The Obama vs. Romney Debate on Economic Growth: A Citizen’s Guide to the Issues*

My Final Conclusion: Romney and his Heavyweight Economists are Wrong! **

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*This approximately 500 page book was published in September 2012 by iUniverse and is available through Barnes & Noble. See also the book’s web page and blog.

** See also my opinion piece on this topic in the Christian Science Monitor, November 2, 2012.

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How is the Obama vs. Romney Debate Structured? (1 of 2)

There are four Parts and 22 Chapters:

- Part I, Ch 1, Introduction;
- Part II, Chs 2-11, Fundamental Micro and Macro Economic Concepts;
- Part III, Chs 12-20 (Heart of the Book) Impact on Economic Growth of:
  - The financial crisis,
  - The great deficit debate,
  - Monetary policies, and
  - Fiscal policies, including policies on Medicare, Social Security, Obamacare and Federal tax;
- Part IV, Ch 21, Impact on Personal Investment Decisions; and
- Part V, Ch 22, Summary of Concepts.
How is the Obama vs. Romney Debate Structured? (2 of 2)

Part III chapters discuss the views on the major economic growth issues of President Obama, Governor Romney, and Sam Thompson.

The book is a Q&A guide for average citizens.

Principal focus is on macroeconomics.

This book is a successor to my 2004 Citizen’s Guide to the Bush-Kerry Economic Debate; two proposals I made there (also made by others) were enacted into law. I am a Democrat and support President Obama, but tried to be balanced in my analysis.

These are my own views.

A detailed Power Point presentation of the main issues in the book, as well as other developments since the publication of the book in September 2012, are available on the book’s web page and blog.
How is this Presentation Structured?

As I say in the book, economic issues present a “moving target;” consequently, the balance of this presentation gives my views on the positions of President Obama and Governor Romney on how to increase economic growth after:

- I have examined in my book their pre-debate positions on economic growth;
- I have listened to, and carefully examined the transcripts of, the three presidential debates and the one vice-presidential debate as they relate to economic growth; and
- I have examined closely the post-debate position papers of the candidates on their economic positions: Romney’s *Program for Economic Recovery, Growth, and Jobs* [hereafter Romney’s Plan], and Obama’s *A Plan for Jobs & Middle-Class Security* [hereafter Obama’s Plan].
Romney’s Heavyweight Economists

Three of the authors of Romney’s Plan are leading professors of economics: Glenn Hubbard, Columbia University; Greg Mankiw, Harvard University; and John Taylor, Stanford University. Both Hubbard and Mankiw served as Chairman of the Council of Economic Advisers (CEA) under George W. Bush.

Although Romney’s Plan is authored by several “Heavyweight” economists, a careful reading of that plan leads to the conclusion that Romney’s Plan is fundamentally flawed.

Before delving into these Plans and other positions of the candidates, we first look at some fundamental economic principles.
The primary measure of economic well-being is gross domestic product (GDP), which consists of the following four components: (1) Personal consumption spending by consumers (Consumption); (2) Investment spending by businesses on plant, equipment and software and by individuals on houses (Investment); (3) Spending by federal, state, and local governments (Government); and (4) Net Export Spending (NX), which is the difference between the receipts by U.S. firms from exports and the payments by such firms on imports.

Thus, exports add to GDP, while imports subtract from GDP.
Basic Principles, GDP, and Deficits

(2 of 8)

If GDP increases from one year to the next, the economy is growing and generally the unemployment rate is falling.

On the other hand, if GDP falls from one year to the next, the economy is in a recession and generally the unemployment rate will be rising.

- For example, as a result of the recent Financial Crisis, for 2009, GDP declined 3.1%, which was the second greatest decline in GDP since the Great Depression; thus, this recession is known as the Great Recession.
For 2009, all of the components of GDP, except government spending, were down significantly.

Government spending was up principally because of spending at the Federal level on the 2009 Stimulus Act, which President Obama signed into law shortly after taking office in early 2009.

