



Obama Plans to Fund Government for Eight Days

by Richard W. Rahn

ROMNEY SHOULD ADOPT STRATEGY TO FUND IT FOR EIGHT YEARS

When President Obama announced that he again wanted to increase taxes on the top 2 percent of taxpayers, I would have recommended to Mitt Romney that he reply by saying: "President Obama has called for a tax increase on job creators, which will only fund the government for eight days, while I have an economic growth program that will fund the government for eight years and beyond.

Mr. Romney is being justifiably criticized for not delivering a clear and concise description of his economic plan. Since he has not done it, I will give it shot.

I don't know if Mr. Romney will turn out to be another Ronald Reagan when it comes to taxes, spending and regulation, or will fall seriously short as did those who succeeded Mr. Reagan (except for President Clinton on spending). What I do know is that Mr. Obama will almost certainly increase taxes, spending and regulations, if re-elected.

Mr. Romney needs to clearly state the economic problem and the solution in a few bullet points that people can remember. (Most

people cannot remember all Ten Commandments so any candidate who has a program with more than a very few points has little hope the public will remember.)

The problem – The economy is growing too slowly and producing too few jobs because:

- The government is wasting money on programs that don't work or work poorly.
- Individual tax rates are too high, and the tax code is too complex so job creators are discouraged from fully investing and hiring.
- The U.S. corporate tax rate is the highest in the world, causing businesses and entrepreneurs to flee or avoid the United States.
- Regulations have been growing so rapidly and are so complex that business people are inhibited from expanding their businesses and hiring new workers because of the cost of trying to understand and comply with the vast new regulatory state.

The solution

- First, my administration will bring the level of government spending down to what it was at the end of Clinton administration (18.2 percent of gross domestic product).
- Second, we will undertake tax reform to bring down rates to a level no higher than those after the Reagan tax reform in 1986, a maximum rate of 28 percent (which produced tax revenues of 18.4 percent of GDP).
- Clinton/Gingrich-era spending policies coupled with Reagan-era tax policies will provide a balanced budget at about 18.2 percent of GDP.
- In addition, we will cut the corporate tax rate to a maximum of 25 percent to make us more internationally competitive, and we will have a moratorium on all new regulations until we can make sure that regulations' benefits exceed their costs. Finally, all federal departments will be required to make sure that all of their

existing regulations are not unduly complex and vague, and meet reasonable cost-benefit standards.

The bumper sticker

Reagan tax rates + Clinton spending policies = high growth and full employment!

The advantage of this approach is that it has been proved in the recent past -- Reagan-like tax rates and Clinton-like spending policies can result in taxes and spending being at about 18.2 percent of GDP -- a balanced budget. Republicans love Reagan, and the more sensible Democrats and many independents understand that the spending policies in effect at the end of the Clinton administration did provide an adequate "safety net" even by their definition. The economy was growing rapidly, with near full employment in both the last Reagan and Clinton administrations. Saying that his administration is going to duplicate the best of both Reagan and Clinton administrations would be a political winner, provided Mr. Romney and his surrogates say it over and over again. People can understand that program, and it would make Mr. Romney sound less partisan and more statesman-like, which is important in winning over independents and disaffected Democrats.

Mr. Romney would need to detail his proposals for the policy wonks but not necessarily for the general public. His current proposals are very near what I am suggesting, so only a relatively little tweaking would be necessary (my personal preference is for substantially less government).

It could be easily and creditably argued that such policies should result in growth rates of more than 4 percent, based on past performance. These policies would almost certainly result in the good side of what economists refer to as Mitchell's Golden Rule of Fiscal Policy: "Good fiscal policy exists when the private sector grows faster than the public sector, while fiscal ruin is inevitable if government spending grows faster than the productive part of the economy."

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