

As prepared for delivery

**Statement of
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President & CEO
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Before the
U.S. Congress Joint Economic Committee
On
“Lessons Learned from Reagan: How Tax Reform Can Boost Economic Growth”**

Good afternoon. Thank you for the opportunity to speak at this hearing today. As a former alternate delegate for presidential candidate, Ronald Reagan, at the 1976 Kansas City Republican Convention, I like the title of this hearing. But we cannot simply look to the past. John F. Kennedy and Ronald Reagan lived in different times and rose to the occasion to lift our spirits -- but also our economic growth through their policies. Millions of unemployed and underemployed Americans need today's leaders to look forward and create a sense of purpose for our new national goal - which is economic growth. Currently, our leaders are not proposing bold, new ideas.

We here at the Free Congress Foundation have focused on economic recovery for the United States for more than three years. We have participated in numerous panel discussions and written op-eds to promote an economic program that most Republicans and Democrats can agree on. At the end of 2011 we offered the “Growth Code”, a specific program of tax reform that if enacted would spur growth, get the economy moving, and create jobs that would get us out of this recession.

The truth is that this country has not yet recovered from the “Great Recession”. Historically, this country grows at 3.2 %. We are not growing anything like that rate. All estimates show growth in the near future at less than 2%. No estimates show recovery at 3.2% or the higher rate it will take to make up the ground we have lost in recent years. Unemployment is historically 5.7% (or better) in the U.S. We have been over 7.5% unemployment FOR FOUR YEARS NOW.

Current economic trends show the following:

* 1.5 million or 53% of young people (under 25 years of age) with bachelor degrees are jobless or underemployed. (April 2012)

* Unemployment in the African-American community currently stands at 13.7%; Young African-Americans (ages 18-29) are facing an unemployment rate of 22.1%. (Jan. 2013)

* Unemployment in the Hispanic community (ages 18-29) stands at 13%. (Jan. 2013)

* All women in the United States of America (ages 18-29) are staring at an unemployment rate of 11.6%. (Jan 2013)

The consequences of this situation are not simple economic numbers. It means lower wages as more workers chase fewer jobs. It means gross unemployment in the black

community. It means no jobs for our bright young people coming out of school and getting started. It means that long time workers are being laid off, and not being able to get reemployed. It means family strife. It means an endangered national security.

This is a historic crime against the citizens of our country, and no government benefit program will make up for lost opportunity. The only answer, as we have said for years, is to focus on growing our economy. A growing economy has more business opening and existing businesses expanding, creating more jobs. More jobs means a better life for our citizens. It also increases tax revenue organically, making high taxes unnecessary and eliminating deficit spending.

We should control government spending, but it gets a lot easier when you have more tax money coming in.

President Obama's current slate of proposals is not going to erase the economic, psychological and political damage done to date by a long-held, misplaced faith in excessive government spending and bureaucratic problem solving. Americans see this clearly. They can see that conventional government programs will not advance our nation beyond its current stagnation.

What our country needs instead is an unambiguous and actionable way forward for the new political dynamic. The problem with the current national dialogue is the confusing mashup of conflicting policy signals from our political leadership. As if uncertainty about our economy were not enough, Washington creates even more uncertainty by, in some cases, proposing to give with one hand and take back with another. In other cases, it shows reluctance to offer any hand at all.

Americans are tired of the talk. Tired of the gamesmanship of politics. They want results. I agree with President Obama that Washington is out of touch. I agree that we need to invest in our future. This week at Knox College the President asked for ideas. The President said in his speech "I will welcome ideas from anyone from across the political spectrum".

OK Mr. President, we have a suggestion:

The nation needs to set a new national goal. That goal should be to grow the economy of this nation and far beyond the historical 3.2% rate of economic growth. All other national objectives should be subordinate to this goal of growth. We as a nation should only implement national economic policy and laws that lead to growth. The reverse is also true: we should avoid at all cost actions that discourage growth.

