

# — BELIEVE IN — AMERICA

---

Mitt Romney's Plan for Jobs and Economic Growth

---

*“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

## The Obama Approach: Deliberate Disaster

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.

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.

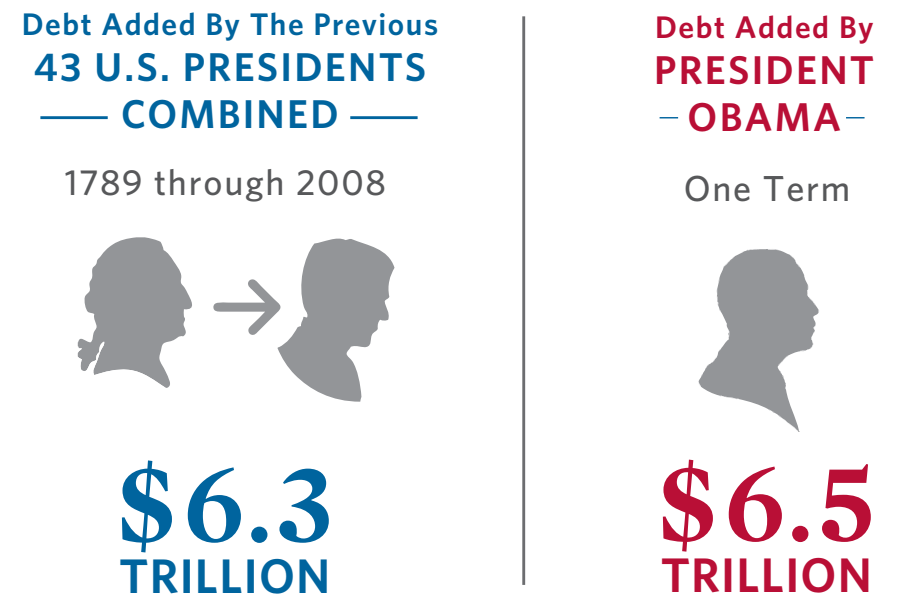
The driver here, of course, is our soaring annual deficit, which averaged \$164 billion in the ten years before President Obama took office, is today \$1.3 trillion, and is projected to be still above \$1 trillion in ten years. Under President Obama's proposed fiscal year 2012 budget, America will have 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 commitment to cap federal spending at 20 percent of GDP is clearly attainable when compared to spending even under past Democratic administrations. Only President Obama's reckless expansion of government has rocketed through such a ceiling.

Source: Office of Management and Budget

## 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.*





BELIEVE IN AMERICA

To read the full plan for jobs and  
economic growth, visit

[www.MittRomney.com](http://www.MittRomney.com)

Paid for by Romney for President, Inc.