As a result of this Act, spending by the Federal government was also up significantly in 2010, but has declined significantly since then.
Since the recession in 2009, GDP has increased at the following rates:

- (1) 2.4% in 2010,
- (2) 1.8% in 2011, and
- (3) 2.0%, 1.3%, and 2.0% for the first three quarters of 2012, respectively.

These relatively slow rates of GDP growth have been accompanied by a relatively slow decrease in the unemployment rate, which has fallen from a high of over 10% to 7.8%, not close to the pre-crisis rate of around 5%.
Basic Principles, GDP, and Deficits
(5 of 8)

Fiscal Stimulus. When a recession hits, causing a reduction in spending on the Consumption, Investment, and Export components of GDP, in attempting to help the country recover, the Federal government may increase spending or reduce taxes.

This is known a fiscal stimulus, which can only be undertaken by Congress and the President, as was the case with the 2009 Stimulus Act.

The 2009 Stimulus Act consisted of about $400 billion of new spending and $300 billion of tax cuts.
**Deficits.** A potential detriment of Government spending is an increase in deficits, an excess of spending over taxes.

However, most observers agree that when it comes to the deficit, we need to be concerned principally with our long-term structural deficit, which is caused by our Social Security and Medicare obligations to our aging population.

For example, it appears that the increase in short-term deficits through the enactment of the 2009 Stimulus Act has helped the economy recover from the recession, thereby increasing revenues over what would otherwise have been collected.
Monetary Stimulus. In addition to fiscal stimulus, the Federal Reserve Board (Fed) can fight a recession with monetary stimulus. The most influential person at the Fed is its Chairman, Ben Bernanke, who was appointed by President George W. Bush and reappointed by President Obama.

Monetary stimulus principally involves keeping interest rates low, a policy the Fed has been following since the recession through its Quantitative Easing (QE-1, QE-2, and QE-3) policies.
Basic Principles, GDP, and Deficits

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Monetary Stimulus Cont’d. Low interest rates help fight recessions principally by increasing the Investment component of GDP. This is because long-term investment by businesses and individuals is particularly sensitive to interest rates.

Inflation. There is no free lunch; consequently, a potential detriment with low interest rates is an increase in inflation, which can be detrimental. However, the Fed has concluded that under the current low rate of growth of GDP and slow decrease in the rate of unemployment, the risk of inflation is low.
Romney’s Position on the Anemic Recovery (1 of 2)

Romney’s Plan and his Heavyweights start by stating that we are in the “most anemic economic recovery in the memory of most Americans.”

The Plan compares our current recovery with the more robust recovery that occurred under Reagan after the recession in 1981-1982.

Thus, the argument is that compared to the Reagan recovery, the current recovery is unacceptable.

The flaw in this logic is that it is not comparing apples to apples.
Romney’s Position on the Anemic Recovery (2 of 2)

- The Reagan recovery came after a recession that resulted in a 0.3% decrease in GDP in 1980.
- The current recovery comes after a 3.1% decrease in GDP in 2009.
- Thus, the present recovery is digging out of a hole that was ten times deeper than the 1981-1982 hole.
- That’s why we call this most recent hole the Great Recession.
- In their analysis, Romney’s Heavyweight economists give no consideration to the depth of the recession the recovery is following.
- When this depth issue is considered, the flaw in the assertion in Romney’s Plan becomes obvious.
Was the 2009 Stimulus Act Successful? (1 of 5)

Governor Romney supported the bailout of the banks through the Troubled Asset Relief Program (TARP), which was enacted to fight the Financial Crisis.

However, he opposed Obama’s use of TARP funds, (most has been repaid) to bailout the auto industry.

Romney also opposed Obama’s 2009 Stimulus Act, which as indicated consisted of about $400 billion of new spending and $300 billion of tax cuts.

The Heavyweight authors of Romney’s Plan also take a position against the 2009 Stimulus Act.

The Heavyweights argue that this Act was not effective in reversing the recession.