As we watch the debate between the House of Representatives, controlled by the Republicans, and the White House, controlled by the Democrats, we need to understand that judging by the new national standard, neither party is furthering the national goal. Cutting spending is a laudable objective, but it is not the best immediate way to obtain national growth. Raising taxes is the exact opposite of what is necessary to achieve national growth. Growth must become the new touchstone.

The national discussion right now is all wrong. The loudest theme is “tax the rich.” This is not a growth strategy, and isn’t even a debt/deficit reduction policy. The national debt today is about 16 trillion dollars. Put another way, the debt is 16,000 billion dollars. The annual deficit is about one trillion, ninety billion dollars. This amount equals 1,090 billion dollars. Tax increases on the “rich” promise to bring in between 20 and 45 billion dollars: a drop in the bucket.

While raising 20 to 45 billion extra dollars of new revenue is arguably better than nothing, it is clearly no strategy for taxing our way out of debt, and won’t make a dent in the nation’s deficit. Also, these proposals assume that the “rich” won’t take steps to reduce their taxable incomes or otherwise shelter their incomes, including investing overseas instead of here at home. It’s still a free county, and money is our most easily movable asset.

In other words, we’ll never see the 20 to 40 billion dollars from the tax increases. Meanwhile, investment will be discouraged, and we will have fewer jobs and less revenue on our economic activity. No one wants to become the advocate for the “rich.” The real point is different: The real question is: What actions will increase growth, employment, and real careers for all Americans, young or old, rich or poor, who want to get ahead?

The point is that nothing about “taxing the rich” or “compromise” or “lets all work together” has anything to do with the new national goal of growing the economy. While the “fiscal cliff” was avoided earlier this year, the only national policy that offers any real hope for the future is national growth. If the country grows, there will be more people employed. There will be more income for the government to tax. The country will get more revenue. The percent of spending as a percent of Gross Domestic Product, will go down automatically as our economic activity goes up. Pressure on entitlements and benefit programs will be reduced. Investment will be encouraged. National defense can be preserved. In fact, growth as the national policy should be the objective of both Democrats and Republicans, conservatives and liberals, and all Americans. Everybody wants more money to support the nation’s aspirations, however each of us defines it.

This is why we at the Free Congress Foundation have been consistent advocates for growth as a national policy, and why we created the “Growth Code”, to propose a specific tax reform with predictable growth results. The “Growth Code” proposal can be found on the Free Congress Foundation website at FreeCongress.org and we hope you will read our specific five point plan and join us in our efforts to save the nation. The good news is that eventually we, as a nation, will do what is necessary to grow the economy because we have no other choice. The question is: How many people will have to suffer until we figure it out?

What we should take away from President Obama’s Knox College speech is what he does not mention: He has proposed no bold program that will incentivize investment, job creation, and growth. The country desperately needs a growth plan to save the livelihoods of the people of the United States, but the President does not want growth to be a focus of the economic debate. It may be that the philosophy of this President makes it impossible for him to see the path forward that will bring us out of recession. We can only ask how many lives must be ruined, how much loss must be endured by the people of this country before a positive program comes forward? The emergency is now. The need for action is now. We

look forward to the day when we can complement the President on a new program to renew our economy and our country.

We invite all of our friends to read "The Growth Code" proposal in full at www.freecongress.org

THE GROWTH CODE

Made up of five steps, The Growth Code is simply, squarely and precisely focused on the taxcode and restoring America to a sustainable economic growth trajectory:

- * A simple unified 15% rate on all business income, regardless of the type of entity;
- * Tax rates of 10%, 15% and 25% on individual income is currently defined under the IRC;
- * Immediate expensing of capital equipment;
- * Elimination of the abhorrent practice of double taxation;
- * Any household living in poverty will receive a family tax credit of \$4,300.

Full Report of the Growth Code - <http://www.freecongress.org/wp-content/uploads/2011/11/The-Growth-Code-Final-Product.pdf>

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