclosure Act of 2009 produced federal restrictions on credit card companies that have already led to higher interest rates, higher annual fees, and lower credit limits, especially for middle-class borrowers. The Federal Communications Commission imposed network neutrality regulations (defying both the legislature and judiciary) that restrict how Internet service providers manage the digital transmissions flowing through their networks.

Excessive Environmental Regulation

In the face of our economic travails, the most active regulator is the Environmental Protection Agency (EPA). The Obama administration's war on carbon dioxide—what *Time* magazine has called “the most far-reaching environmental regulatory scheme in American history”—is the highest-profile regulatory effort. But the EPA also continues to issue endless new regulations touching on countless other forms of economic activity—regulations that drive up costs and hinder investment. To take just one example, the EPA has proposed a new regulation that could designate nearly every county in the United States that monitors ozone levels as “out of attainment” with the government standard. The result could be up to \$90 billion in new costs on American industry annually and the loss of more than seven million jobs. Although the EPA has repeatedly postponed implementation of the rule in the face of criticism, the agency remains “fully committed” to the rule's implementation. It is this kind of reckless regulatory behavior that makes the American economy inhospitable to investment.

Figure 6: The Hidden Cost of Red Tape

Annual Cost of Federal Government



While the cost of regulation appears nowhere in the federal budget, the burden it imposes on the economy each year is dramatically higher than that of all income taxes. The federal government's own study places the annual cost at \$1.75 trillion.

Source: Office of Management and Budget; U.S. Small Business Administration

An Unprecedented Review?

It is a rich irony that President Obama, having unleashed this regulatory onslaught, claims to be engaged in an “unprecedented” regulatory review in which every agency has been directed to reevaluate all the rules on its books. But it is not at all clear what new ground he is breaking. Despite President Obama’s claim of novelty, every president since Jimmy Carter has directed agencies to review existing regulations. Indeed, the only thing “unprecedented” about President Obama’s review is the manner in which it exempts his own administration’s tide of regulations from the same scrutiny.

A sad final act to this bit of political theater played out in late August of 2011, when Cass Sunstein, Administrator of the Office of Information and Regulatory Affairs—essentially, the White House’s regulatory czar—wrote an op-ed for the *Wall Street Journal* proudly announcing the results of the review process, which had yielded a grand total of \$2 billion in annual savings. To put in context just how small this savings is, compare it to the more than \$9 billion in new regulatory costs proposed or implemented by the Obama administration in just the prior month. Even worse, compare it to the estimated \$1.75 trillion in regulatory costs that the federal government itself estimates are borne by the American economy each year. If an “unprecedentedly ambitious government-wide review,” as Sunstein called it, yields only a one-tenth-of-one-percent reduction in regulation, it is past time to give up hope that the Obama administration will ever understand the severity of our economic crisis and the need for fundamental reform.

Mitt Romney’s Plan: Streamlined Regulation

Mitt Romney will approach regulation from a completely different angle. He sees the need for basic change. Regulatory costs must be treated like other costs: that is, firm limits must be established for them. An agency may be able to conceive of ten different regulations, each imposing costs of \$10 billion while producing at least as much in social benefit. Moving forward might sound like a great idea to the typical regulator. But imposing those regulations, no matter

what the social benefits, has a similar effect to raising taxes by \$100 billion. Regulatory costs need to be treated like the very real costs they are.

A Romney administration will act swiftly to tear down the vast edifice of regulations the Obama administration has imposed on the economy. It will also seek to make structural changes to the federal bureaucracy that ensure economic growth remains front and center when regulatory decisions are made.

Repeal Obamacare

Mitt Romney has laid out a specific plan for dismantling Obamacare even without the congressional majorities required to strike it formally from the books. On his first day in office, he will issue an executive order paving the way for Obamacare waivers for all 50 states. He will then work with Congress to accomplish full repeal.

Reform Financial Regulation

As president, Mitt Romney will also seek to repeal Dodd-Frank and replace it with a streamlined regulatory framework. The recent financial crisis exposed serious weaknesses in a regulatory system that was poorly equipped to deal with dynamic and evolving markets. The government’s response was to layer on new regulations and invent new bureaucracies that do not address the underlying causes of a crisis driven by the over-leveraging of our financial institutions and our homeowners. Rather than dealing directly with those issues, the government gave itself an open check book to write ambiguous regulations that have left our businesses and households uncertain of their obligations and uncompetitive in a global marketplace.

Some of the concepts in Dodd-Frank have a place. Greater transparency for inter-bank relationships, enhanced capital requirements, and provisions to address new forms of complex financial transactions are all necessary elements of effective financial reform. But these concepts must be translated into law in a way that creates a simple, predictable, and efficient regulatory system appropriate for our dynamic economy.

While not an Obama-era invention, the Sarbanes-Oxley law passed in the wake of the accounting scandals of the early 2000s should also be modified as part of any financial reform. Many of its requirements were designed for large companies but impose onerous burdens when applied to mid-size firms. The result is that smaller companies are penalized for growing larger, and those attempting to make the leap are discouraged from seeking out the investment capital with which to expand. Romney will seek to amend the law to remove unreasonable burdens on mid-size companies. These companies are a crucial component in the economy's job-creation engine, and regulation must not place unnecessary obstacles in their path to growth.

Reform Environmental Regulation

As president, Mitt Romney will eliminate the regulations promulgated in pursuit of the Obama administration's costly and ineffective anti-carbon agenda. Romney will also press Congress to reform our environmental laws and to ensure that they allow for a proper assessment of their costs. Laws that forbid cost assessment may have had some merit in the era in which they were passed. But that was a time when the environment was severely contaminated and the United States enjoyed full employment and low energy prices. Today, such laws are a costly anachronism and are in urgent need of reform. Romney will seek to amend the Clean Air and Clean Water Acts to ensure that cost is taken properly into account at every stage in the regulatory process.

In addition, Romney will seek amendments that provide a multi-year lead time between the date when a new regulation is issued and the date by which companies must come into compliance. If there are compelling human health reasons to restrict industrial emissions, regulatory bodies must issue standards that can be achieved over a reasonable period of time, affording industries fair notice and a significant window in which to invest in the development and installation of new technology that would bring their facilities into compliance.

Review and Eliminate Obama-Era Regulations

One of the greatest problems with the federal bureaucracy is that each incoming presidential administration leaves in place much of what its predecessor constructed. The result is layer upon layer of often unnecessary or inconsistent regulation. Mitt Romney will not allow that practice to continue. On his first day in office, Romney will order all federal agencies to initiate repeal of any regulations issued by the Obama administration that unduly burden the economy or job creation.

Impose a Regulatory Cap

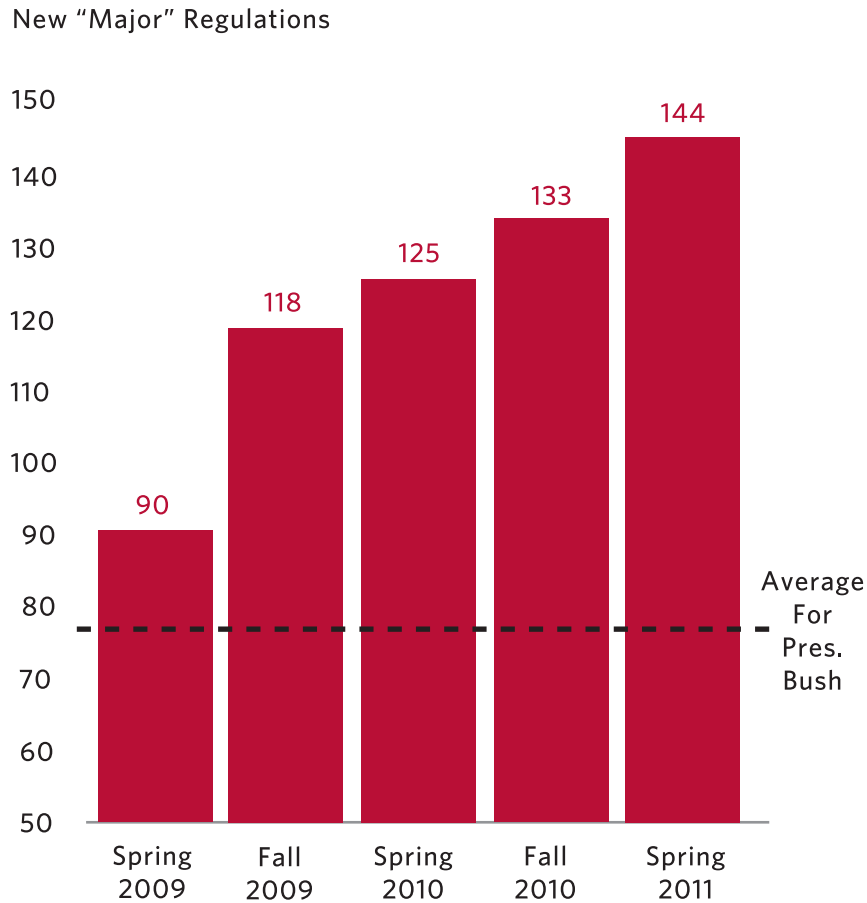
To force agencies to limit the costs they are imposing on society, and to provide the certainty that businesses crave, a system of regulatory caps is required. As noted, the federal government has estimated that the existing regulatory burden approaches \$1.75 trillion. We cannot afford those costs to go any higher. Yet because the costs are invisible—government agencies do not go through a budgeting process for their regulatory agendas—they simply continue to grow.

As president, Mitt Romney will impose a regulatory cap that forces agencies to recognize and limit these costs. In the first term of a Romney administration, the rate at which agencies could impose new regulations would be capped at zero. What this means is that if an agency wishes or is required by law to issue a new regulation, it must go through a budget-like process and identify offsetting cost reductions from the existing regulatory burden. While not a panacea for the problem of over-regulation, implementation of this conservative principle would go some distance toward halting the relentless growth of the regulatory state.

Restore Congressional Oversight

Yet another measure would be to restore a greater degree of congressional control over the agency rulemaking process. Our Constitution calls for our democratically elected Congress to make laws and for the democratically elected president to approve them. Federal agencies are supposed to implement the laws established by the people's representatives. Unfortunately, all too often Congress has found it easier simply to make broad pronouncements and allow bureaucrats to figure out the actual rules. In some instances, regulatory agencies have gone off the rails of law altogether and veered in unexpected and unproductive directions.

Figure 7: Tale of the Red Tape



“Major” regulations are those with an estimated economic impact of greater than \$100 million annually. Since taking office, the Obama administration has been generating more of these regulations than any administration in history, at an ever increasing rate.

Source: *Heritage Foundation*

To return the system to proper confines, Mitt Romney supports implementation of a law, similar to the REINS Act now before Congress, that would require all “major” rules (i.e., those with an economic impact greater than \$100 million) to be approved by both houses of Congress before taking effect. If Congress declines to enact such a law, a President Romney will issue an executive order instructing all agencies that they must invite Congress to vote up or down on their major regulations and forbidding them from putting those regulations into effect without congressional approval.

Reform Legal Liability

Our legal system, with its framework of litigation and liability, serves as another form of regulation faced by both individuals and businesses. As with all regulation, this framework can play an important role in strengthening our economic system if it is designed and operated effectively. If it is not, however, it imposes serious burdens on economic actors that raise the cost of doing business, increase uncertainty, and decrease investment. As president, Mitt Romney will pursue reforms that respect the federal-state balance of power in our court system while creating a legal environment conducive to economic growth. Preventing excessive damage awards, limiting class-action lawsuits to those situations where they are actually warranted, and empowering judges to sanction more effectively trial lawyers and parties who bring frivolous claims are all steps that could protect litigants with legitimate grievances while preventing spurious litigation from inhibiting investment and job creation.

The United States cannot afford to tie itself in more regulatory knots. Our current economic difficulties have multiple roots, but over- and mis-regulation are primary among them. This is an area where an administration led by someone with firm conservative principles, who understands how jobs are created and how they are lost, can make a significant difference to America’s economic performance.

Andy Puzder on Regulatory Policy



Like so much in American politics, the debate over “regulation” too often focuses on the highest-profile examples with the biggest price tags and the loudest opponents. So, when it comes to environmental regulation of coal-fired power plants, or bans on off-shore drilling, or new rules for Wall Street banks, there is no shortage of coverage or complaint.

Those regulations deserve the attention they receive—indeed, they are among the most damaging government actions standing in the way of American businesses and workers. But they are only the tip of the iceberg. Deep below the surface lie tens of thousands of pages of regulations controlling every aspect of economic activity and imposing more than \$1 trillion in costs annually. These rules go largely unnoticed, even as they puncture holes in the side of our listing economic ship. But every American can sense that we are taking on water.

The restaurant industry provides an excellent example. We are not paving over the rainforest, or brewing toxic chemicals, or forging steel in blazing furnaces. We provide fast, affordable, high-quality meals in convenient locations to busy customers. Yet we have an 11 page internal list that we use to keep track of the 57 different categories of regulation affecting the way we can operate our business. The regulations address everything including site development and construction, the environment, illegal immigration, workers’ compensation, credit reporting, wages and hours, labor relations, numerous forms of discrimination and occupational safety, not to mention laws as esoteric as the Polygraph Protection Act and the Genetic Information Non-Discrimination Act.

Strangely enough, that list never seems to shrink. It only grows and grows as bureaucrat after bureaucrat conceives of new rules that will “help” the American people. It is easy to understand why a bureaucrat might think that way—especially one who has never worked in the private sector. Truth be told, most individual regulations, standing on their own, seem like sensible ideas. But as anyone with business experience intuitively understands, the cumulative cost of this approach—recently estimated by the federal government at more than \$10,000 per employee for small firms—far outweighs the benefits. The result is a significantly lower appetite for hiring on the part of most employers.

The depth of the problem was driven home in August, when the White House announced that “Chief of Staff William Daley has given new instructions to the cabinet. He has asked cabinet members to minimize regulatory costs, avoid imposing excessive regulatory burdens, and prioritize regulatory actions that promote economic growth and job creation.” While this was a welcome directive, it does raise the question of what on earth the bureaucrats were doing *before* receiving those instructions, and why it took three years to issue such an order.

America needs more than simple relief from a particular list of the most expensive and irrational regulations the government has imposed over the past twenty years. We need that, to be sure, but it is insufficient. What we really need is a fundamental shift in the way the federal government perceives its role in our society and in our economy. Someone needs to tell the bureaucrats: *Stop!* American entrepreneurs are being held back by your actions. If you will take on the task of reducing and streamlining regulations with anything like your zeal in searching for new regulations, the American people will take care of reinvigorating our economy.

Sending that message to Washington requires sending experienced and motivated leadership to Washington. Leadership that has worked in the private sector, appreciates the challenges of the private sector, and understands how government can play a role in either promoting or stifling entrepreneurship and economic growth. Mitt Romney is that kind of leader, and the policies he proposes are precisely the ones we in the private sector need to successfully grow our businesses.

Too often, a “Jobs Plan” will focus on what the government is going to do to create jobs. That is the approach President Obama and Congress took with the stimulus plan, and it could well be the approach the President will continue to encourage. Unfortunately, the truth is that government cannot create jobs—at least not productive, self-sustaining private-sector jobs that generate prosperity and growth. It can only create the environment in which the private sector can create those jobs. Ultimately, government must choose between getting in the way and getting out of the way. Mitt Romney understands this, his jobs plan is built around it, and as president, he will undertake the root-and-branch regulatory reform necessary to get government out of the way and get the American economy moving again.

Andy Puzder is the CEO of CKE Restaurants, Inc., which operates the Hardee's and Carl's Jr. restaurant brands.



“Encouraging trade does not mean entering into agreements that disadvantage the United States or being soft with trading partners who ignore our agreements. ... [T]he World Trade Organization litigation process has been singularly unreceptive to American interests. None of this is reason to embrace protectionism, but it is reason for tough bargaining and strict implementation.”