Let’s examine the facts on this claim.
Was the 2009 Stimulus Act Successful? (2 of 5)

The Heavyweights make their non-effective claim notwithstanding the fact that:

- At the time of its enactment, the economy was in a free-fall and unemployment was increasing at a precipitous rate; and
- Since the enactment, the economy has been growing, albeit at a slow rate, and unemployment has been falling.

Romney’s Heavyweights use flawed logic in challenging the Stimulus Act.

They cite studies that apparently show that the Act’s “cash for clunkers,” “housing” programs, and “green” projects did not stimulate the economy.
Was the 2009 Stimulus Act Successful? (3 of 5)

Even if the cited studies of ineffectiveness are correct, only a small percentage of the Stimulus Act was devoted to these programs.

- Cash for Clunkers was less than 1% of the Stimulus Act, and
- Both housing and green investments were less than 2% each.

So, the Heavyweights use studies apparently showing that only a small portion of the Stimulus Act was ineffective as a basis for concluding that the whole Act was ineffective.

This is another obvious logical flaw by the Heavyweights.
Was the 2009 Stimulus Act Successful? (4 of 5)

Furthermore, Obama’s CEA estimated that the Stimulus Act “raised the level of GDP as of the second quarter of 2011, relative to what it otherwise would have been, by between 2.0 and 2.9 percent.”

The independent and non-partisan Congressional Budget Office (CBO) and several independent economists had a similar estimate.

The CEA also estimated that as of the second quarter of 2011, the Stimulus Act “raised employment relative to what it otherwise would have been by between 2.2 and 4.2 million.”
Was the 2009 Stimulus Act Successful? (5 of 5)

It is difficult to see how Romney’s Plan, and its Heavyweight economists, could come to their conclusion on the stimulus.

Although Professor Barro of Harvard has argued that “Stimulus Spending Doesn't Work,” I stand with Paul Krugman, a Noble laureate in economics, who has observed that conservative economists are “making truly boneheaded arguments against” stimulus.

Finally, although Romney has criticized the funding of Solyndra, a Green company that received stimulus funds (less than 1% of the total) and went bankrupt, Konarka, a Green company funded by Massachusetts when Romney was governor also went bankrupt.
What if Romney had won in 2008?

(1 of 2)

We know the economy Obama’s policies have given us.

It is appropriate to ask what Romney’s policies would have given us if he had become president in 2008, and he had, in accordance with the positions he has taken:

- Blocked TARP funds for GM and Chrysler;
- Not pursued the 2009 Stimulus Act; and
- Replaced Fed Chairman Bernanke with a person who would not have adopted the monetary stimulus policies that have kept interest rates low.
What if Romney had won in 2008?

(2 of 2)

It is my view that if Romney had been elected in 2008 and had followed his stated policies, he would have adopted the same type of “tight” fiscal and monetary policies that led to the Great Depression.

Consequently, we likely would have had Great Depression II.

After independently reaching this conclusion, I heard the CEO of Ford Motor Company, which was not bailed out in the Auto bailout, express a similar view on Fox News.
Romney’s Plan and its Heavyweights say that rather than focusing on the stimulus, Obama should have focused on “long-term structural problems in taxation, spending, and regulation.”

They say that these initiatives would have “offered a better tonic for growth in the short run.”

For the following reasons, this statement is:

- Amazing,
- Unbelievably naïve, and
- Possibly disingenuous.
Let’s be clear, by this statement, Romney’s Plan and its Heavyweights are saying that in 2009, in the face of the greatest Financial Crisis since the Depression, President Obama should have said to the Congress, let’s not focus on the stimulus, but rather let’s:

- Reform our tax code by, as the Plan makes clear, lowering rates and broadening the base on a revenue neutral (i.e. no overall tax increase) basis;
- Reduce our long-term spending on Medicare and Social Security; and
- Reduce regulation, including regulation of the financial services industry, which was the principal reason for the Financial Crisis.
What the Heavyweights think Obama should have done

(3 of 3)

These policy prescriptions in essence suggest that Obama should have pursued Bush policies, which were given to us in part by Heavyweights:

- Hubbard, chair of the Bush CEA, 2001 to 03; and
- Mankiw, chair of the Bush CEA from 2003 to 05.

