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Does Creating Jobs Have to Cost Money?

The Honorable Eric Cantor

Abstract: *The past 11 months have been spent on an agenda that is out of step with the struggles of the American people: an agenda that expands the reach of government, increases the deficit, and requires us to borrow even more money from foreign countries. On everything from spending to cap and trade to card check, jobs have taken a back seat. The bailout culture in Washington has signaled that industries will not be held accountable for their mistakes or poor decisions, and small businesses are not hiring, investing, and expanding. But there are seven simple solutions that don't involve massive new government spending, new bureaucracies, or more debt. They are based on time-honored principles that are proven to create jobs and, ultimately, economic prosperity in America.*

Thank you. And thanks to all of you at Heritage for your commitment to the commonsense conservative principles that form the bedrock of this country. With many of these values currently under siege, you are on the front lines of the fight to get our message out and show America a better way forward.

That's why I'm here with you today: to offer a contrasting approach of how Republicans would handle our economic struggles.

I want to start by sharing with you what I heard around the Thanksgiving dinner table last week—a set of sentiments I know families around the country are experiencing. While there was plenty of good food and good cheer, I was struck by the overwhelming sense of pessimism about our nation's future. Instead

Talking Points

- Why have America's small businesses, entrepreneurs, and workers been so motivated to work hard and innovate over the years? Because hard work was rewarded.
- Why have investors and job creators around the world gravitated to U.S. capital markets? Because America was a place where taxes and regulations fostered competitiveness, transparency, and accountability.
- Why have countries around the world made the U.S. dollar the world's reserve currency? Because America was a rock of financial stability that pursued sound fiscal policies.
- The way to create jobs is not through massive new government spending, new bureaucracies, or more debt, but rather by pursuing solutions that are based on time-honored principles proven to create jobs and, ultimately, economic prosperity in America.

This paper, in its entirety, can be found at:
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of looking forward, I heard people talking about the past: “Remember how great we used to be?”

It’s not that the folks I was with believe we can’t get back to those days, but there is a fear, an insecurity about the future—not just their own, but their neighbors’ and friends’. Nearly everyone knew someone who’d lost a job, or were worrying about paying college tuition, or were thinking about working longer instead of retiring. No doubt, America is struggling, and people need our help.

Is Washington Listening?

But are the policymakers in charge of our government listening? The past 11 months have been spent on an agenda that is out of step with the struggles of the American people: an agenda that expands the reach of government, increases the deficit, and requires us to borrow even more money from foreign countries. On everything from spending to cap and trade to card check, jobs have taken a back seat.

As a result, the debt is set to double over the next five years...triple in 10! Within four years, the federal government will spend \$1 billion a day just on interest on the debt. Within 10 years, it will be nearly \$2 billion a day.

The \$800 billion stimulus bill that Washington passed has failed to create—or save—the jobs it promised. The bailout culture in Washington has raised moral hazard problems throughout the economy, signaling to industries that they will not be held accountable for their mistakes or their poor decisions.

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Even worse, the proposed volley of heavy taxes and mandates has draped small businesses—the nation’s job creators—in a blanket of fear. The result is that small businesses are standing on the sideline: not hiring, not investing, and not expanding.

All the while, the Democratic majority continues to push a trillion-dollar government-run health care overhaul. Even the nonpartisan Congressional Budget Office warns it will fail to lower costs as promised.

An overactive government did not make America the land of promise, prosperity, and opportunity.

The President and the Democrat majority have the right to chart their own course. They have all the power. But ignoring the realities of today’s economy and the needs of working families and small businesses only exacerbates our current challenges.

There is now talk of a second—or is it a third?—stimulus bill. But those in charge say we are not allowed to call it a stimulus bill. To do so would acknowledge the failure of their other stimulus bills.

So what are the majority and the President considering for this new “don’t call it a stimulus, stimulus bill?” More government spending, more bailouts for states, more transfer payments to individuals, expanded government agencies—all, of course, financed with more borrowing and more debt. It sure sounds like the other stimulus bills doesn’t it?