(Mitt Romney, No Apology)

Trade Policy

EXPANDED MARKETS

- Implement pending Free Trade Agreements
- Conclude Trans-Pacific Partnership and pursue additional agreements
- Create Reagan Economic Zone

CONFRONTING CHINA

- Increase enforcement of existing law
- Impose punitive measures if unfair trade practices continue

Open markets have helped make America powerful and prosperous. Indeed, they have been one of the keys to our economic success since the country was founded. Approximately 95 percent of the world's consumers live beyond our borders. Selling our world-class products and services to them is the next great frontier for economic growth. For every additional \$1 billion in U.S. exports, another 5,000 jobs are created in the United States. The fewer the barriers to cross-border commerce, the more economic growth we enjoy and the greater the number of American jobs brought into being.

Every president beginning with Ronald Reagan has recognized this and acted upon it. President Reagan signed America's first Free Trade Agreement (FTA), with Israel in 1985. George H. W. Bush and Bill Clinton both worked to negotiate and implement the North American Free Trade Agreement (NAFTA), which went into effect in 1994. George W. Bush successfully negotiated eleven FTAs, encompassing sixteen countries. He also had the vision to commence negotiations with a number of allies around the Pacific Rim to expand significantly the Trans-Pacific Partnership.

All told, these agreements have enabled people across the world to come together and build a better future. Economists estimate that the agreements have led to the creation of 5.4 million new American jobs and support a total of nearly 18 million jobs. Looking beyond just our FTA partners, our total exports support nearly 10 million American jobs. These are not just jobs; they're good jobs, paying significantly above average, and more than one-third are in manufacturing.

Of course, opening markets must be a two-way street. For America truly to benefit in global commerce, we need to ensure there is access for our entrepreneurs to sell their high-quality products and services. This means that agreements must protect intellectual property from those who would violate the rules of free enterprise. Too often, trade agreements do not adequately address these concerns. Even when they do, actual enforcement lags.

American workers and businesses have unparalleled strengths. If we open new markets to what they produce and ensure that they are treated fairly, we can foster an environment for rapid economic growth and job creation.

The Obama Approach: Asleep at the Wheel

In his 2010 State of the Union address, President Obama said: "We have to seek new markets aggressively, just as our competitors are. If America sits on the sidelines while other nations sign trade deals, we will lose the chance to create jobs on our shores." But while the President talks the talk, he has not walked the walk. Under his watch, America has in fact sat on the sidelines and, as a result, has lost the chance to create jobs.

Falling Behind

President Obama came into office with FTAs with Colombia, Panama, and South Korea on his desk signed and awaiting submission to Congress for implementation. He himself has extolled the benefits of these agreements, which he explained would add billions of dollars to our GDP and create tens of thousands of U.S. jobs. But unfortunately, a key constituency in the Democratic Party, labor unions, sees things rather differently and has been seeking to protect its narrow interests at the expense of the whole. They oppose these agreements and efforts to open global markets to our exports.

As a consequence, President Obama has stalled. To placate his union allies who are so crucial to his reelection bid, he has been holding the agreements hostage to an ill-considered piece of legislation called Trade Adjustment Assistance (TAA). TAA aims to provide job training, relocation allowances, and unemployment pay for workers who lose their jobs because of foreign trade. Labor unions love it because it amounts to a direct handout to their members. But it is entirely redundant. The federal government already offers other programs for laid-off workers. It is also entirely ineffective, as both government and academic studies have shown. Yet President Obama expanded the program in his stimulus package, went so far as to include *government* workers among those who might lose their jobs because of international trade, and now insists upon TAA's extension as the price to be paid for action that might actually aid in job creation.

In allowing the agreements he inherited from his predecessors to languish, President Obama is not only inflicting economic injury but also damaging America's broader national interest. Colombia, Panama, and South Korea are key allies in sensitive regions of the world. Treaties with them would help to solidify broader alliances and shape our security posture in Asia and Latin America. By delaying, he has shaken confidence in America's reliability as a partner and left those nations to look in other directions.

Sadly, he has repeated this behavior with the Trans-Pacific Partnership (TPP), an agreement now under discussion that would facilitate trade among many nations of the Pacific Rim. Members would include some of our existing FTA partners, such as Australia and Chile, and important emerging economies such as Vietnam and Malaysia. These negotiations were initiated by President Bush, but upon taking office, President Obama immediately suspended them only to renew them again later on. Unsurprisingly, subsequent progress on this front has been slow.

While the United States has been standing still, our major trading competitors have been moving forward aggressively. Thus, since the last trade agreement signed by President Bush in 2007, the European Union has successfully signed agreements with nine countries and pursued negotiations with sixteen others. China, for its part, has signed agreements with four countries and pursued negotiations with fifteen others. In August 2011, Asian nations including South Korea and potential TPP partners announced their goal to create an economic bloc that would include China but not the United States.

The exclusive trade relationships they are establishing will put American products at a disadvantage. President Obama's failure to act means lost jobs tomorrow as well as today. To take just one example, while the U.S.-South Korea FTA sat on President Obama's desk, the European Union and South Korea reached their own agreement and implemented it on July 1 of this year. Within two weeks, trade volume between the two countries increased 174 percent. Now, American businesses find themselves at a disadvantage against European competitors in the Korean market.

Since the Last U.S. Trade Agreement Signed by President Bush in 2007...



Dropping Our Guard

President Obama has also singularly failed in handling commercial relations with China. He came into office with high hopes that displays of American goodwill toward Beijing would lead to better relations across all fronts. Predictably, the goodwill has not been reciprocated; China is driven by its own interests, not by appeals to its sentimentality. Having tried and failed with “engagement,” the Obama administration now behaves as if the United States has no leverage in dealing with a country that routinely steals our designs, patents, brands, know-how, and technology—collectively, our “intellectual property.” Entirely fake Apple Stores operate openly in Chinese cities. It is hard to be more brazen than that.

This is not all happenstance. Rather, it is the result of a deliberate policy by the Chinese government that seeks to build up its economy by piggybacking on Western technological success. On many occasions, Chinese companies have simply reverse-engineered American products, with no regard for the patents and other protections of intellectual property rights that are crucial to our own economic well-being. The Chinese government facilitates this behavior by forcing American companies to share proprietary technology as a condition of their doing business in China. A recent study by the U.S. Chamber of Commerce reports that international technology companies consider these practice to be “a blueprint for technology theft on a scale that the world has never seen before.”

China's unfair trade practices extend to the country's manipulation of its currency to reduce the price of its products relative to those of competing nations such as ours. While the extent and impact of the manipulation is widely debated, the practice provides an invisible subsidy to Chinese goods sold internationally and an invisible tariff on other nations attempting to sell in China. Despite making gestures to the contrary, China's government often excludes foreign goods from consideration for its government purchases. And it uses a variety of unfair practices—for instance, inventing regulations and standards that only Chinese companies can meet, and artificially lowering costs for Chinese companies—to tilt the playing field in its favor. Instead of responding forcefully, the Obama administration has acted like a supplicant. Having borrowed hundreds of billions of dollars from Beijing to pay for its agenda, it has placed America in a weak position at the very moment when we need to stand tall.

Mitt Romney's Plan: Open Markets on Terms That Work for America

Mitt Romney will have none of this. He starts from a position that free trade is essential to restoring robust economic growth and creating jobs. The productivity and ingenuity of the American workforce are unparalleled. When we are able to compete on a level playing field, we have proved we can win. We need to open new markets beyond our borders for American goods and services on terms that work for America.

OPENING NEW MARKETS

Complete Pending Agreements

Free Trade Agreements are one of the best routes to accomplishing our goals. The United States currently has FTAs with seventeen countries and (excluding our crude oil imports) we maintain a trade surplus with those economies. Building on this trading system is essential. President Obama's delay in submitting the Colombia, Panama, and South Korea agreements to Congress for implementation has already inflicted injury on our GDP and our job market. Mitt Romney will press for their immediate ratification and ensure that Congress has the opportunity to vote on them unencumbered by other issues, such as TAA, that require independent consideration.

Pursue New Agreements with Trade Promotion Authority

American presidents should be invested with Trade Promotion Authority that gives them the power to conclude trade agreements and submit them for up-or-down votes in Congress. Otherwise, even the most carefully negotiated trade agreement can become laden with so much congressional meddling on behalf of special interests that the other parties to the agreement refuse to sign on. Trade Promotion Authority lapsed toward the end of President Bush's second term. Tellingly, with trade a low priority for him, President Obama has not sought its renewal. As president, Mitt Romney will ask Congress to restore that authority.

A president invested with Trade Promotion Authority could explore the possibility of agreements with dynamic emerging economies such as Brazil and India. Though such agreements would be a significant challenge to negotiate and conclude, the economic benefits would be substantial. Similarly, an agreement with the European Union would be an enormously complex challenge, but a united Europe is a natural partner for such a venture, and the benefits would be large: perhaps approaching \$200 billion in GDP growth for the United States and Europe combined. Even incremental expansion of the European-American trading relationship would yield tremendous economic dividends.

The Trans-Pacific Partnership also remains critically important. Such an agreement would open U.S. access to the rapidly expanding Malaysian and Vietnamese markets, provide a dramatic geopolitical and economic bulwark against China, and serve as both a foundation from which to promote the opening of markets throughout Asia and a template for future multilateral agreements. If the Obama administration stalls the TPP in the run-up to the 2012 election, a Romney administration will move to complete negotiations at the earliest possible date.

Create Reagan Economic Zone

But we can hardly rest there, for there is an opportunity to pursue a game-changing multilateral agreement among like-minded nations genuinely committed to the principles of open markets. As president, Mitt Romney will pursue the formation of a “Reagan Economic Zone.” This zone would codify the principles of free trade at the international level and place the issues now hindering trade in services and intellectual property, crucial to American prosperity and that of other developed nations, at the center of the discussion.

Such a partnership would be extraordinarily attractive to most developed nations, and to those developing nations that have embraced free enterprise and open markets. With membership open to any nation willing to abide by the rules, two primary U.S. objectives would be fulfilled. First, as the most open and innovative economies came together, the dynamism of the resulting economic zone would serve as a powerful magnet, drawing in an expanding circle of countries willing to abide by the rules in exchange for greater access to one another's markets. At the same time, it would also serve as a mechanism for confronting nations that violated

trade rules while free-riding on the international system. Creating a large open market, and excluding countries that failed to respect the rule of law, would prevent cheaters from prospering and provide a major incentive for them to reform.

CONFRONTING CHINA

China presents a broad set of problems that cry out urgently for solutions. It is time to end the Obama administration's acquiescence to the one-way arrangements the Chinese have come to enjoy. We need a fresh and fearless approach to that trade relationship. Our first priority must be to put on the table all unilateral actions within our power to ensure that the Chinese adhere to existing agreements. Anyone with business experience knows that you can succeed in a negotiation only if you are willing to walk away. If we want the Chinese to play by the rules, we must be willing to say “no more” to a relationship that too often benefits them and harms us.

Improve Enforcement at the Border

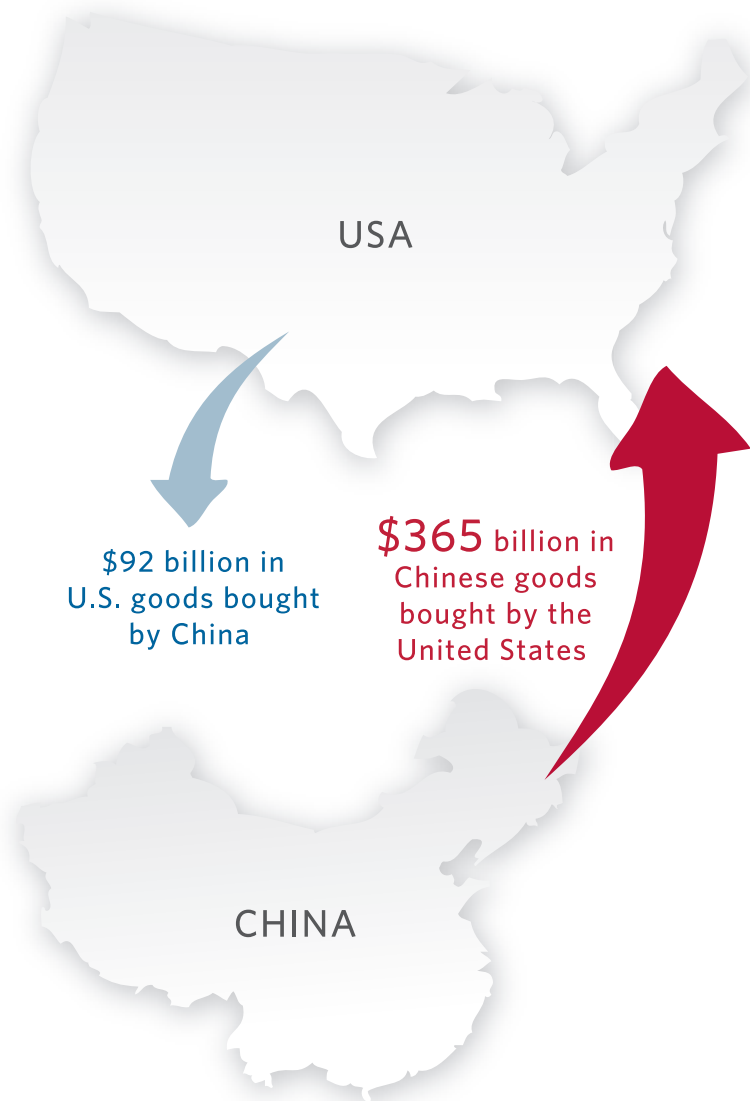
There are some measures entirely within our control. We can do a far better job of keeping counterfeit goods out of our country and enforcing the intellectual property protections that we already have in place. In some locations this may simply entail increasing the frequency of inspections or ramping up fines and punishments.

We also must resolutely counter efforts by unscrupulous exporters in China and elsewhere to evade the remedial measures we already impose in response to their unfair trade practices. Chinese exporters, for instance, sometimes ship their products to third-party countries and fraudulently declare the products as originating there to avoid remedies that have been imposed on unfairly traded goods. Such practices need to be brought to a swift end. As president, Mitt Romney will allocate the necessary resources to investigating the actual point of origin for suspect products arriving on our shores and impose harsher penalties on those who would circumvent our laws. The return on the increased investment in enforcement would be immediate and substantial.

Protect and Pursue Legal Rights

Far too many transgressions are never challenged for fear of disrupting trade relationships, a problem that pertains to commerce with not only China but also with other countries. As with any treaty, trade agreements are not worth the paper

A One-Sided Relationship



they are printed on unless the signatories adhere to them. We thus need to act more resolutely at the World Trade Organization (WTO) to ensure we are getting the benefits of the bargains struck in our trade agreements.

American corporations should not be left in a position in which they are afraid to pursue their interests to the full extent of the law. The Office of the United States Trade Representative (USTR) in a Romney administration will be tasked with pursuing all significant claims of unfair trade practices. It will also take a far more active role in encouraging private firms that have been victimized to raise claims both in U.S. courts and at the WTO. If the USTR can be their advocate in and out of court, American companies and the country as a whole will be in a stronger position.

Impose Targeted Tariffs or Economic Sanctions

Mitt Romney believes we need to consider the use of targeted unilateral and multilateral sanctions. For instance, if the United States identifies a Chinese firm or industry that is relying on unfair practices or misappropriated American technology for its competitive advantage, we should be in a position to impose punitive measures in response. If China makes it a priority to strong-arm Western corporations in industries with particularly valuable technologies, we should join with our allies to ensure that it does not obtain the technology transfers it seeks.