Why didn’t these Heavyweights lead the Bush Administration to effective reforms of these “long-term structural problems in taxation, spending, and regulation?”

If Obama had followed this prescription, and if the Fed had followed the tight monetary policy Romney has supported, we would have had Great Depression II.
Romney’s Five Part Plan and his 12 million jobs claim

Romney’s Plan and the Heavyweights assert that Romney’s policies “will create about 12 million jobs in the first term of a Romney presidency.” These 12 million jobs are supposed to come from Romney’s five point plan that has the following goals:

1. “Energy independence by 2020;”
2. “Opening new markets for American goods;”
3. “Better public schools, higher education, and better retraining programs;”
4. “Cutting the “deficit” by “reducing the size of government;” and
5. “Championing small business.”
Romney’s Five Part Plan and his 12 million jobs claim

(2 of 2)

Obama’s Plan has similar policy goals.

This may be one of the reasons that several analysts, including Moody’s Analytics, have forecasted that over the next four years the economy will create 12 million jobs without regard to whether Obama or Romney is the president.

Obama also has proposed a new stimulus, the American Jobs Act, that could create additional jobs, and I turn to this next.
In an effort to address tepid economic and job growth, in September 2011, President Obama proposed the American Jobs Act. This Act proposed $475 billion in tax decreases and spending increases. The Act also contained an increase in long-term revenues, and consequently, the White House claimed that the Act would be revenue neutral. Although a small number of the provisions in the Act have become law, principally as a result of Republican opposition, the main job creating provisions have not been enacted.
Obama was of the view that the Act would create 1 million jobs in the short term.

In September 2012, the Economic Policy Institute concluded that the Act would “lead to increased employment of about 1.1 million jobs in 2013 relative to current policy.”

Romney and his Heavyweights are opposed the Act.

It is self-evident that if Congress had enacted the American Jobs Act in 2011, when it was proposed by the President, the unemployment rate would be less than the current 7.8%.

Is politics the principal reason for Republican opposition?
Romney’s Plan and its Heavyweights address Social Security and Medicare in only two sentences.

The Plan says Romney will “gradually reduce growth in Social Security and Medicare benefits for more affluent seniors.”

Thus, Romney’s plan proposes some “means testing” of Social Security and Medicare, pursuant to which affluent seniors, who have greater “means,” would receive fewer benefits.

The Plan also says that Romney would “give more choice in Medicare to improve value in health care spending.”
Social Security and Medicare
(2 of 6)

The Medicare “choice” proposal walks away from the Medicare voucher program that is in the Ryan budget, which the Republican controlled house passed.

The CBO estimates that Ryan’s voucher provision, on average, would cost seniors an additional $6,400 for Medicare.

The “choice” concept is apparently a reference to the proposal to give seniors a choice of:
- Staying on current Medicare, or
- Using a voucher to purchase health insurance on the open market.
The essential problem (which the Heavyweights have to be aware of) with this choice approach is that generally only healthy retirees would elect the voucher because it would be cheaper for them.

This would leave traditional Medicare to care for the bulk of unhealthy seniors.

Under the choice approach the government would be

- Paying to insurance companies the amount of the voucher to cover healthy seniors, and
- Paying directly through Medicare the costs of caring for unhealthy seniors.

This would strike at the heart of the financial viability of Medicare.
Social Security and Medicare
(4 of 6)

Obama’s Position. Explaining that Social Security and Medicare are “critical safety nets for American seniors,” Obama’s Plan says that he will “fight for balanced deficit reduction, and extend the life of Medicare and Social Security, without ending guaranteed benefits or slashing benefits.”

He will also “stop proposals to turn Medicare into a voucher system.”