A Better Way

The question for us, then, is: “Is there a better way?” Can we grow the economy, create jobs, and help struggling families without further mortgaging our children’s future? Is there a “no-cost” jobs plan?

I chair the Economic Recovery Solutions Group for House Republicans. This group of Members has been meeting all year on ways to improve the economy, and lately our focus has been on a no-cost jobs plan. So as the President kicks off his jobs summit tomorrow, I would like to highlight some commonsense proposals that we have had under discussion that I believe are worthy of serious consideration by the President and the congressional majority.

I know there are philosophical differences between the parties, but surely we can agree on a few commonsense things to help get America back to work. Let’s begin with a simple premise: An over-

active government did not make America the land of promise, prosperity, and opportunity.

- Why have our small businesses, entrepreneurs, and workers been so motivated to work hard and innovate over the years? Because hard work was rewarded.
- Why have investors and job creators around the world gravitated to U.S. capital markets? Because America was a place where taxes and regulations fostered competitiveness, transparency, and accountability.
- Why have countries around the world made the U.S. dollar the world's reserve currency? Because America was a rock of financial stability that pursued sound fiscal policies.

Principles for a Commonsense Jobs Plan

So, with that in mind, what policies should we be pursuing?

First, we must tear down self-imposed obstacles to economic growth and wealth creation. The prospect of a barrage of tax increases, new government regulation, and costly government mandates has had a paralyzing impact on our job creators. As the CEO of a steelmaker recently told *The Wall Street Journal*, "I am not going to do anything until these

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things—health care, climate legislation—go away or are resolved." Therefore, Congress and the Administration should stop the deluge of detrimental rules and regulations.

Since taking office, the Administration has put on the table over 100 detrimental regulations, each

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with an impact of \$100 million or more on the economy. The President should issue an executive order mitigating the impact of any proposed rule that would adversely affect jobs, the economy, and small businesses.

Second, we should agree to block any federal tax increases until unemployment drops below 5 percent. That includes any new taxes to pay for more spending or any automatic tax increases embedded in federal law. Americans of all political stripes can agree that the government should never raise taxes during periods of high unemployment. The revenues higher taxes will generate are better off in the pockets of families and small businesses.¹

Third, we need to restore confidence in America's economic future. Record deficits and debts, coupled with runaway spending, have shaken confidence in our economic future. Many believe that the only solutions will be higher taxes or inflating the dollar, which promise lasting pain for small businesses and working families.

One simple solution is to freeze domestic discretionary spending at last year's level without raising taxes. This would save U.S. taxpayers \$53 billion immediately, but more important, it would send a signal that we are committed to lowering the deficit.

Fourth, we should reform the unemployment system to help people out of work find jobs. Federal unemployment recipients who are likely to exhaust benefits should be required to participate in education, training, or enhanced job searches. A similar

1. An audience member later asked: "Maybe I am going to be a little bit of a Devil's advocate on this, but could you explain why a tax increase would be okay when unemployment is below 5 percent?"

Mr. Cantor replied: "I would not support the suggestion that a tax increase would necessarily be okay. What I tried to articulate is that there is a philosophical difference between the parties on tax hikes. I don't believe that tax hikes are a way to promote a pro-growth outlook for the future. But what I am trying to say here is we are in desperate times and we've got to look for ways and solutions that we can agree upon in a bi-partisan way. And I think that all of us on either side of the aisle can agree that you ought not hike taxes during a recession, and that you ought not hike taxes when unemployment is so high."

program in Ohio resulted in the return on investment of 5 to 1 in terms of savings compared to program costs.

We need to approve three promising free trade agreements with Colombia, South Korea, and Panama that have stalled under the new Administration.

In Georgia, there's another example of how states are experimenting and paving the way. An innovative program places unemployment insurance recipients in part-time jobs with the UI as their benefit. At the end of a six-week trial period, the employer makes a decision about whether to hire them. The initiative has resulted in quicker returns to work and less unemployment payments.

Why not bring this kind of creative, outside-the-box thinking to Washington? Furthermore, declining negative balances in unemployment trust funds will force states to implement payroll tax increases on employers this year. These will average almost \$250 per worker per year through 2012.