Designate China a Currency Manipulator and Impose Countervailing Duties

Current U.S. law requires that the Department of the Treasury release a biannual review in which it identifies any countries that are manipulating their currency to gain an unfair advantage. The Department of Commerce also has the power to find that Chinese currency policy constitutes an unfair subsidy to Chinese exporters, and to assess countervailing duties on Chinese products. The Obama administration has declined to take either action, effectively accepting China's problematic practices. That acceptance has to end. If China fails to move quickly to bring its currency to fair value, the Department of the Treasury in a Romney administration will designate China a currency manipulator and the Department of Commerce will impose countervailing duties.

Insist on Reciprocal Government Procurement

China is not a member of the WTO's Government Procurement Agreement (GPA). However, it has declared its intent to join. The GPA forbids member nations from discriminating against one another's products and services in the course of government procurement. The Chinese government, by itself one of the world's largest consumers, has failed to make good on its commitment to accede to the GPA, and continues to strongly favor domestic Chinese providers. There is no reason for the United States to tolerate this state of affairs. Until China joins and abides by the GPA, a Romney administration will respond in kind by ending U.S. government procurement of Chinese goods and services.



The United States does not have to accept forever the practices that have led to a huge and seemingly perpetual trade deficit with China. We have opened our economy to China, and China must be persuaded to extend the same privilege to us. China's export-driven economy desperately needs access to our markets and innovations, and we have the leverage to demand that it competes on fair terms in return and provides similar access to its market for U.S. exporters. A Romney administration will work with Congress and our international partners to alter China's behavior. The Reagan Economic Zone will be a key instrument in that effort, offering China an attractive reward for better behavior as an alternative to aggressive responses to continued intransigence.

The time has to come to lay out a series of steps that China must take to become a responsible member of the global economy. And the time has also come to lay out the consequences that would accompany its failure to make rapid progress toward that end. Despite what the Obama administration appears to believe, the United States is working from a position of strength. Mitt Romney understands that fundamental point and all that follows from it. He will seek to right our trade relationship with China and strengthen our commercial ties with the rest of the world. Nothing less than economic recovery is at stake.

Governor Dave Heineman on Trade Policy



Trade is one of the great sources of American prosperity and offers the potential for tremendous job creation. But trading partnerships, and opportunities for our businesses and their workers in overseas markets, do not simply spring forth untended from the earth. They require careful attention and support from businesses and government. With proper nurturing, our trade relationships will flourish and produce bountiful yields. With neglect, they will lie fallow.

One might wonder: What does the governor of Nebraska know about international trade? That question belies a common misconception about the nature of our export economy. Agricultural products are one of America's top exports—topping \$100 billion per year. International demand for crops and beef from Nebraska farms and ranches is a crucial driver of our economic well-being.

So I view the promotion of our trading relationships as integral to my job. In 2007, I led a prosperous trade mission to Asia that resulted in the significant strengthening of the relationship between my state's producers and key overseas consumers. In August of this year, my lieutenant governor and my agriculture director each led similar trips. And in September of this year we will be hosting our second "Reverse Trade Mission," in which we invite key business and government leaders from around the world to come to our state to learn about our products and services. The first such event, in 2008, attracted more than 130 businesses from countries as far-ranging as Brazil, Japan, South Africa, and Spain.

The goal of such activities is to do the hard work of actually turning the theory of an open market into the reality of freely flowing goods and services. Government leadership is necessary to overcome barriers in everything from regulations and infrastructure to language. Foreign customers have to be made aware of what America has to offer and how to go about acquiring it.

President Obama has, entirely appropriately, come under heavy criticism for his failures to advance the most prominent elements of the American trade agenda. He has allowed trade agreements already signed by President Bush to languish. He froze negotiations initiated by President Bush, then started them again, but has made little progress. He has pursued no important new initiatives of his own.

But the damage from his lack of leadership on this issue runs far deeper. He has failed to adopt the aggressively pro-trade posture that America needs from its president. Only by talking the talk and walking the walk day after day, country after country, industry after industry, will our businesses truly receive the access to foreign markets that they require.

The blocking-and-tackling required to open markets must take place at the business level, the industry level, the state level, and the federal level. There are many things that the private sector can do, and that state and local governments can do. But at the end of the day, there is no substitute for the influence of presidential leadership in developing our international relationships. Mitt Romney is the right man to provide that leadership.

Mitt's 25 years of private-sector experience have given him a valuable understanding of the complexities inherent in actually entering new markets and building relationships with foreign customers. As president, he would put that knowledge to work—building an administration capable of strengthening needed ties and lending his own leadership when necessary. The result would be expanded opportunities for American businesses and workers in markets around the world. It is ultimately the responsibility of the private sector to take advantage of these opportunities and convert promising relationships into concrete deals, but presidential leadership can help till the soil.

Dave Heineman is the governor of Nebraska.



“Spending our energy dollars here for domestically produced energy while also funding research, development, and production of new sources of energy creates jobs, strengthens the dollar, and reduces our exposure to supply risks and volatility. We must vigorously embrace and develop all of our domestic energy sources.”

(Mitt Romney, No Apology)

Energy Policy

SIGNIFICANT REGULATORY REFORM

- Streamline and fast-track approval processes
- Amend Clean Air Act to exclude regulation of carbon

INCREASED PRODUCTION

- Conduct comprehensive survey of the nation’s reserves
- Open reserves to exploration and production

RESEARCH AND DEVELOPMENT

- Focus investment in basic research
- Utilize DARPA-like funding mechanisms

We rightly think about energy as a national-security issue. But the energy sector is also a job generator of paramount importance. If we produced more energy domestically, millions of new jobs could be created. The imperatives of national security and economic policy can be made to work in tandem.

Producing more domestic energy would create good jobs and bolster local economies in a wide variety of energy-producing regions that effectively “export” their product to the rest of the country. While countless jobs are engaged in the actual energy-production process, they are a small fraction of the full workforce that benefits. Before the first barrel of oil is pumped out of the ground, entire industries are hard at work creating the equipment and providing the services used in drilling, production, and the long chain of supporting industries that brings energy from inside the earth to the consumer. The ripple effects into the non-energy sectors of the economy are commensurately important. If instead of sending hundreds of billions of dollars overseas we can send them to our own energy-rich centers, the nation as a whole will experience the economic benefits that we currently see other countries enjoying at our expense.

Augmenting our domestic supply would strengthen the economy in many other ways. For one thing, greater domestic supply would put downward pressure on energy prices, leading to faster economic growth, more competitive industries, and less pain at the pump. For another thing, at a time of record deficits, greater domestic supply would generate hundreds of billions of dollars in revenue from drilling leases and royalties for the U.S. Treasury. It is one way to address our fiscal problems without imposing new taxes on the American people. Finally, by reducing imports, it would improve America's trade balance and strengthen the dollar.

The Obama Approach: It's Not That Easy Being Green

Unfortunately, the first three years of the Obama administration have witnessed energy and environmental policies that have stifled the domestic energy sector. In thrall to the environmentalist lobby and its dogmas, the President and the regulatory bodies under his control have taken measures to limit energy exploration and restrict development in ways that sap economic performance, curtail growth, and kill jobs.

Sharply Curtailed Production

Oil is obviously one of our most crucial energy resources and the single most important fuel for our transportation needs. But the 2010 BP disaster in the Gulf of Mexico provided political cover for the implementation of the Obama administration's dangerously short-sighted energy policy. “You never want a serious crisis to go to waste” is the notorious maxim of the President's former chief of staff, Rahm Emanuel. And here it was put into practice once again. The result was a sweeping moratorium on underwater drilling that destroyed more than 10,000 jobs and cost \$1 billion in lost wages.

That moratorium, which affected drilling even in shallow waters where the environmental risks were especially low, was part of a larger energy-policy incoherence. For even as the Obama administration was suppressing underwater energy development here at home, the President was talking up the importance of foreign countries tapping into their own underwater reserves: “By some estimates,” said President Obama during a visit to Brazil, “the oil you recently discovered off [your] shores ... could amount to twice the reserves we have in the United States. ... [W]e want to be one of your best customers.” The logic of barring off-shore exploration in our own waters while applauding it elsewhere is difficult to comprehend.

Similarly, the Obama administration has delayed the construction of the Keystone XL Pipeline, which could bring enormous supplies of Canadian oil from Alberta to our market. The project could also create more than 100,000 American jobs. The result is a perverse effect. Canada has considered constructing a pipeline

to its Pacific Coast instead, from where it would ship the oil to China. Our failure to move forward as quickly as possible with this project hurts our own energy supply and helps our competitors. The apparent rationale for the Obama administration policy—concern over global warming—is undercut by the fact that the Canadian oil sands will be developed regardless of what we do. The only question is whether the United States or China will be the beneficiary.

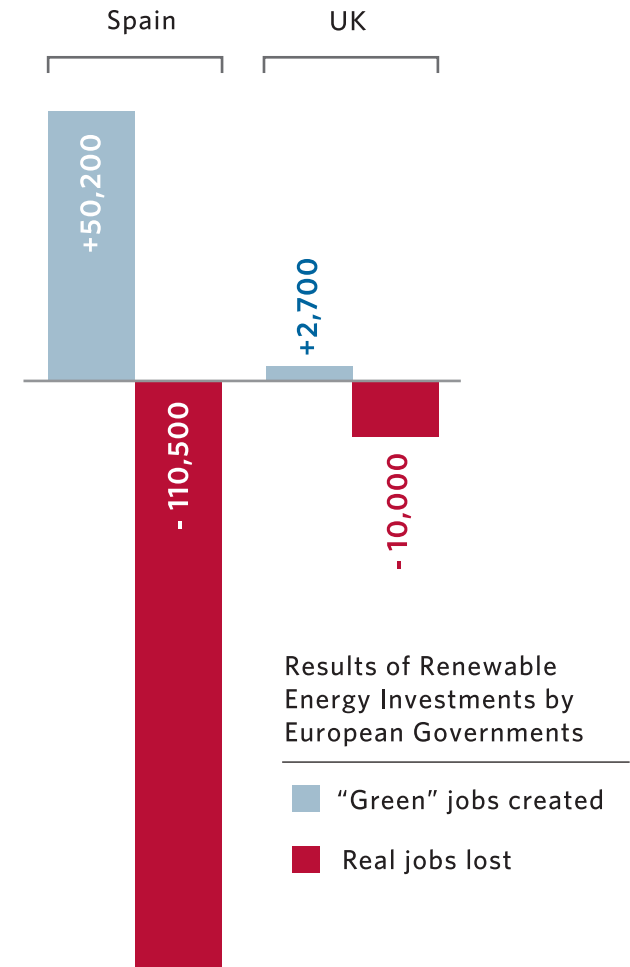
Pushing Toward Bankruptcy

Coal is America's most abundant energy source. We have reserves that—at current rates of uses—will last for the next 200 years of electricity production in an industry that directly employs perhaps 200,000 workers. But rather than focus on refining technologies that burn coal cleanly, President Obama has been waging war on the entire coal industry. His initial proposal for cap-and-trade, the complex scheme for allowing industries to trade the right to emit greenhouse gases, would have been a crippling blow to the U.S. economy. The coal industry would have been hardest hit. “[I]f somebody wants to build a coal-powered plant, they can,” declared then-Candidate Obama. “It’s just that it will bankrupt them because they’re going to be charged a huge sum for all that greenhouse gas that’s being emitted.” Nor would consumers have been spared the impact. President Obama candidly acknowledged that under his plan of a cap-and-trade system, “electricity rates would necessarily skyrocket.” The legislation that ultimately reached Congress was estimated to cost \$9.4 trillion in lost GDP and 2.5 million jobs over the next quarter century.

Cap-and-trade died in Congress, but a similarly blithe disregard for the economic impact of his policies prompted President Obama to find another path to reach the same objective. “Cap-and-trade was just one way of skinning the cat; it was not the only way,” he said as he directed the Environmental Protection Agency (EPA) to achieve his goals by other means. Having declared carbon dioxide to be a “pollutant” that poses risks to human health and is therefore subject to regulation, the agency is now engaged in an extraordinary rulemaking process to impose controls on all major emitters of carbon dioxide, with users of coal at the top of the list.

Other EPA regulations targeting the entire American industrial base pose a similar threat. The EPA has issued a 946-page “hazardous air pollutants” rule mandating “maximum achievable control technology” under the Clean Air Act.

Figure 8: The “Green” Job Myth



While President Obama has repeatedly touted a “green” economy as a key to job creation, the reality is that investment in renewable energy does not create jobs. To the contrary, an increase in “green” jobs produces a much larger decrease in other jobs.

Source: Verso Economics; Universidad Rey Juan Carlos

Even the International Brotherhood of Electrical Workers, an unlikely source of criticism for the President, said the rule would place 250,000 jobs in jeopardy. In conjunction with other regulations that the EPA is seeking to impose, the total number of lost jobs may come to be much higher. New regulations for industrial boilers—the so-called “Boiler MACT”—may put another 800,000 jobs at risk. Proposed ozone regulations might cost more than seven million jobs in the coming years. If unemployment is today over 9 percent, these regulations and proposed regulations play a part in keeping it that way by shaking business confidence. Once in force, they may drive the rate higher still. And they will certainly drive higher the cost of electricity, affecting consumers and businesses across the country.

An Unhealthy “Green” Jobs Obsession

As the Obama administration wages war against oil and coal, it has been spending billions of dollars on alternative energy forms and touting its creation of “green” jobs. But it seems to be operating more on faith than on fact-based economic calculation. To begin with, wind and solar power, two of the most ballyhooed forms of alternative fuel, remain sharply uncompetitive on their own with conventional resources such as oil and natural gas in most applications. Indeed, at current prices, these technologies make little sense for the consuming public but great sense only for the companies reaping profits from taxpayer subsidies.

As for job creation, studies show that “green” jobs might actually hurt employment more than they help it. Green energy is capital-intensive and tends to displace labor. Indeed, the track record in Europe shows that new “green” jobs came at a steep cost. Spain’s experience, for example, reveals that each new “green” job created destroyed 2.2 others. The price tag in subsidies was exorbitant, rising to nearly \$1.5 million per job in the wind industry. Even steeper job loss ratios can be found in the United Kingdom, where 3.7 jobs were lost for every new “green” job created. Here in the United States, despite the Obama administration’s wishes, the marketplace is simply not absorbing green-collar workers. Of 3,586 recent graduates of a Department of Labor-sponsored “green” jobs training program, only 466 were able to find jobs. Taxpayer money spent on “green” training, it seems, was wasted.

The Obama administration’s diversion of resources into green energy has occurred at a time when the traditional energy sector—oil, gas, coal, and nuclear—holds remarkable job-creating potential. These are all labor-intensive industries that

generate good-paying opportunities for workers, affordable energy for consumers, and billions of dollars of revenue for government. Yet instead of going for this obvious triple play, President Obama has been pursuing a course that kills energy-sector jobs.

Mitt Romney’s Plan: A Pro-Jobs, Pro-Market, Pro-American Energy Policy

Mitt Romney has a better way. As president, he will make every effort to safeguard the environment, but he will be mindful at every step of also protecting the jobs of American workers. This will require putting conservative principles into action: significant regulatory reform, support for increased production, and a government that focuses on funding basic research instead of chasing fads and picking winners.

SIGNIFICANT REGULATORY REFORM

The first step will be a rational and streamlined approach to regulation, which would facilitate rapid progress in the development of our domestic reserves of oil and natural gas and allow for further investment in nuclear power. We need to establish a new regulatory framework, one that simultaneously enables industry to extract natural resources from the earth while also protecting the earth from the risks inherent in these activities. The alternative—of sharply curtailing our domestic energy industry—is an approach that only drags down economic growth and eliminates jobs. The world needs energy, and the United States is in a position to produce it more cleanly and safely than any other nation.

Streamline and Fast-Track Permitting Processes

Toward that end, all permits and approvals for exploration and development should be issued according to fixed timelines with the availability of fast-track processes. Procedures for issuing permits should be consolidated so that businesses have a one-stop shop for approval of common activities. For instance, once a particular drilling technique has been approved in a particular area, any company with an established safety record should be able to quickly receive a comparable

permit. As president, Mitt Romney will take these steps to lift the cloud of uncertainty in which the regulatory process now enshrouds energy enterprises. Businesses could begin to invest without fear that their initiatives will be caught up in interminable delays caused by unaccountable agencies.