Although Obama’s Plan does not mention means testing of Social Security and Medicare, he has previously indicated that he would consider means testing as an option for addressing the long-term viability of such programs.
Means Testing. While there is no one solution to the long-term viability of these programs, means testing is a tool that the next president should pursue in addressing these funding issues.

I have proposed that at least a partial solution to the funding problem is to “phase-out” the entitlements under these programs for high income individuals. Specifically, I have proposed that these benefits be phased out as a retiree’s income increases from $75,000 to $175,000.

Canada, which does not have the same type of debt and deficit problem faced by the U.S., has a similar phase-out for its Social Security.
Means Testing Cont’d. As a polar example of the importance of “means testing” we should ask ourselves: Why should the government be giving Warren Buffett Social Security and Medicare?

Indeed, the government is not providing benefits to him by paying Social Security to him and eliminating the health insurance payments he would otherwise be making if he were not on Medicare. Rather, the government is transferring these financial benefits to his heirs in the form of higher inheritances.

On the other hand, a retiree who actually needs Social Security and Medicare to ensure a decent retirement should receive those benefits.
As is well known, Romney’s Plan would “repeal and replace” Obamacare.

Romney would focus on “market-oriented, patient-centered health care reform.”

Although Romney has not given significant detail on the provisions of Obamacare he would keep, all of the “keepers” he has mentioned apparently would add to the deficit. In any event, his position shows that in his view Obamacare is not all bad.

In my view, by making our populace healthier and more productive, Obamacare will add significantly to our long-term growth, something Romney’s Plan says Obama should have focused on.
I turn to two facts about Obamacare that are not well-known.

**First:** The CBO has estimated that Obamacare reduces the deficit, and the Republican bill that would repeal Obamacare would add to the deficit.
- With Romney’s keeper provisions, the deficit from repeal would likely increase even more than the CBO has projected.

**Second:** Romney has said that Obamacare cuts $700 billion from Medicare.
- It is well known that these supposed cuts are savings from the reduction of overpayments to healthcare providers and insurance companies.
Second, Cont’d

While it is fair to question whether these savings can be achieved, Congressman Ryan and the Republicans in the House have no basis for criticizing Obama on this because Ryan’s budget, which the Republican controlled house passed, has virtually the same savings.

This is what President Clinton was referring to at the Democratic convention when he said it takes “brass” for the Republicans to criticize Obama on this.

In fact, about the only thing Obama and the House Republicans agree on is that there are $700 billion of overpayments in Medicare.
Dodd-Frank, Financial Regulation

Romney proposes to “repeal and replace” the Dodd-Frank Act, which is designed to prevent another Wall Street induced financial crisis. He wants simpler regulation; but simpler is not always effective.

This effectiveness point was made at a corporate tax conference in the 1980s by Ron Pearlman, the Assistant Secretary of Tax Policy in the Reagan Administration. In responding to a call for simple corporate tax rules, Ron said something like: “It is unrealistic to think that simple corporate tax principles can properly address complex corporate transactions.” The same point is particularly applicable to the creative schemes that can come out of Wall Street.
Uncertainty (1 of 2)

Romney and the Heavyweights assert that as a “consequence of short-termism, uncertainty over policy – particularly over tax and regulatory policy – limited both the recovery and job creation.”

Krugman refers to this as the “uncertainty scam.”

I agree.

One of the best indicators of future economic activity is the stock market, because in making investments in stocks investors focus principally on projected future cash flows. What has the stock market done since Obama was elected?
Uncertainty (2 of 2)

When President Obama took office in January 2009, the S&P 500, a broad index of stocks, was at approximately 830.

On October 31, 2012, six days before the election the S&P was around 1,400.

Therefore, between January 2009 and October 31, 2012, the S&P has increased by approximately 69%.

Certainly, the investors in the stock market do not see a lot of uncertainty on the horizon.

And, investors in the stock market are obviously much better off today than they were in January 2009.
Are taxes too high?