The federal government could help ease the burden on employers by immediately suspending the federal unemployment tax. This would save employers \$56 per worker per year. And the \$7 billion a year "cost" of this tax suspension could be offset through a reduction of improper government payments, which, according to the Administration's own count, totaled \$98 billion last fiscal year. That's an increase of \$26 billion over the previous year.

Fifth, we need to approve three promising free trade agreements with Colombia, South Korea, and Panama that have stalled under the new Administration. Recently, the President stated that increasing U.S. exports by just 1 percent would create over 250,000 jobs. Sure enough, the independent International Trade Commission estimates that the three deals would boost U.S. exports by over 1 percent. We urge President Obama and Congress to stand on the side of job creation and quickly approve these agreements.

Sixth, we must take action to reduce regulatory and tax barriers that inhibit domestic job creation.

Federal regulations and tax law often make it easier for large companies to create jobs overseas instead of here at home. Efforts should be taken to ensure the most favorable environment possible for domestic job creation. For example, we should act immediately to remove unnecessary obstacles to domestic energy production. Tapping more heavily into oil, natural gas, shale, nuclear, and renewable sources will lower costs, create jobs, and reduce our reliance on foreign oil.

We can also provide an incentive for companies to repatriate earnings back to the United States. Currently, any profits a U.S. based company earns abroad are taxed at the 35 percent corporate tax rate when those earnings are brought back into the U.S. As a result, companies often keep their earnings stranded in subsidiaries overseas.

In 2004, Congress allowed companies a limited time to repatriate foreign profits and pay a reduced tax rate of 5.25 percent. The policy resulted in more than \$350 billion of profits being returned to the U.S. and a windfall to the Treasury of about \$18 billion in tax revenue. Providing another limited window for repatriation of foreign earnings would help U.S. companies retain domestic workers and weather the current economic downturn.

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Finally, we must deal swiftly and honestly with the looming commercial real estate collapse. Congress should move to give bank regulators incentives to deal responsibly with banks and their borrowers. Forcing liquidation of performing loans makes no sense. If regulators assume a prudent posture toward risk, the badly wounded credit markets could then begin the process of repair. In addition, reducing the overextended depreciation standard—currently a whopping 39 and a half years to 20 years or less—would provide a lift to property values and bring some common sense to the tax code.

These are seven simple solutions that don't involve massive new government spending, new bureaucracies, or more debt. They are based on time-honored principles proven to create jobs and, ultimately, economic prosperity in America.

Building the Land of Freedom

I'd like to share with you a story about Thomas Jefferson. It may be "just a story," but it illustrates an important point about his leadership and is an inspiration for us in these times. President Jefferson was riding on horseback, traveling from Washington to Monticello through the Virginia countryside. The President and his men reached a river without a bridge or ferry, so they prepared to walk their horses through the shallow water.

As they prepared to do so, they saw a man waiting on the bank with a large bundle. One by one, Jefferson's people entered the river. But when Jefferson was alongside the man, he said, "Sir, could you give me ride across the river?" Jefferson agreed immediately and carried him across.

One of Jefferson's men pulled the man aside and said, "How dare you ask the President of the United States for a lift! You could have asked any one of us. Why ever did you ask him?"

The man said, "I'm sorry. I had no idea he was the President. But as I saw each of you ride by, I saw written across all of your faces the letters 'N-O'! But when it came to the President, across his forehead, I saw written 'Y-E-S'...so I asked him."

Yes, these are troubling and difficult times—some of the worst we have experienced in our lifetimes. But as leaders and public servants, when the people of this country and the world look to us, they need to see a face that says "Y-E-S."

The contrast between our conservative vision and the policies being pursued by those in charge is stark. While they push for driving us deeper into debt, we will stand for the virtues of restraint. While they seek to expand government control, we will promote commonsense solutions proven to work.

If our faces say "yes" and we lead with character and enthusiasm and seize the opportunities before us, America can get across this river and continue to build the land of freedom that will lead the whole world.

Thank you for your service to that dream. God bless you all and our country once again.

—*The Honorable Eric Cantor (R-VA) is Minority Whip in the U.S. House of Representatives.*