Overhaul Outdated Legislation

The Clean Air Act, Clean Water Act, and other environmental laws need to be overhauled. Laws that require every significant scientific innovation or technological breakthrough to trigger prolonged regulatory scrutiny and years of spurious litigation are an excellent means of imposing self-inflicted wounds on our economy. As president, Mitt Romney will propose thoughtful and measured reforms of the statutory framework to preserve our environmental gains without paralyzing industry and destroying jobs. For example, rules affecting coal power plants could be streamlined to achieve the necessary environmental protection while avoiding job-killing plant closures. As described in Romney's regulatory policy, this would mean ensuring that the cost of new regulation is always considered and establishing reasonable timelines for compliance.

Additionally, the Clean Air Act was passed to protect us against pollutants that pose dangers to human health. It was not intended to control carbon-dioxide emissions, and is poorly tailored to that purpose. The Obama administration's efforts to fit that particular square peg into the round hole of the Clean Air Act—essentially achieving the effects of cap-and-trade without congressional approval—threaten enormous economic disruption. Romney will work to amend the Act and remove carbon dioxide from its purview.

Reform Nuclear Regulation

Particular attention should be paid to reforming the regulatory structure of the nuclear industry. The current structure is both extraordinarily cumbersome and restrictive in scope. For instance, the Nuclear Regulatory Commission (NRC) is equipped to review only one kind of reactor design, a limitation that dampens competition, stifles innovation, and drives up prices. Yet even review of that single design can stretch on interminably. Seventeen applications for 26 units are now pending before the NRC. It is little surprise, then, that the United States has not issued a permit to construct a single new nuclear plant for more than

three decades. Compare that to France, where fifteen plants were built during the same period, or China, which has begun construction on ten plants in the last ten years. As president, Mitt Romney will seek to streamline NRC procedures so that licensing decisions for any reactors to be built with an approved design on or adjacent to an existing site are completed within two years. And he will expand NRC capabilities so that the agency is able to review and approve several types of certified reactor designs in a way that ensures safety and reliability.

INCREASING PRODUCTION

Inventory Our Nation's Resources

The United States is blessed with a cornucopia of carbon-based energy resources. Developing them has been a pathway to prosperity for the nation in the past and offers similar promise for the future. Yet we do not even know the extent of our blessings. Surveys and inventories of resource deposits are decades out of date—when they have even been done at all. As a result, we have only a partial picture of the opportunities available to us. A Romney administration will conduct a comprehensive survey of our untapped resources so that policymakers and developers have a full picture from which to work.

Explore and Develop Our Oil Reserves

Under the robust and efficient regulatory framework just described, a Romney administration will permit drilling wherever it can be done safely, taking into account local concerns. This includes the Gulf of Mexico, both the Atlantic and Pacific Outer Continental Shelves, Western lands, the Arctic National Wildlife Refuge, and off the Alaska coast. And it includes not only conventional reserves, but more recently discovered shale oil deposits as well. When the drilling is done off-shore, the adjacent states should be entitled to a reasonable share of the revenue, just as they are now from on-shore production. Expanding energy production on this scale would bring lower prices, greater reliability of supply, and jobs, jobs, and jobs.

Real Energy Jobs

+131,000 jobs
 potential from Keystone XL Pipeline
 construction supported by Mitt Romney

-19,000 jobs
 destroyed by Obama administration's
 Gulf drilling moratorium

-250,000 jobs
 threatened by Obama administration's new "hazardous air
 pollutants" regulation targeting coal-fired power plants

+280,000 jobs
 potential in NY, OH, PA, and WV alone from shale gas extraction
 supported by Mitt Romney

-800,000 jobs
 threatened by Obama administration's new
 "Boiler MACT" regulation

+1,200,000 jobs
 potential from expanded off-shore drilling supported
 by Mitt Romney

-7,300,000 jobs
 threatened by Obama administration's new ozone regulation

Partner with Our Neighbors

Canada and Mexico are also home to enormous oil reserves, and the United States should work in close partnership with them to develop those resources. Both countries are steadfast allies, well positioned to bring their resources to market with the same stability and reliability of domestically produced energy. American participation in the development of our neighbors' resources also holds the promise of jobs for American workers. We are already heavily involved in Canadian production and Mexico has recently begun reaching out to foreign partners. As president, Mitt Romney will seek to promote those relationships. In addition to ensuring rapid progress on the Keystone XL Pipeline, a Romney administration will pave the way for the construction of additional pipelines that can accommodate the expected growth in Canadian supply of oil and natural gas in the coming years.

Extract Shale Gas

Natural gas is the cleanest-burning fossil fuel. Recent discoveries suggest that the United States may have a 100-year supply beneath our land. Extracting this gas requires "fracking" (hydraulic fracturing, coupled for these purposes with horizontal drilling), and will also entail significant investments in pipelines and associated infrastructure to distribute the greater volumes of gas. While fracking requires regulation just like any other energy-extraction practice, the EPA in a Romney administration will not pursue overly aggressive interventions designed to discourage fracking altogether. States have carefully and effectively regulated the process for decades, and the recent industry agreement to disclose the composition of chemicals used in the fracking process is another welcome step in the right direction. Of critical importance: the environmental impact of fracking should not be considered in the abstract, but rather evaluated in comparison to the impact of utilizing the fuels that natural gas displaces, including coal.

RESEARCH AND DEVELOPMENT

Government has a role to play in innovation in the energy industry. History shows that the United States has moved forward in astonishing ways thanks to national investment in basic research and advanced technology. However, we should not be in the business of steering investment toward particular politically

avored approaches. That is a recipe for both time and money wasted on projects that do not bring us dividends. The failure of windmills and solar plants to become economically viable or make a significant contribution to our energy supply is a prime example.

Focus on Basic Research

There is a place for government investment when time horizons are too long, risks too high, and rewards too uncertain to attract private capital. However, much of our existing energy R&D budget has been devoted to loan guarantees, cash grants, and tax incentives for projects that might have gone forward anyway. As president, Mitt Romney will redirect clean energy spending towards basic research. Government funding should be focused on research and development of new energy technologies and on initial demonstration projects that establish the feasibility of discoveries. This approach offers the best opportunity to promote innovation without distorting the market.

Design Long-Term Funding Sources Free from Politics

From the perspective of creating new jobs and strengthening our economy, the main line of policy should be directed toward technologies that will replace imported oil with domestically produced fuels or electric power. Mitt Romney believes the Defense Advanced Research Projects Agency (DARPA) model—ensuring long-term, non-political sources of funding for a wide variety of competing, early-stage technologies—holds the most potential for achieving significant advances in the energy sector. Investment should be channeled through programs, such as “ARPA-E,” that seek to replicate DARPA’s success in energy-related fields.



Energy policy is critical to our country’s economic future. We have the natural resources to succeed. Even more important, we have scientific and engineering talent that is unsurpassed the world over. What we’ve lacked is a clear recognition that tying up our resources and shackling our enterprises is costing us dearly in every important arena. The bad news is that self-defeating policies have left us less secure as a country and weakened our economy. The good news is: we can change.

Senator Jim Talent on Energy Policy



Many Americans believe that the United States is deficient in energy resources. It is certainly true that energy costs America more than it should, and that our access to energy is less secure than it ought to be. But contrary to popular belief, our fundamental problem is not a shortage of domestic supply.

America has hundreds of years of coal reserves. Recent discoveries are making the United States the “Saudi Arabia of natural gas.” Producing nuclear energy is less a question of natural resources than of technological understanding, and in that America is still the leader of the world.

Even oil, our scarcest commodity, is available in much greater quantity than many people realize. America has domestic reserves of at least twenty billion barrels of oil that could be recovered. That is not counting the oil that may be available, but which we do not know about because the federal government will not allow us to look for it.

Yes, our government will not even conduct a thorough survey—or allow others to explore—to find out how much oil America has. It is an example that illustrates the reason why energy is too expensive and insecure in the United States. The problem is not that America does not have energy. The problem is that our government—alone among the governments of the world—will not allow its own people to recover the energy that they possess.

Mitt Romney has thoroughly reviewed all the ways that our government stops us from getting energy: moratoriums, “permitatoriums,” bureaucratic hostility, uncertainty about old regulations, uncertainty

about new regulations—much of it with the intention, and all of it with the effect, of making the recovery of energy so expensive and so uncertain that people look for energy in other countries and not here.

As President Obama once remarked, commenting proudly about the costly new regulations he sought to impose on coal plants: “[I]f somebody wants to build a coal-powered plant, they can. It’s just that it will bankrupt them”

What government wants its domestic companies to go bankrupt if they produce energy their own people need from resources their own people possess? Only our dysfunctional government.

In fact, our government even subsidizes the production of energy elsewhere while stopping it here. President Obama traveled to Brazil to give them \$2 billion to produce oil in that country, at the same time that his orders prevented exploration for oil within the boundaries of the United States.

Like so many other policies set by Washington, this defies common sense. In fact, in today’s economic and geopolitical climate—with so many Americans needing jobs and so many countries using energy as a weapon against us—a policy of deliberately not utilizing the energy resources we have is madness.

Stopping energy production in the United States has cost us millions of jobs in the energy industry alone—good, high paying jobs that Americans need. It has cost us hundreds of billions of dollars in revenue because energy companies pay royalties and fees when they lease land from the government to produce energy. It has allowed hostile foreign regimes and movements to hold us hostage or extract money from us that is then used against us.

Worst of all, stopping energy production has hurt the economy, and that is bad for everyone. America cannot produce jobs without economic growth. America cannot pay its debts without economic growth. America cannot defend its freedom, protect its environment, educate its children, or produce new alternative forms of energy without economic growth.

But the converse is also true. With economic growth, we can do all those things, and we can do them better than we have ever done them before.

That is why Mitt Romney is so enthusiastic about his energy proposals. They really do represent a win for everyone. America simply needs to approach energy production the way other countries do. Our government should have strong, certain, and workable rules that allow oil, natural gas, coal, and nuclear energy to be produced in a timely fashion. We need to fund basic research on alternative energies, stop intervening on behalf of or against particular companies or products, and phase out subsidies of technologies that have made little or no progress toward competing successfully in the market.

Mitt Romney believes that the energy sector can lead an economic resurgence for the whole country. Energy can be a huge advantage for America rather than a constant source of concern and cost. That will happen if we have faith in the dynamic possibilities of our country and its free market system. With the right leadership, it can happen faster than we now predict and have a greater impact for good than we now think possible.

Jim Talent is a former U.S. Senator from Missouri.



“Unfortunately, some union CEOs are less concerned about an industry’s competitiveness than they are with how many of their union’s jobs they can protect, how much they can increase wages, and how they can impose even more favorable work rules. In some cases, this mind-set has contributed to companies or to entire industries falling so badly behind their competition that they lose market share or fail altogether, resulting in even greater job losses.”

(Mitt Romney, No Apology)

Labor Policy

- Appoint experienced and even-handed arbiters to the NLRB
- Guarantee businesses the right to allocate capital as they choose
- Protect right of workers to choose whether to unionize
- End funding of union political campaigns through paycheck deductions

Whatever economic troubles the United States is currently facing, we should never lose sight of our enormous advantages. One of the most significant is the productivity of the American worker. The United States vies for the world's top spot in labor productivity (defined as the ratio of a unit of output to each input of labor). Equally significant is the high American rate of growth of labor productivity, a key engine of overall economic growth. Over time, American workers have been growing more efficient at a rate that sharply exceeds that of other developed countries. These achievements can be explained by a number of distinctive traits of the American workforce. Foremost among them is its flexibility, which allows for the rapid assimilation of new technology into production processes and equally rapid response to changing competitive pressure from abroad.

But the flexibility of the American workforce is under fresh assault. At a moment when we are locked in fierce competition with the rest of the globe, a force within—organized labor—is pressing for measures that would undermine our key competitive advantage.

Over the years, unions have made extraordinarily important contributions to American society. Many of the protections and benefits enjoyed by workers in the 21st century are the result of sacrifices and struggles and hard-won battles fought by unions in an earlier era. But today, the effects of unionization have changed in ways that need to be recognized. Too often, unions drive up costs and introduce rigidities that harm competitiveness and frustrate innovation.

The statistics tell an unkind story. Studies conducted by non-partisan scholars have shown that labor unions reduce investment and slow job growth. Compare the economic performance of states that have embraced Right-to-Work laws, under which workers cannot be compelled to pay union dues, with states that have retained more union-friendly policies. Over the past ten years, Right-to-Work states have added more than three million jobs, while the others have lost nearly a million. Or look at the fate of the manufacturing sector. It is commonly believed that American manufacturing jobs are disappearing, but the country actually has as many non-union manufacturing jobs as 35 years ago. Over the same time period, union manufacturing jobs declined by 75 percent. Perhaps it is numbers like these that explain why a majority of Americans say that labor unions “mostly hurt” the American economy. It could also explain

why union membership in the private sector has declined from 36 percent in the 1950s to less than 7 percent today.

It is that membership decline that organized labor is struggling mightily to reverse. But the irony is that with workers now resisting unionization, labor bosses seeking to retain their power fight the very workers whom they purport to serve.

The Obama Approach: Bigger Labor

In the midst of an economic crisis, with 25 million people needing work, policies that strengthen the hand of labor unions at the expense of both businesses and workers are probably the last thing the country has needed. But President Obama, in political debt to labor leaders who have funneled union funds to the coffers of the Democratic Party and who are vital to his reelection bid, is willing and eager to press forward with Big Labor's agenda. “We're ready to play offense for organized labor” is what he proclaimed on the campaign trail in 2008. “It's time we had a president who didn't choke saying the word ‘union.’ A president who strengthens our unions by letting them do what they do best: organize our workers.”

REPAYING POLITICAL ALLIES

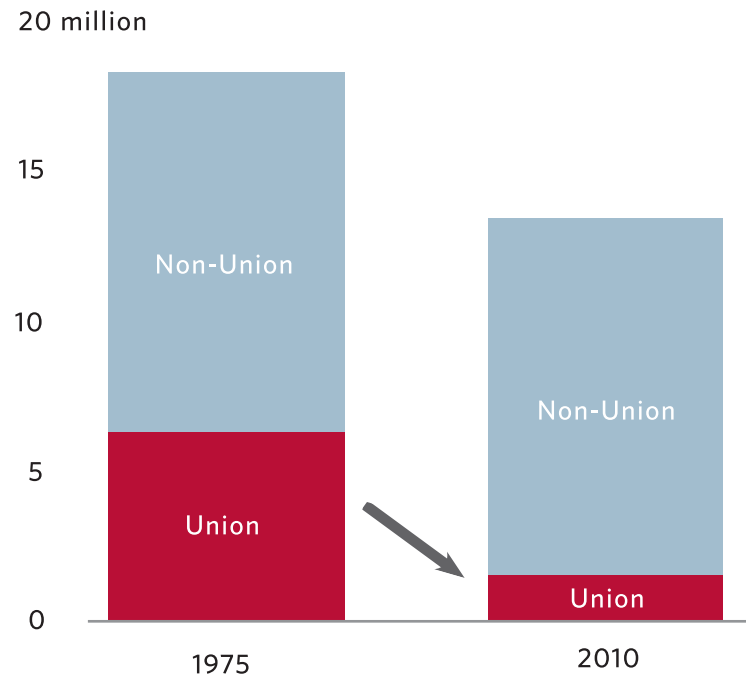
President Obama has been true to his word. The political alliance in which he is tied—and from which he received several hundred million dollars of support during his campaign—explains the panoply of destructive initiatives that his administration has backed.