One way economists approach this question is by comparing (1) revenues generated by a country’s tax system, with (2) the country’s GDP.

An OECD report shows that the percentage for the U.S. where taxes are 24.1% of GDP, was (1) lower than the OECD average (33.8%), and (2) was lower than in any other country, except Mexico and Chile.

This shows that our taxes are definitely not too high and are likely too low, unless as a country we want to be more like Mexico, where the percentage is 17.4%, than like Canada, where the percentage is 32%, and there is no looming deficit problem.

It is clear that Romney, unfortunately, wants to keep our percentage closer to Mexico’s than to Canada’s.
Individual taxes (1 of 4)

Romney and the Heavyweights oppose Obama’s Plan to “raise marginal tax rates on upper-income Americans.”

Obama has proposed returning to the pre-Bush rate structure for families making more than $250,000, which would mean increasing the top marginal rates from 33% to 36% and from 35% to 39.6%.

Many think that under Obama’s Plan, families making more than $250,000 of taxable income will have their taxes increased by 4.6% (the difference between 39.6% and 35%). (Dick Morris has been saying this.)

However, the higher rates proposed by Obama only apply to dollars above $250,000; that is, the higher rates only apply to marginal income.
Individual taxes (2 of 4)

Also, the rate increase for families with taxable income between $250,000 and approximately $400,000 will be only 3% on the marginal income, because their marginal rate will only increase from 33% to 36%.

Therefore, for example, under Obama’s Plan, a family with $300,000 of taxable income would see a tax increase of exactly $1,500, or half of 1% of taxable income, hardly a burdensome tax.

Romney and the Heavyweights argue for revenue neutral tax reform that would broaden the base and decrease marginal rates. They argue that lower marginal rates will increase economic growth.
Individual taxes (3 of 4)

- The Heavyweights ignore evidence that growth has been higher when marginal rates are higher.
- For example, in the 1950’s our country had high growth and marginal rates as high as 90%.
- In the 1990’s after the top marginal rate was raised from 35% to 39.6%, the economy experienced the greatest period of growth since the Great Depression.
- On the other hand, economic growth was not robust after the Bush tax cuts in the early 2000’s.
Individual taxes (4 of 4)

It is clear that in addressing our deficit we need to raise revenue.

In an October 25, 2012 op-ed in the Wall Street Journal, 80 CEOs of large companies agreed with this position.

- They explicitly stated that in decreasing the deficit we need to “raise revenues” as well as cut spending.

Thus, on this issue, these CEOs wisely disagree with Romney and his Heavyweights and agree with Obama.
Romney and the Heavyweights propose that we “broaden” the corporate tax base by eliminating loopholes and reducing the rate from 35% to 25%.

Obama’s Plan would also significantly reduce the corporate rate, which would increase investment.

Instead of suggesting the corporate loopholes that should be eliminated, Romney has proposed adoption of the “mother of all corporate loopholes,” a territorial system, thereby completely exempting from U.S. tax all business income earned abroad.

A territorial system would act like a large foreign magnet attracting investment by U.S. firms abroad because it would give a large tax advantage to foreign over domestic investment.
Corporate Taxes (2 of 2)

- Obama’s Plan proposes that we close certain current loopholes in the taxation of foreign income.
- Although Obama’s plan moves in the right direction, I believe that we should, as proposed by President Kennedy in 1962, remove all tax incentives for foreign versus domestic investment, thereby leveling the investment playing field from a tax perspective.
- By adopting this approach we should, with other corporate tax reforms, be able to reduce the corporate tax rate to 25%, thereby increasing investment in the U.S. without reducing overall corporate tax revenues.
Class War and the Grover Pledgers

(1 of 2)

In opposing the proposition that in attacking our deficit, we need to raise revenues, many Romney supporters have argued that Obama is engaged in a “Class War” against the rich.

Warren Buffett, one of the richest people in the world, says that there is a class war going on, and it is being waged and won by some in the rich class.