Eliminating the Secret Ballot

“Card Check” was the top item on the union wish list, which is unsurprising, since it goes right to the heart of current union woes about declining membership. This change, strongly supported by President Obama, would have replaced the long-standing tradition of secret-ballot union elections with the public signing of a card—sometimes in the presence of a union agent, usually in the presence of union supporters. By compelling workers to make their choice in public, it opens

Figure 9: The Real Manufacturing Decline

U.S. Manufacturing Jobs



There are as many non-union manufacturing jobs as there were thirty-five years ago. During the same time period, union manufacturing jobs have declined by more than 75 percent.

Source: *Unionstats.com*

the door for coercion and intimidation of those who do not see the advantages of paying union dues. The result would be more unionization, with all its attendant costs, at workplaces where a majority of employees might not actually want the involvement of a union.

Bailouts for Political Allies

In using borrowed funds and taxpayer money to bail out General Motors and Chrysler, the Obama administration dispensed special favors to organized labor. Part of this entailed preferential treatment of the United Auto Workers (UAW), at the expense of other stakeholders and creditors—incredibly, the UAW was given a majority ownership stake in Chrysler. And part of it entailed bestowing extraordinarily generous benefits on the autoworkers at a time when all other Americans were being asked to sacrifice. As the *Washington Post* noted at the time, the “concessions” that the Obama administration obtained from the UAW were not really concessions at all:

... union concessions were “painful” only by the peculiar standards of Big Three labor relations: At a time when some American workers are facing stiff pay cuts, UAW workers gave up their customary paid holiday on Easter Monday and their right to overtime pay after less than 40 hours per week. They still get health benefits that are far better than those received by many American families upon whose tax money GM jobs now depend. Ditto for UAW hourly wages Cumbersome UAW work rules have only been tweaked.

An interest group was rewarded, but the long-term health of automakers was needlessly imperiled, and other business owners and investors were left to wonder whether they might face similar caprice at the hands of government.

Stimulus Funds Restricted

The list of administration favors for organized labor is long, with many of them granted behind the scenes. Two weeks before signing the \$787 billion stimulus bill, President Obama issued an executive order “encouraging” all government agencies to use so-called Project Labor Agreements (PLAs) in construction contracting.

These PLAs would require any workers engaged on a project to become associated with a union. The effective result was to freeze out non-union workers—more than 80 percent of the construction workforce—from participation in many stimulus-funded projects. It also guaranteed that projects would be more expensive and less efficient. At a time when the White House was purportedly seeking to unleash maximum resources to stimulate employment growth, this action put it at cross-purposes with its professed commitment to creating the largest possible number of jobs. In the collision between President Obama's narrow political interests and the interests of American workers, the latter lost.

A LABOR BOARD WITH AN AGENDA

President Obama also placed union-friendly lawyers in charge of the National Labor Relations Board (NLRB), the agency responsible for enforcing labor laws. This in turn enabled the NLRB to intervene on behalf of unions in a variety of unprecedented and destructive ways.

Punishment for Job Creators

In April 2011 the NLRB joined with the International Association of Machinists to file suit against the aircraft manufacturer Boeing, America's largest exporter, to prevent it from opening a new manufacturing facility in South Carolina, a Right-to-Work state. If the suit is successful, Boeing's billion-dollar investment in the state would be lost along with more than 1,000 new jobs. Whatever the disposition of the case, the threat of such litigation already serves as a powerful disincentive to investment in Right-to-Work states and blocks the free movement of capital to where it is most productive. Congress has proposed legislation to stop the NLRB from misapplying the law in this manner, but the White House has declared its opposition to the bill. The willingness of the Obama administration to manipulate the law in a manner without precedent heightens uncertainty for all investments.

Changing the Rules of the Game

The NLRB is also pressing for “snap” election rules that would tilt the balance decisively in favor of unions and against employers. Allowing for snap elections would give employers as little as ten days in which to organize a counter-campaign after union organizers formally filed a petition to vote. What this means in practice is that unions could spend a year or more campaigning before a formal petition was filed. With the ground thus prepared, the election would be called and employers would have virtually no time to explain to their workforce the downsides of unionization. Those downsides can be significant. As the labor union track record of recent decades shows, they can include the loss of one's job when firms, saddled with high costs and restrictive work rules, begin to suffer losses, are unable to compete in the global economy, and ultimately fail.



President Obama's labor policies have the cumulative effect of giving more power to union leaders in a way that is adverse not only to management but also to the very workers whom unions ostensibly exist to represent. At a moment of severe economic distress, they also amount to a formula for destroying jobs. It is not an accident that union membership has declined so sharply over recent decades. Indeed, that is itself an ironic by-product of Big Labor's “victories” in collective bargaining. American job loss to global competition has been most intense precisely in those manufacturing industries where unions drove up costs and reduced flexibility, making American firms uncompetitive.

Far from contributing to economic recovery, the Obama administration's highly politicized labor policies have instead dampened business investment and made the employment climate worse. Overall, it is a familiar story from the annals of American politics: favors were given and favors were repaid, and the American people lost out in the transaction.

Mitt Romney's Plan: Free Enterprise, Free Choice, and Free Speech

Mitt Romney, with his extensive experience in both business and government, has a keen understanding of labor relations. He recognizes, as he himself has written, that “[a]t their best, labor unions have always fought for the rights of workers, and generations of Americans have been better off for it.” But he also recognizes that the interests of union management can diverge from those of the very workers they purport to serve.

Defend the Free-Enterprise System

As president, Mitt Romney's first step in improving labor policy will be to ensure that our labor laws create a stable and level playing field on which businesses can operate. This means he will appoint to the NLRB experienced individuals with a respect for the law and an even-handed approach to labor relations. Unlike President Obama's appointees, they would not be former union officials with personal interests in promoting the agenda of their former employers. As they hire, businesses should not have to worry that a politicized federal agency will rewrite the rules of the employment game without warning and without regard for the law.

Romney strongly opposes the NLRB's decision to sue Boeing. It represents one of the worst federal intrusions into the marketplace in recent memory. Even General Electric CEO Jeffrey Immelt, the chairman of the President's Council on Jobs and Competitiveness, has sharply criticized the agency's action, saying: “You've got a world-class, high-tech, job-creating force that's coming into South Carolina. I just can't think of one reason why we'd want to slow that down, not one.” As president, Romney will ensure that unaccountable government bureaucrats do not interfere in the job-creating investment decisions of the private sector—by making responsible appointments in the first place, and by supporting legislation to prevent any improper decisions an unaccountable agency might issue. At stake is the essence of the free-enterprise system.

Guarantee Workers Free Choice

At stake also are some of our basic freedoms. Mitt Romney believes in the right of workers to join a union or to not join a union. To exercise that right freely, workers must have access to all the relevant facts they need to make an informed decision. This means hearing from both the union about the potential benefits and from management about potential costs. This also means being able to act on that decision in the privacy of the ballot booth. It is for these reasons that Romney opposes measures such as “Card Check” and “snap” elections, which deprive workers of the basic democratic institutions of decision and control such as the secret ballot. By guarding against coercion and intimidation in the workplace, we can secure the rights of employers and employees alike and protect our economy from harm.

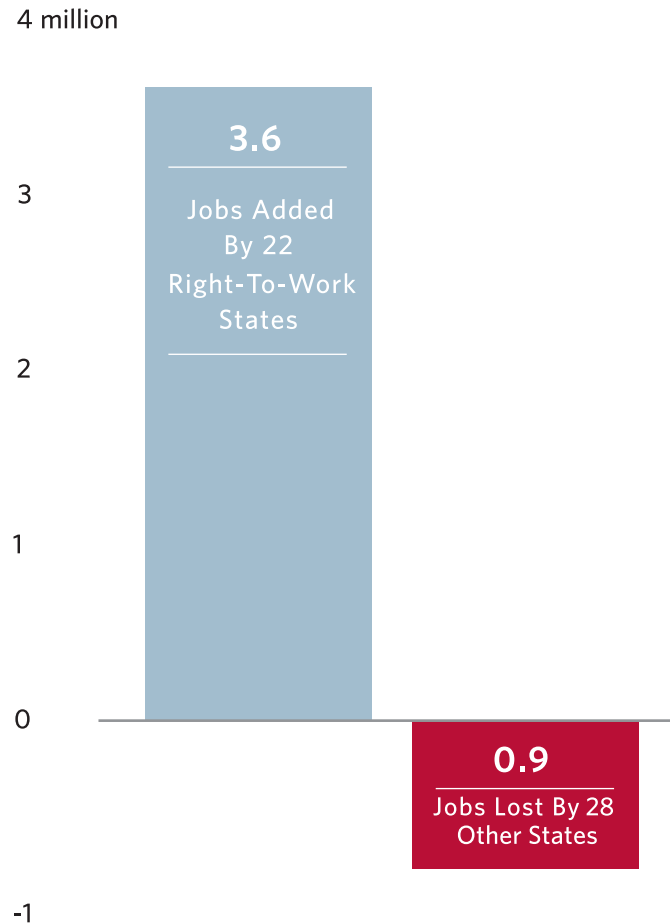
To that end, as president, Romney will submit to Congress legislation, similar to the Secret Ballot Protection Act, that would require the use of the secret ballot in all union elections regardless of the preference of the union, employees, or employer. A Romney administration's NLRB appointees will repeal any rule implemented by the NLRB that distorted the law to accelerate the union election process. And a President Romney will support legislation mandating that all pre-election campaigns last at least one month. Finally, Romney believes that Right-to-Work legislation is the appropriate course for states, and he will use the bully pulpit of the presidency to encourage more states to move in that direction.

Protect Free Speech

Another basic freedom implicated by labor policy is freedom of speech. As matters currently stand, unions can take money directly from the paychecks of American workers and spend it on politicking—each election cycle, unions spend hundreds of millions of dollars. In non-Right-to-Work states, employees have little choice but to watch their money go toward such expenditures, even if they do not support the union and its political agenda. The result is the creation of an enormously powerful interest group whose influence is disproportionate to its actual support and whose priorities are fundamentally misaligned with those of businesses and workers—and thus with the needs of the economy.

Figure 10: The Right Way to Work

Change in Employment, 2001-11



There are currently 22 states with Right-to-Work laws that give employees the choice of whether to support a union. Over the past ten years, those states have seen significant job growth even as states with more pro-union policies have seen a net decline in jobs.

Source: Bureau of Labor Statistics

As president, Mitt Romney will send Congress a bill prohibiting the use of mandatory union dues for political purposes. The practice is fundamentally inconsistent with democratic principles; there is no legitimate reason for employees to face automatic paycheck deductions for political expenditures that they may not support. The law should treat all potential collectors of political donations the same way: donations should always be freely and voluntarily given.

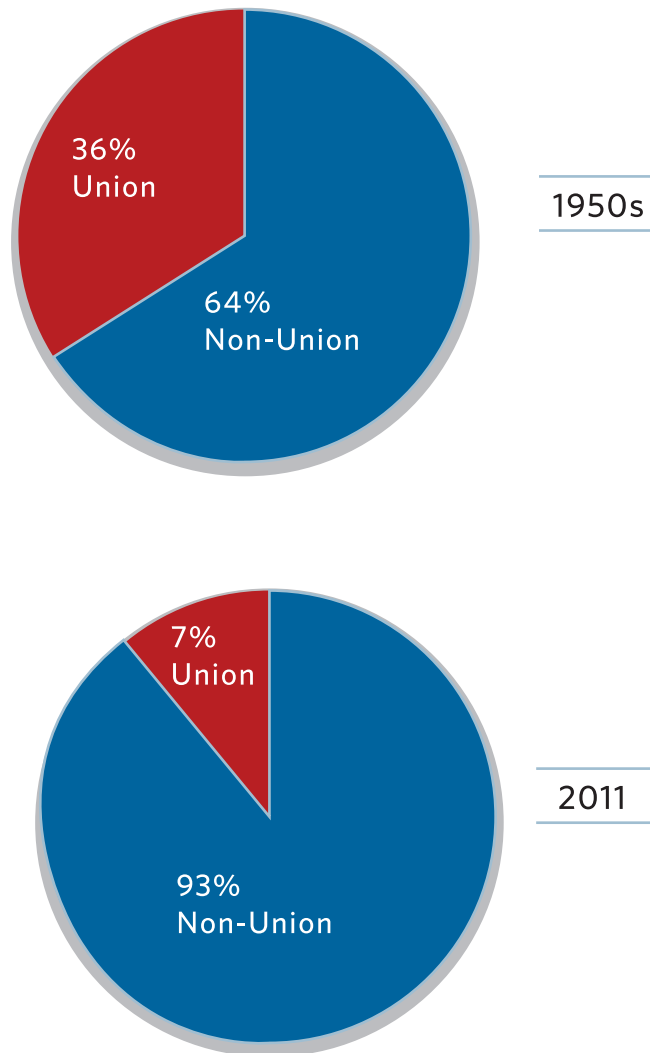
Respect the Rule of Law

In seeking to undo the damage wrought by the politically motivated decisions of the Obama administration, Mitt Romney will be keen not to mirror his predecessor's mistakes. His appointees to the NLRB will be chosen for their willingness to apply the law as it is actually written, not as they wish it to be. He will reverse the harmful executive orders issued by President Obama, such as the order strongly encouraging the use of union labor on government projects. But he will not seek to impose his own vision for the future of labor law via executive fiat and bureaucratic subterfuge. Down that road lies only more instability in the law and uncertainty for businesses and workers. As president, Romney will take the conservative approach and work with Congress to amend the outdated portions of the existing statutory framework, setting it on a stronger footing appropriate to contemporary conditions.



Unlike President Obama, Mitt Romney believes in protecting the rights and freedoms of American workers. The primary objective of his labor policy is to empower workers and businesses so that they can get the economy growing again and put America's millions of unemployed back to work.

Figure 11: The Union Decline



Unionized labor once made up more than one-third of America's private sector workforce. While the labor laws have not changed, participation in unions has declined dramatically and less than one private sector worker in twelve belongs to a union today.

Source: *Washington Post*

Peter Schaumber on Labor Policy

Actions and decisions of executive branch agencies, such as the National Labor Relations Board (NLRB), impact the economy. When the law is steady, when its interpretation is subject to well-recognized legal proscriptions, the stability of the order this creates induces confidence conducive to business investment and job creation. Radical changes in the law, on the other hand, have a destabilizing effect. They create uncertainty, reduce confidence, and constrict economic growth.

Despite the nation's economic distress, such radical changes in decades-old law and procedure are taking place under the current Democratic political leadership at the NLRB. Convinced that there will be no legislative changes to the National Labor Relations Act, such as the "Card Check" provision of the so-called Employee Free Choice Act, the agency's political leadership is moving to change the Act themselves to promote unionization and turn back the clock on the decline of unionization in the private sector.

The National Labor Relations Act, originally known as the Wagner Act, was substantially amended by the Taft-Hartley Act of 1947. Taft-Hartley represented a fundamental change in national labor policy. These amendments expanded the Wagner Act's notions of collective action with the broader notions of workplace democracy, voluntarism and neutrality. For example, Taft-Hartley expressly gave workers the right to refrain from union and other concerted activity and protected an employer's First Amendment right to non-coercively express its opposition to unionization.

Archibald Cox, the pre-eminent labor law scholar, observed that the Taft-Hartley Act “represent[ed] a fundamental change in philosophy, which rejects outright the policy of encouraging collective bargaining.” To the extent that Professor Cox viewed the Taft-Hartley Act as requiring the Board to maintain complete equipoise on questions of union representation, he was absolutely correct. As the Supreme Court said in *NLRB v. Savair Manufacturing*: “The Act is wholly neutral when it comes to that basic choice [of union representation].”

Unfortunately, the current Board consistently demonstrates that it is not neutral on the question of unionization. Since April of last year, the Board has taken these actions:

- Limited employer speech by giving partial effect to a New York State statute requiring state contractors to remain neutral during a union organizing campaign;
- Increased the ability of unions to engage in coercive secondary boycotts often used to secure neutrality card-check agreements;
- Implemented a rule for which it had no statutory authority requiring the nation’s six million employers subject to its jurisdiction to post a detrimentally misleading partisan notice of employee rights;
- Proposed a rule to drastically shorten the time between a petition and an election that will limit, if not eliminate, employers’ right to express their views on unionization to their employees and their employees right to hear those views and make an informed choice;

- Stripped employees of their right to challenge a union’s claim of majority support based on a card-check; and
- Opened the door to micro-units that that will allow unions easy access to employers but which threaten to balkanize the workplace.

Taft-Hartley, President Reagan’s firing of the striking air-traffic controllers, and the failure of labor law to respond to the alleged (but wholly unsupported) increase in employer violations of the law are often cited by organized labor and its partisans as the reason for the decline of unionization in the private sector. However, I and others believe that the decline is the result of a combination of social, political, and economic factors, including: the widely publicized bankruptcies of large unionized companies whose management all too frequently succumbed to labor’s ever-increasing demands for more, the plethora of new workplace laws that protect employees and make unionization appear no longer necessary, and the fact that American workers are more inclined toward a cooperative one-on-one relationship with their employer than the distant, combative relationship all-too-often encouraged by organized labor.

Unquestionably, unions have made important contributions to the workplace and to the country, but times have changed and organized labor must change with them or be satisfied with a smaller footprint in the private sector. If organized labor seeks to force its way into the workplace through misguided administrative actions by partisans at the NLRB in ways inconsistent with the fundamentals of free enterprise and the principles of workplace democracy, it will only hurt America’s economic future and turn the American people further against it.

This can be avoided and Mitt Romney can help us do that. NLRB members are appointed by the president, making the 2012 election crucial to the future of labor law in our country. Four more years of President Obama will virtually guarantee a board controlled by union partisans whose goal will be to continue to augment union power at the expense of workers' rights and legitimate management interests. Mitt Romney offers a different future. He understands the harm to the economy caused by activist bureaucrats who make the law unstable and unpredictable to increase union power. In his extensive private sector experience, he has seen firsthand the importance of flexibility in the workplace and a cooperative, rather than combative, relationship between labor and management. His appointees to the Board will pursue these goals while applying the law fairly and impartially.

Peter Schaumber is the former chairman of the National Labor Relations Board.



“I have seen that the best training often occurs in the workplace where it is targeted to a job that is actually needed. That is one reason why I favor programs that incentivize employers to hire and train people who have been out of work for an extended period of time, who have disabilities, or who have been affected by the failure of a company or industry.”

(Mitt Romney, No Apology)

Human Capital Policy

RETRAINING WORKERS

- Consolidate unwieldy sprawl of federal programs
- Return authority, responsibility, and funds to states for retraining programs
- Support private-sector participation in the process

THE BEST AND THE BRIGHTEST

- Raise visa caps for highly skilled foreign workers
- Give permanent residency to eligible advanced-degree recipients

The dynamism of the American workforce is our country's greatest renewable natural resource. Hardworking Americans are the source of new ideas, businesses, and ultimately jobs. Jump-starting economic growth therefore requires that American workers have the skills that are needed to unleash their potential.

One of the troubling features of the American economy today is the mismatch between the skill set of the American workforce and the requirements of the employment market. The gap between the two lies at the heart of our jobs crisis. On the one hand, there are many Americans who lack the education and skills that would allow them to find well-paid, or even any, work in an economy increasingly driven by technology. On the other hand, there are many American businesses that could grow more quickly if they could find more workers with the requisite skills. And there are many new businesses that have not yet even been dreamed up—the next Apple or Boeing or Coca-Cola—but that could create countless jobs in the hands of the right entrepreneur.

Over two centuries, American workers have repeatedly proven themselves to be the most productive and the most capable at adapting themselves to changing economic conditions and embracing new technologies that come on stream. During that time, the American economy has also been the beneficiary of the extraordinary contributions made by the best and the brightest from around the world who have chosen to make our country their new home. This combination has propelled the American economy to heights envied across the world. It can do so again.

The Obama Approach: Ineffective Government for All

President Obama's approach to human capital is, here as elsewhere, to let government take the lead. His major focus has been on worker retraining programs. What he has done deserves close and careful examination—not for any positive accomplishments, but rather because it is a case study in appalling inefficiency and waste and an abject lesson in how not to run government.

A Tangled Web of Bureaucracy

The federal government has been pouring money into retraining programs. In fiscal year 2009, the sum total was \$18 billion—not small change. How was this taxpayer money spent? The answer loops around 47 separate employment and job training programs administered by nine different federal agencies. Seven of the 47 programs account for three-fourths of the spending, but all except 3 of the 47 programs overlap with at least one other program. The separate administrative structures of so many programs cause senseless duplication and inevitable waste of scarce resources.

No Accountability

Of course, we should judge these programs by their results and not by the Byzantine bureaucratic edifice that manages them. But it turns out that judging their results is all but impossible: only 5 of the 47 programs have had their results thoroughly evaluated since 2004. According to the Government Accountability Office (GAO), “little is known about the effectiveness of most programs.” It also turns out that the little we do know has not been particularly heartening.

The GAO study looked at several programs and found “impacts that tended to be small, inconclusive, or restricted to [the] short-term.” A 2008 study focusing on one of the five, the Workforce Investment Act's Adult and Dislocated Workers program, found “small or nonexistent” results. Resources that the Obama administration has directed toward preparing workers for “green” jobs—some \$500 million—have led to results that have been as poor as the presidential pronouncements hailing the green economy have been grand. The overwhelming majority of those who have completed such training remain out of work. For

instance, to use an example also relevant in the energy policy context, of the 3,586 individuals who completed a Department of Labor-funded “green” job training program, only 466 found new jobs.

Or, for another example, consider Trade Adjustment Assistance (TAA). This favorite of the labor unions provides special benefits for those workers whom the government determines have been dislocated by international trade. But those benefits are almost entirely redundant with other retraining programs. TAA is also one of the few programs that has actually been evaluated by academic researchers and the GAO and found to be completely ineffective. Yet President Obama expanded it as part of his stimulus spending and is now demanding its reauthorization as a condition for moving forward with Free Trade Agreements that he himself acknowledges will lead to the creation of thousands of jobs.



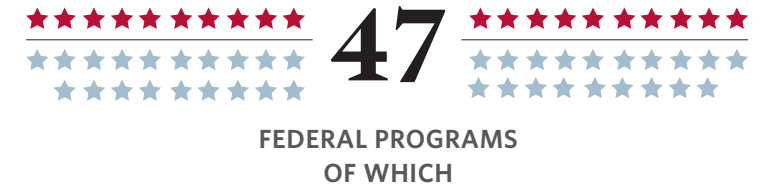
This is the kind of government waste, political horse trading, and administrative chaos that has brought discredit on the federal government. We cannot afford to squander taxpayer money in this way. President Obama's job retraining record is a live, ongoing demonstration of why federal spending in so many areas needs to be scaled back.

Mitt Romney's Plan: Develop a 21st-Century Workforce

Investment in human capital must begin in our classrooms, and Mitt Romney is committed to helping states pursue reforms that will return our schools to world leadership. But the return on that investment will pay dividends in the decades to come, a time horizon far removed from the immediacy of the present crisis. Romney sees two important objectives that America can pursue immediately to build on the extraordinary traditional strengths of its workforce.

The first is to retrain American workers to ensure that they have the education and skills to match the jobs of today's economy. The second is to attract the best

The Federal Government Approach to Retraining



TOTAL COST

\$18 BILLION

“[L]ittle is known about the effectiveness of most programs.”

—Government Accountability Office

and brightest from around the world. The two approaches are complementary; many of this country's most vigorous job creators have come here from abroad. In a period of chronic high unemployment such as we are enduring now, retraining workers to fill the opportunities in rising sectors of the new economy remains an especially vital task.

RETRAINING WORKERS

Mitt Romney will approach retraining policy with a conservative mindset that recognizes it as an area where the federal government is particularly ill-equipped to succeed. Retraining efforts must be founded upon a partnership that brings together the states and the private sector. The sprawling federal network of redundant bureaucracies should be dismantled and the funds used for better purposes.

Consolidate Redundant Programs

The current retraining system is a labyrinth of federal programs and middle men that consumes a large share of the money intended for services to the unemployed. As noted earlier, federal retraining efforts currently sprawl across 47 programs and 9 agencies. Upon reviewing the 47 retraining programs, the GAO found that 44 of the programs overlapped with at least one other program. As president, Mitt Romney will immediately move to evaluate existing programs, eliminate redundancy, and consolidate funding streams. As much current activity as possible should be concentrated in a single program at a single agency, with other specialized programs surviving only if there are uniquely situated groups whose needs must be addressed at the federal level.

Give Authority to the States

Once the main body of federal retraining funds has been channeled to a single program, a President Romney will push for the program to operate by issuing block grants to states and evaluating results. Unlike the federal government, states are close to the ground and have the ability to meet the particular needs of their region and local population. As things stand, there is a disconnect between the needs of unemployed Americans and the strictures of the federal programs. Funding is all too often earmarked for the wrong purposes and does not make its way to Americans in need. States must be given more flexibility to use retraining funds to address their local conditions.

Many states have taken positive steps to address unemployment through retraining. States could have far more room to experiment if resources were not tied up in rigid federal programs. While some experiments will undoubtedly prove unsuccessful, those that achieve results can be studied and copied elsewhere. But each state will be able to adjust each program to its specific circumstances. The appropriate role for the federal government is in implementing stringent accountability measures to ensure that the money is well spent rather than in controlling how it is spent.

Create Personal Reemployment Accounts

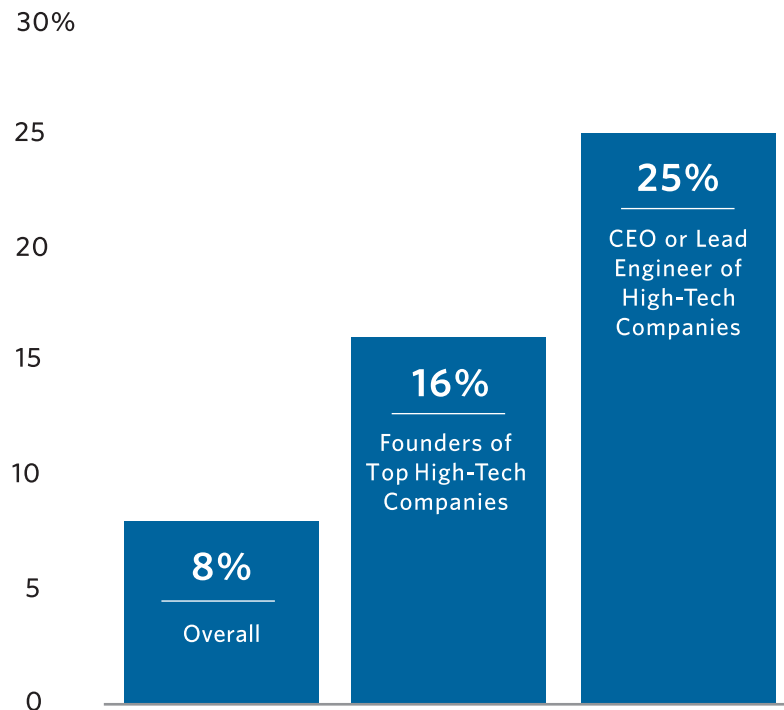
One particularly promising approach that Mitt Romney supports and believes states should be encouraged to pursue is a system of Personal Reemployment Accounts for unemployed individuals. Each eligible participant would have control over an account that contained funds to be put toward retraining. Instead of a one-size-fits-all approach that spends enormous sums on overhead, individuals would control their own funds and could use their accounts to pursue any one of a range of options. Individuals could decide, for example, to enroll in a local community college and gain skills in the classroom or they could pursue other forms of technical or vocational training. Or they could use their funds to participate in state-run programs—but such programs would be subject to market forces and would receive funding only to the extent that individuals found the government's offering to be most the attractive. The point is that an individual knows better than the government what avenue will lead most rapidly to a job.

Encourage Private-Sector Participation

Another advantage of Personal Reemployment Accounts is that they would facilitate programs that place individuals directly into companies that provide on-the-job training. In such programs, retraining funds would then be given to the private companies as incentives to hire and train new workers, instead of being spent to pay the salaries of federal bureaucrats. To ensure a mutually beneficial partnership, companies would earn the funds only upon retraining and retaining an individual for a sufficient period of time. While programs that provide incentives for private-sector participation already exist, their potential has been hindered by inflexible federal requirements. Nonetheless, some have shown promise.

Figure 12: Foreign-Born Job Creators

Immigrants as a Share of the Population



Lawful immigrants to the United States make up only 8 percent of the American population. Yet, 16 percent of the founders of top-performing high-technology companies and 25 percent of tech CEOs and lead engineers were born outside the country.

Source: U.S. Department of Homeland Security; Census Bureau, Brookings Institution; *Democracy: A Journal of Ideas*

As governor of Massachusetts, Mitt Romney helped create an on-the-job program that reimbursed private companies for training expenses. It fostered a market in which private enterprises sought out unemployed people—an approach that both parties found remunerative. Georgia’s retraining program, Georgia Works, has shown impressive success by allowing individuals to continue to receive unemployment benefits while training at private-sector companies. These companies incur no expense, yet they are connected to a pool of individuals who are eager and available to be trained and, potentially, hired. In turn, individuals learn valuable skills, network, and receive a stipend to support their continued search for work.

These examples demonstrate the value of states as the laboratories of democracy, to use Justice Louis Brandeis’s famous formulation. But it would be a mistake for the federal government to conclude that a program such as Massachusetts’s or Georgia’s should be turned into federal programs. The whole point is that these initiatives have succeeded because they are tailor-made for local conditions. Other states should certainly draw upon them as they deem appropriate for their needs. But what works in Alaska may require some significant tweaking before it works in Hawaii. Romney supports private-sector-led retraining initiatives and will seek to ensure that the federal government does not stand in their way.

ATTRACTING THE BEST AND THE BRIGHTEST

To ensure that America continues to lead the world in innovation and economic dynamism, a Romney administration would press for an immigration policy designed to maximize America’s economic potential. The United States needs to attract and retain job creators from wherever they come.

Foreign-born residents with advanced degrees start companies, create jobs, and drive innovation at an especially high rate. While lawful immigrants comprise about 8 percent of the population, immigrants start 16 percent of our top-performing, high-technology companies, hold the position of CEO or lead engineer in 25 percent of high-tech firms, and produce over 25 percent of all patent applications filed from the United States. The presence of hardworking, highly skilled immigrants in our free-enterprise system fosters a special dynamic that is recognized around the world. The net result of their successes is the creation of jobs here in America that would otherwise have been created elsewhere or, more likely, never created at all.

It makes little sense for the United States to turn away highly educated immigrants who seek to come here. It makes equally little sense to train talented foreign students in our universities but then fail to integrate them into our economy. Nearly 300,000 foreign students are enrolled in advanced degrees programs here, but the great majority will return home. We are casting away the fruits of our own investment. As has long been our American tradition, we should encourage the world's innovators, inventors, and pioneers to immigrate to the United States and we should encourage those we train to settle and create jobs here.

Raise Visa Caps for Highly Skilled Workers

As president, a first step that Mitt Romney will take along these lines is to raise the ceiling on the number of visas issued to holders of advanced degrees in math, science, and engineering who have job offers in those fields from U.S. companies. These workers would not displace unemployed Americans. Rather, they would fill high-skill job openings for which there is currently an acute shortage of labor. Even in this tough unemployment climate, as of this past spring nearly 1.25 million high-skill jobs remained unfilled.