One of the Generals on the side of the “rich class” is Grover Norquist, the head of Americans for Tax Reform (ATR), which is purportedly funded principally by members of the rich class who want to keep their taxes low.
Grover’s ATR has a Taxpayer Protection Pledge pursuant to which legislators “commit themselves in writing to oppose all tax increases.” What about the Pledge of Allegiance to America?

As one who had the privilege of serving this country as a Captain in the Marine Corps during the Viet Nam War, I think that these “Grover pledgers” have in substance converted the Pledge of Allegiance to America into a pledge to “one nation under Grover, indivisible, with liberty and justice for the Rich Class.”

Unfortunately, both Governor Romney and Congressman Ryan are Grover Pledgers, and the Heavyweights are tools in the class war and Grover enablers.
The Grand Bargain and Fiscal Cliff (1 of 5)

I turn finally to the following question: Can Obama deliver a “Grand Bargain” and avoid the “Fiscal Cliff”?

In 2011, President Obama and House Leader Boehner were working on a “Grand Bargain,” which would have involved short-term stimulus and long-term deficit reduction.

The deficit reduction would have come from (1) reductions in spending, including cuts in spending on entitlements, and (2) enhanced revenues through tax reform.

The Grand Bargain contained principles that were similar to those proposed by the Simpson-Bowles Deficit Commission, which was appointed by Obama.
The Grand Bargain and Fiscal Cliff (2 of 5)

For the Grand Bargain:
- Entitlement reform was opposed on the left.
- Increased revenues were opposed on the right.
- Consequently, the Grand Bargain died when Boehner apparently backed out.

The next President (Obama or Romney) will immediately face the potential that our economy will go over the “fiscal cliff” in 2013, as a result of:

1. Tax increases arising from, among other things, the repeal of the Bush Tax Cuts, not just for high-income taxpayers, but for all taxpayers.
2. Significant decreases in spending as required by the budget crisis deal.
The Grand Bargain and Fiscal Cliff (3 of 5)

The tax increase element of the fiscal cliff is possible even though Republicans and Democrats both believe that the cuts should continue for low and middle income taxpayers.

The op ed by the 80 CEOs urged a new Grand Bargain that would avoid the fiscal cliff and would:

1. “Reform Medicare and Medicaid, improve efficiency in the overall health care system and limit future cost growth;”
2. “Strengthen Social Security, so that it is solvent and will be there for future beneficiaries;” and
3. “Include comprehensive and pro-growth tax reform, which broadens the base, lowers rates, raises revenues and reduces the deficit.”
The Grand Bargain and Fiscal Cliff (4 of 5)

I agree that our country needs this type of Grand Bargain, involving both tax and entitlement reform.

I am confident that President Obama has a much better chance than Governor Romney of delivering a Grand Bargain, because at bottom:

- President Obama is open to both entitlement reform and revenue increases, but
- Governor Romney, as a result of his Grover pledge, is open only to entitlement reform.

I realize that perfectly reasonable people, like David Brooks of the New York Times, and institutions, like the Des Moines Register, have endorsed Romney because they think he has a better chance of getting the right wing of the Republican party to cooperate.
The Grand Bargain and Fiscal Cliff (5 of 5)

For example, in making his endorsement, David Brooks says: “Romney is more of a flexible flip-flopper than Obama.”

Brooks and the Des Moines Register are urging that we appease the right wing zealots in the Republican party. But, we know how zealots can be emboldened when they are appeased, which brings us back to Grover and his Pledgers. Grover arrogantly says:

- "We [my Pledgers and I] don't need a president to tell us in what direction to go. We know what direction to go. We want the Ryan budget . . . We just need a president to sign this stuff . . . Pick a Republican with enough working digits to handle a pen to become president of the United States."
Conclusion

For the above reasons,

- I am confident that Obama’s Plan is far superior to Romney’s Plan, which in large part is based on the flawed logic of Romney’s Heavyweights.
- I am also confident that Obama has a much better chance of delivering the Grand Bargain than Romney.

Thank you!