A skills gap of that magnitude suppresses the productivity of our businesses and slows the overall economy. Highly educated immigrants would help fill that gap and get our economy rolling again. Welcoming a wider pool of highly educated immigrants would lead to more start-ups, more innovation, and more jobs. Each of these workers would in turn be consumers in local economies, creating new demand for other American products and services. Thus, for every foreign worker employed in this way, new job opportunities also arise for those who are currently unemployed.

Retain Graduates of Our Universities

As president, Mitt Romney will also work to establish a policy that staples a green card to the diploma of every eligible student visa holder who graduates from one of our universities with an advanced degree in math, science, or engineering. These graduates are highly skilled, motivated, English-speaking, and integrated into their American communities. Permanent residency would offer them the certainty required to start businesses and drive American innovation. As with the highly skilled visa holders, these new Americans would generate economic ripples that redounded to the benefit of all.



The United States has long led the world in a range of cutting-edge sciences and technologies. We did not get to this position by accident. Previous generations of American leaders had the vision to invest in the institutions that enabled us to flourish. But the wellspring of innovation has to be perpetually replenished. It is not only a matter of making sure that the world's most brilliant inventors and energetic job creators can find a home in this country. American workers need to be prepared to work in the new industries that are rising as old ones falter. The Obama administration has failed to meet these challenges. Mitt Romney spent most of his career working in private enterprise. He has a better way.

Meg Whitman on Human Capital Policy



Global executives respect America for its talent, creativity, and innovative culture. This spirit built our nation and its reputation for leadership in many different industries: technology, finance, health care, agriculture, biotech, and all kinds of manufacturing, to name a few.

During my career working with companies including eBay, Procter & Gamble and The Walt Disney Company, I knew that success was possible only with a team of talented and committed people sharing a common vision. Great teams always deliver amazing results. They helped create the world's best online marketplace where individual entrepreneurs could compete with the largest corporations. They transformed entertainment through dynamic new ways to bring animated characters to life on the big screen. And they even revolutionized agriculture, leading to the most efficient use of natural resources and ways to produce crops that feed the world.

Make no mistake, innovation drives opportunity, creates jobs, and sustains our economy. It is the foundation upon which families prosper and communities thrive.

But they cannot do so when government gets in the way... like it is today.

I've worked with Mitt Romney for many years. In fact, he was my first boss when I moved to San Francisco after business school. I've seen him excel in pressure situations and under the most difficult conditions. I know what Mitt's made of and what he stands for.

Mitt Romney's vision for America is the right vision. He knows what it takes to help entrepreneurs start a business. He knows that successful businesses are really people working together to provide for their families and deliver goods and services throughout the world. And most importantly, Mitt knows that America prospers only when people are working, providing for their families and contributing to society.

Sadly, the policies of the current administration do not reflect this vision or our values as a nation. But working together and with Mitt Romney in the White House, we can get back on track. Here's how:

First, we have to ensure our workforce remains the most educated, skilled, and innovative in the world. Despite near-record unemployment, there are more than a million open jobs for people with advanced skills and technical expertise.

The bridge to these jobs is making sure that our schools are preparing students, giving them the skills necessary to succeed in the global market. We need to provide younger generations with the math, science, engineering, and critical thinking skills to succeed in all kinds of career fields. From preschool to PhD, America must have the best education system. If we want to turn things around, and for our economy to bloom in the future, we need an absolute focus on educational excellence.

Moreover, we have to retrain American workers so they can flourish in emerging new industries. A decade ago, there was no Facebook or Twitter. The American economy is dynamic and always modernizing. We must make sure that today's workforce keeps pace so that it can continue to fuel economic success and entrepreneurial prosperity. Our men and women can do the job; we simply need to provide the right support.

Another way to strengthen the workforce is by welcoming young minds to America from around the world. Motivated, hardworking, and highly skilled immigrants are the fabric of our country's rich history, and they benefit our economy in many ways. First, they deliver expertise to cutting-edge companies seeking to innovate in highly technical and ultra-competitive markets. Second, they start companies, producing patented technologies and creating new jobs. For example, a 28-year-old French immigrant of Persian heritage, in a San Jose living room, founded eBay. And for every software engineer we hired to work for eBay, many other people got good jobs in important supporting roles. All these men and women helped make eBay great, but it would never have happened if the company's founder didn't come to America and benefit from the Silicon Valley's innovative spirit.

That's what Mitt Romney's all about. His jobs plan is predicated upon creating the climate in which entrepreneurs will take risks and start the next eBay, Genentech, Google, or Disney here. Mitt wants to make sure that the next world-changing invention is "Made in America." Mitt's plan lifts barriers and embraces people who hold advanced degrees in math, science, and engineering. The Romney plan also stops the irrational practice of educating foreign students in America's world-class universities and then forcing them to take their talents and dreams away when they graduate.

Mitt Romney is committed to restoring America's economic promise and working to rebuild our economy. Unlike other candidates, he knows what it takes to create private-sector jobs, and that's exactly what our country needs.

I've seen Mitt do it before, and America needs him to do it again.

Meg Whitman is the former CEO of eBay. In 2010, she was the Republican nominee for governor of California.



“We must rein in our trillion-dollar deficits, solve our looming entitlement liability problem, and show an unwavering commitment to stop spending what we do not have. New expensive programs and entitlements must be off the table. If we do not bring government finances under control, our recovery will be long and slow, and we will risk another downturn precipitated by a severely weakened dollar.”

(Mitt Romney, No Apology)

Fiscal Policy

- Cut federal spending and cap it at 20 percent of GDP
- Block grant Medicaid and pursue further entitlement reform
- Reduce the federal workforce
- Restructure the federal government
- Pursue a Balanced Budget Amendment

Why is the U.S. economy not creating jobs? In any market economy there is an inevitable competition between the public and private sector for resources. Both sectors depend upon a flow of capital to survive. But every dollar that the government borrows for its operations is a dollar that cannot be invested in productive private-sector activity. Runaway federal spending thus tends to crowd out private investment. At a moment when the public sector is flourishing as never before, it is unsurprising that the private sector has withered.

Government spending also skews the marketplace. As federal funds slosh through the economy, they lift up some enterprises at the expense of others. In an environment where the government is picking winners and investing huge sums in projects of questionable value, private entrepreneurs across the economy cannot have confidence that their own investments will pay off.

Finally, unsustainable government spending creates high levels of uncertainty about the future. Aware that such spending cannot continue indefinitely, business owners have a difficult time predicting how demand will shift from year to year and how to invest accordingly. Furthermore, every new dollar the government spends must eventually be collected in taxes. When the government attempts to stimulate the economy by spending more, financed by borrowing instead of tax increases, businesses and consumers may see an uptick in economic activity. But they also know that a bill will come due, in either the immediate form of higher taxes or the longer-term form of escalating debt and the ensuing instability. The only recipe for fiscal health and a thriving private economy is a government that spends within its means.

The Obama Approach: Deliberate Disaster

In the twentieth century, the United States increased spending dramatically in three instances: World War I, the Great Depression, and World War II. We are now in the midst of another spending surge. Over the first three years of President Obama's tenure in the White House, federal spending grew from \$2.98 trillion to \$3.82 trillion, an enormous 28 percent increase. Future spending is also expected to continue expanding unchecked. This sharp rise has been entirely a matter of choice. Even as federal spending remains wholly within our control, Washington is spending money in an out-of-control fashion. This is a binge of choice. By every metric used to gauge federal expenditures, the United States is careening down a dangerous path.

Exploding Spending

One traditional yardstick for gauging whether government is living within its means is spending as a percentage of GDP. Since the 1950s, federal spending has hovered around 20 percent of GDP. When President Obama took office, it shot up to 25 percent, where it remains today, a level not seen since America was fighting World War II. Before the recession, the federal government spent \$25,000 per household. Since President Obama took office, that number has soared past \$30,000 and is on track to hit \$35,000 within the next decade, even after adjusting for inflation.

While measurements of spending in terms of GDP or on a per-household basis can be useful indicators, they do not begin to convey the level to which spending will explode if left unchecked. In 2010, actual federal spending was \$3.5 trillion. Under Congressional Budget Office calculations, President Obama's fiscal year 2012 budget places the nation on a trajectory that will increase federal spending over the next ten years, leading it past the \$4 trillion threshold in 2015, the \$5 trillion mark in 2019, and on its way to \$5.8 trillion by 2021—approximately twice its level when he took office.

Unsustainable Deficits

Another useful yardstick of fiscal health is federal indebtedness as a percentage of GDP. Since 1945 the historical average has been 44.5 percent. By this measure, in the year before President Obama assumed office our country's indebtedness was at a relatively responsible level of 40.3 percent. In the first year of President Obama's term, it soared to 53.5 percent and in 2010 it continued its ascent to 62.2 percent. Current projections have it hitting 72 percent by the end of 2011.

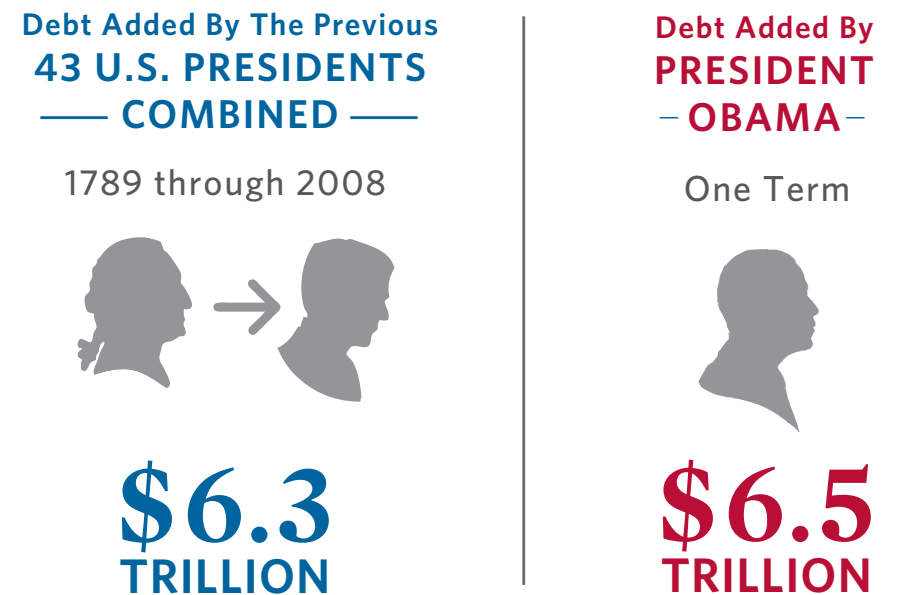
The driver here, of course, is our soaring annual deficit, which averaged \$164 billion in the ten years before President Obama took office, is today \$1.3 trillion, and is projected to be still above \$1 trillion in ten years. Under President Obama's proposed fiscal year 2012 budget, America will have to borrow 43 cents for each dollar spent—a ratio of overspending that no responsible family living on a tight budget would consider.

Annual deficits are an unsurprising consequence of a recession-induced shortfall in government revenues. But even if revenues rebound as they are projected to do, our long-term deficits will persist. If current tax rates are maintained and the Alternative Minimum Tax is patched, revenues will match their 18-percent-of-GDP historical average within a decade. The trouble is that federal spending is projected to increase at a more rapid clip than revenue growth. The cause of our long-term deficit problem thus lies squarely at the feet of federal spending rather than a sustained revenue decline. If current trends continue, our great country is in danger of eventually becoming the next Greece or Portugal—except that if our finances fail, there will be no one to bail us out.

A "Balanced Approach"

Our untenable spending habits were at the root of this past summer's crisis over the debt ceiling. President Obama's insistence on a "balanced approach"—by which he meant a combination of spending cuts and tax increases—would have put a seal of congressional approval on a baseline level of spending significantly higher than when he took office. That is precisely why the President's approach had to be soundly rejected. He wanted to move the country in the wrong direction of more taxes and more spending at a time when both are smothering the economy.

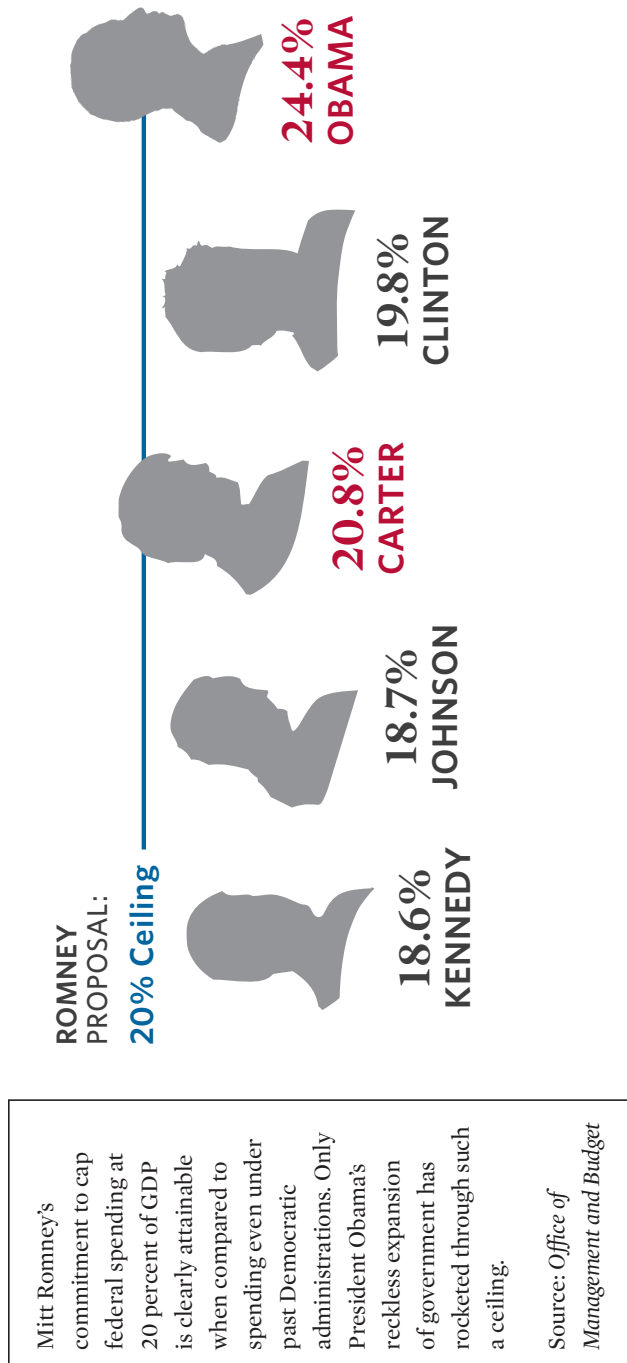
Figure 13: Doubling Our Debt



It took 43 presidents 220 years to accumulate \$6.3 trillion of national debt. According to the White House's own Office of Management and Budget, President Obama is on pace to borrow and spend more than that in just one term.

Source: U.S. Department of the Treasury; Office of Management and Budget

Figure 14 : A Reasonable Spending Cap



Mitt Romney's Plan: Cut, Cap, and Balance

Mitt Romney recognizes that we are on an unsustainable course. He believes we must take immediate action to rein in excess spending and begin the process of fundamental budget reform. Washington's addiction to spending has been ignored for far too long. Under President Obama, the government has actually tried to make a virtue of its addiction to spending. We must act swiftly to chart a course of fiscal responsibility that will guarantee that a strong, stable dollar remains the world's reserve currency and that will support the robust economic growth necessary to create jobs and restore America's future.

Although the last ten years can be referred to as a Decade of Deficits, it was not that long ago that the United States enjoyed budget surpluses. From 1998 to 2001, the federal government managed to balance its budget and successfully applied surpluses toward debt reduction. During that period, debt held by the public was between \$3 and \$4 trillion. Just about a decade later, yearly deficits of a previously unthinkable magnitude have led the amount of debt held by the public to swell to \$10 trillion.

To return the United States to the path of fiscal discipline, America must cut its government spending, cap that spending at a sustainable level, and pass a Balanced Budget Amendment to the Constitution. *Cut, Cap, and Balance* are three words that are spoken far too rarely in Washington. But they encapsulate the conservative approach that Mitt Romney has advocated since the debt ceiling controversy began last spring. In a Romney administration, they will be heard loudly and acted upon in a consistent manner.

Cut and Cap the Budget

As president, Mitt Romney will immediately move to cut spending and cap it at 20 percent of GDP. As spending comes under control, he will pursue further cuts that would allow caps to be set even lower so as to guarantee future fiscal stability. While getting the federal debt under control will be a long and arduous task, the first step toward recovery is admitting we have a problem and refusing to allow any more irresponsible borrowing. The good news is that many Americans have awoken to the problem. The rise of the Tea Party is a classic instance of

the self-correcting forces of American democracy in action. One way or another, Washington will get the message that we must live within our means, spend only what we take in, and pay down our debt. Romney will move immediately to cut non-security discretionary spending by 5 percent. But more will be required to bring the budget under control. The plan the House passed earlier this year to return non-security discretionary spending to below pre-Obama levels is a step in the right direction that could save hundreds of billions of dollars over the decade.

Enact Entitlement Reform

Any serious attempt to rein in spending will have to include entitlement reform. This issue is among the most complex facing policymakers, but some basic principles guide Mitt Romney's position. First, we must keep the promises made to our current retirees: their Social Security and Medicare benefits should not be affected. But second, we should ensure that the promises that we make to younger generations are promises we can keep.

With respect to Social Security, there are a number of options that can be pursued to keep the system solvent—from raising the eligibility age to changing the way benefits are indexed to inflation for high-income retirees. One option that should not be on the table is raising the payroll tax or expanding the base of income to which the tax is applied. Similarly, with respect to Medicare, the plan put forward by Congressman Paul Ryan makes important strides in the right direction by keeping the system solvent and introducing market-based dynamics. As president, Romney's own plan will differ, but it will share those objectives.

Romney will also work to reform and restructure Medicaid. Currently, the federal government writes the states a blank check for the program. Each state decides how much to spend on Medicaid, and Washington reimburses them as much as 80 percent of the cost. It does not take an economist to recognize the problems with having one level of government make the spending decision while another pays the bill. States have every incentive to expand Medicaid spending—at the expense of other state priorities such as education, and with little regard for efficiency—in order to maximize their federal subsidy. And with federal money comes federal strings attached. Washington micromanages decisions as to who and what the states must cover, and forbids states from experimenting with new approaches that might improve care and reduce cost. The result is a Medicaid

system that generates poor health outcomes at enormous expense. As president, Romney will push for the conversion of Medicaid to a block grant administered by the states. This approach could save the federal government over \$200 billion each year by the end of the decade, while also providing states with the flexibility to develop innovative and effective approaches best suited to their needs.

Reduce the Federal Workforce

A complementary step would be to align the wages and benefits of federal workers with market rates and then work to reduce the overall size of the federal workforce by 10 percent. Since the economic downturn began in 2007, hardworking Americans across our great nation have learned to do more with less. Businesses across America have responded to harsh economic realities by downsizing operations and cutting their workforces. Yet despite widespread lay-offs in the private sector, President Obama has continued to expand the size of government. While the private sector has shed 1.8 million jobs since he took office, the federal workforce has grown by 142,500, or 6.9 percent. The President is planning for yet more federal employee job growth. His 2012 budget adds 15,000 more employees to the federal payroll.

As president, Mitt Romney will not only halt this growth, but work to cut the current size of the federal workforce by 10 percent through attrition. This could be achieved by hiring only one new employee for every two who leave federal service in a Romney administration. Such a "1-for-2" system would have the benefit of reducing the number of federal employees while allowing the introduction of new talent into the federal service. The approach would also allow the president flexibility to allocate the new hiring to those areas where additional resources could be put to most effective use.

Undertake Fundamental Restructuring

Reining in the federal government's runaway spending promises to be an enormous undertaking. Taxpayer money is being used to underwrite a maze of rules, regulations, and overlapping government agencies whose complexity defies the understanding even of those who inhabit the system. Far too often, government is counterproductive and wasteful. One of Mitt Romney's most important goals is peeling away the duplicative and dysfunctional layers of bureaucracy that prevent government from serving the people.

As with the restructuring of any large organization, a first step in reform is acknowledging that the federal government cannot be everything to everyone. There are many functions and services that the private sector can perform better than the public sector. For instance, the government-run railroad, Amtrak, lost money on 41 of its 44 routes in 2008. Losses per passenger ranged from \$5 to \$462. That's no way to run a railroad. If given a shot, the private sector will certainly do a better job.

There are many other functions and services that the 50 states can manage better than Washington. We should seek out such functions and devolve power and responsibility to the level at which the taxpayers will be best served. Giving states control of Medicaid via block grants, just discussed, is by far the largest such opportunity. But the federal government has been usurping state authority in countless ways since at least the New Deal era. Every government program and budget must be subjected to an intense top-down review to determine, first, whether tax dollars are being spent wisely and efficiently, and, second, whether there are more suitable alternatives to currently flawed approaches.

Pursue a Balanced Budget Amendment

We also must put controls in place to ensure that we never see a repeat of the explosive spending and borrowing of the past few years. A Balanced Budget Amendment to the Constitution is necessary to ensure that our nation embarks on a path of long-term fiscal discipline, and as president, Mitt Romney will introduce one in Congress and fight for its passage. A properly constructed amendment would guard against the use of net revenue increases to achieve balance by requiring a super-majority for the passage of any tax hike. And it would include only very limited exceptions, such as for war or national security emergencies.

As some economists and political scientists have argued, powerful incentives sometimes motivate our legislators to enact expensive programs that may not be in the long-term interests of their constituents, let alone our society as a whole, once costs are taken into account. But with the public unwilling to support higher taxes, Congress pays for the programs with borrowed funds. There is thus a mismatch between what Congress does to advance its own short-term interests and what is in the national interest. If new programs had to be paid for with taxes, legislators would be exceedingly reluctant to enact them absent widespread consensus that

they were worth the cost. A Balanced Budget Amendment to the Constitution would eliminate the incentives that drive Congress to spend ever more money on programs while asking future generations to pay for them.



Mitt Romney has extensive experience in both the private and public sectors and he has a long history of making hard choices. As governor, he consolidated state agencies, encouraged the sharing of resources among departments, and reshaped wasteful programs by aligning incentives with actual goals. He is deeply committed to the conservative idea of limited government. If the federal government needs to be cut and reshaped—and it is in dire need of both—Mitt Romney is the man for the job.

Senator Jim Risch on Fiscal Policy



Our Founding Fathers created a system of government based upon the separation of powers, ensuring appropriate checks and balances among the executive, legislative, and judicial branches. To function properly, our divided government depends on the engagement of every branch. And though the three branches are coequal under the Constitution, the executive branch has always assumed the responsibility for keeping in mind the national interest even if members of Congress are pursuing narrower agendas.

In no area is this more important than government spending. A congressman, left to his own devices, has every incentive to spend as much of the nation's money as possible on the interests of his own constituents, and to borrow from future generations to keep today's voters happy. While responsible representatives do their best to check the excesses of others, it is an uphill fight that requires strong support from a White House committed to fiscal discipline.

How has this system of checks and balances been working out under Barack Obama? Unfortunately, not at all.

Over the past three years, our federal government has been spending in an out-of-control fashion. Former Senate Minority Leader Everett McKinley Dirksen is often quoted as having said of the federal budget process that: "a billion here, and a billion there, and pretty soon you're talking real money." But over the last three years, total spending increased from under \$3 trillion to nearly \$4 trillion. We're not talking billions any more, but trillions.

There have been periods in our country's past, such as World War II, when we were compelled to increase spending to cope with a supreme national emergency. But President Obama has increased spending primarily to feed a stimulus program loaded up with so much pork and so little real, shovel-ready stimulus that it failed to keep unemployment from rising above 10 percent.

This past summer, the debt-ceiling crisis brought the country to a fork in the road. President Obama was presented with a critical choice: either continue the tax-and-spend policies that were exacerbating an already dire economic situation, or chart a new course of fiscal responsibility by reining in runaway government spending.

President Obama read straight from the liberal playbook and called for a "balanced approach"—code for raising taxes. When the idea of higher taxes failed to gain traction at a moment when the economy was hovering on the edge of a double-dip recession, the President abandoned the field. He left it up to Congress to guide the country through the crisis.

Two bad consequences have already followed. First, Standard & Poor's took the unprecedented step of downgrading our sovereign credit rating. Second, our country's fiscal future has now been placed in the hands of a "super-committee" of twelve members of Congress, with massive automatic defense cuts threatening any representative daring to question the wisdom of whatever they ultimately propose. This is not the way our system of government is supposed to work.

In dealing with Libya, the administration boasted of President Obama's strategy of "leading from behind." The fact is that Libya is not the only instance in which the President has chosen to lead from behind. Leaving it to the super-committee to find \$1.2 trillion in savings under the threat of slashing the military budget is not a proper or defensible way to run the American government. Even the President's own Secretary of Defense has warned that such a cut would be devastating to our national security.

Governing this way is irresponsible, and will certainly not produce the results we need. Breaking our government's addiction to spending will require leadership from someone who, unlike President Obama, has a genuine commitment to preserving the fiscal health of our nation. It will also require leadership from someone with better ideas than the tried-and-failed liberal nostrums that the President has repeatedly endorsed and employed. In short, it requires leadership from Mitt Romney.

Our system of government works best when the president acts responsibly and on behalf of the interests of our nation as a whole. It is past time to put someone smart and strong and conservative in the White House who will fill the current dangerous empty space.

Jim Risch is a U.S. Senator from Idaho.



Conclusion



A Stark Choice

These are hard times for many Americans, especially for the 25 million who need work. We have just witnessed a financial crisis and recession of a severity unprecedented since the Great Depression. And we are now living through a “recovery” that barely qualifies as a recovery at all. Things did not have to be this way.

There is no question that when President Obama took office he faced serious challenges. But there were many avenues down which he could have proceeded. He chose to pursue a path determined not by the gravity of the situation, but rather by preexisting liberal dogmas and the pressures of liberal interest groups. The result was a series of policies that not only failed to address the economic crisis, but actively made things worse. Today, Americans have a bigger government that spends and regulates more and controls more aspects of their lives. What they do not have is an economy that is working.

Mitt Romney is running for president because he knows that a different course will bring our country to a much better place. With decades of experience in the private sector, with a successful record as governor of Massachusetts, with a love of country, with an abiding faith in conservative principles, he is determined to set things right. As president, his number one priority—and numbers two and three as well—will be to turn around the economy to enable it to create jobs. Where President Obama has placed his trust in the Department of Commerce and the Department of Labor and the Department of Energy and the rest of the vast federal bureaucracy, Mitt Romney will place his trust in the individual initiatives of the millions of Americans who are striving mightily to reach their full potential and to live the American dream.

Mitt Romney's plan is straightforward and bold. It will require reversing course in virtually every area of policy that affects job creation.

- Where President Obama raised taxes, President Romney will lower them.
- Where President Obama increased regulation, President Romney will reduce it.
- Where President Obama left America's trade relationships untended, President Romney will open new markets around the world.
- Where President Obama restricted energy production, President Romney will seek to utilize our resources to the fullest.
- Where President Obama focused on the institutional interests of labor bosses, President Romney will concentrate on empowering workers and businesses.
- Where President Obama relied on a tangled web of ineffective government programs to retrain displaced workers, President Romney will create a market-driven system that both trains unemployed workers and actually places them in jobs.
- Where President Obama threw dollars—hundreds of billions of dollars—at every problem he encountered, President Romney will restore fiscal discipline.

The United States has arrived at a crossroads. The 2012 presidential election is going to have enormous consequences for our future. Will we remain a great country, prosperous and free? Or will we slide further into debt and, ultimately, decline? A stark choice lies ahead, a choice between two competing visions. Our future direction rests in the hands of the American people, who are sovereign and at whose pleasure the government serves. That is what our democracy is all about.

Appendix:

59 Policy Proposals That Will Get America Back To Work

1. Maintain current tax rates on personal income
2. Maintain current tax rates on interest, dividends, and capital gains
3. Eliminate taxes for taxpayers with AGI below \$200,000 on interest, dividends, and capital gains
4. Eliminate the death tax
5. Pursue a conservative overhaul of the tax system over the long term that includes lower, flatter rates on a broader base
6. Reduce corporate income tax rate to 25 percent
7. Pursue transition from “worldwide” to “territorial” system for corporate taxation
8. Repeal Obamacare
9. Repeal Dodd-Frank and replace with streamlined, modern regulatory framework
10. Amend Sarbanes-Oxley to relieve mid-size companies from onerous requirements
11. Ensure that environmental laws properly account for cost in regulatory process
12. Provide multi-year lead times before companies must come into compliance with onerous new environmental regulations
13. Initiate review and elimination of all Obama-era regulations that unduly burden the economy
14. Impose a regulatory cap of zero dollars on all federal agencies
15. Require congressional approval of all new “major” regulations
16. Reform legal liability system to prevent spurious litigation
17. Implement agreements with Colombia, Panama, and South Korea
18. Reinstate the president's Trade Promotion Authority
19. Complete negotiations for the Trans-Pacific Partnership
20. Pursue new trade agreements with nations committed to free enterprise and open markets
21. Create the Reagan Economic Zone
22. Increase CBP resources to prevent the illegal entry of goods into our market
23. Increase USTR resources to pursue and support litigation against unfair trade practices
24. Use unilateral and multilateral punitive measures to deter unfair Chinese practices
25. Designate China a currency manipulator and impose countervailing duties
26. Discontinue U.S. government procurement from China until China commits to GPA
27. Establish fixed timetables for all resource development approvals
28. Create one-stop shop to streamline permitting process for approval of common activities
29. Implement fast-track procedures for companies with established safety records to conduct pre-approved activities in pre-approved areas
30. Amend Clean Air Act to exclude carbon dioxide from its purview
31. Expand NRC capabilities for approval of additional nuclear reactor designs
32. Streamline NRC processes to ensure that licensing decisions for reactors on or adjacent to approved sites, using approved designs, are complete within two years
33. Conduct comprehensive survey of America's energy reserves
34. Open America's energy reserves for development
35. Expand opportunities for U.S. resource developers to forge partnerships with neighboring countries
36. Support construction of pipelines to bring Canadian oil to the United States
37. Prevent overregulation of shale gas development and extraction
38. Concentrate alternative energy funding on basic research
39. Utilize long-term, apolitical funding mechanisms like ARPA-E for basic research
40. Appoint to the NLRB experienced individuals with respect for the rule of law
41. Amend NLRA to explicitly protect the right of business owners to allocate their capital as they see fit
42. Amend NLRA to guarantee the secret ballot in every union certification election
43. Amend NLRA to guarantee that all pre-election campaigns last at least one month
44. Support states in pursuing Right-to-Work laws
45. Prohibit the use for political purposes of funds automatically deducted from worker paychecks
46. Reverse executive orders issued by President Obama that tilt the playing field toward organized labor
47. Eliminate redundancy in federal retraining programs by consolidating programs and funding streams, centering as much activity as possible in a single agency
48. Give states authority to manage retraining programs by block granting federal funds
49. Facilitate the creation of Personal Reemployment Accounts
50. Encourage greater private sector involvement in retraining programs
51. Raise visa caps for highly skilled workers
52. Grant permanent residency to eligible graduates with advanced degrees in math, science, and engineering
53. Immediately cut non-security discretionary spending by 5 percent
54. Reform and restructure Medicaid as block grant to states
55. Align wages and benefits of government workers with market rates
56. Reduce federal workforce by 10 percent via attrition
57. Cap federal spending at 20 percent of GDP
58. Undertake fundamental restructuring of government programs and services
59. Pursue a Balanced Budget Amendment

Endnotes:

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