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Republican 2012 Hopefuls Roll Out Economic Proposals From Taxes to Trade

By Rich Miller - Sep 16, 2011

The Republican presidential candidates are starting to move on from attacking [Barack Obama](#) for his handling of the economy to drawing differences with each other on the best way to promote jobs and growth.

The distinctions, on everything from which taxes to cut and by how much, to how much to reduce government spending, have emerged as the candidates have begun to fill in the details of some of their plans.

Texas Governor [Rick Perry](#), the front-runner in opinion polls, has so far been the least specific about the policies he'd pursue. That's left his rivals plumbing the book he released in November 2010, entitled "Fed Up! Our Fight to Save America from Washington," for clues on his views. Among his suggestions there: getting rid of the current [tax code](#) entirely.

The philosophical underpinnings of the candidates' positions are "pretty much cut from the same cloth," said [Douglas Holtz-Eakin](#), who served as economic adviser to Arizona Senator [John McCain](#) in the last presidential campaign. They attack President Obama's economic policies and advocate smaller government, lower taxes and less regulation. They've also been critical of the [Federal Reserve](#).

"They're all going to have to come out with more specifics on what they're going to do," said Gregory Valliere, chief political strategist with the Potomac Research Group in Washington. "That's where some differences will come out."

Detailed Plan

Former Massachusetts Governor [Mitt Romney](#), who is running second to Perry in polls, has the most detailed plan to date, a 59-point program that includes proposals on everything from worker training programs to visas for skilled immigrants. The net result, he says: annual economic growth of 4 percent.

"If you'd hired McKinsey, this is the plan you'd get," said [Kevin Hassett](#), director of economic policy studies at the [American Enterprise Institute](#) in Washington, referring to consultants McKinsey & Co. Romney, 64, is the former chief executive of the investment firm Bain Capital LLC.

Taxes -- and the need to reduce them -- are once again a centerpiece in the Republican campaign. What's different is the focus on corporate and capital gains taxes, rather than on household income taxes, said Michael Tanner, senior fellow at the [Cato Institute](#) in Washington.

"It reflects the economic times and the idea that we're talking about job creation," Tanner said.

Job Growth

A study last year by the [Heritage Foundation](#) in Washington concluded that a 10 percentage point cut in the corporate tax rate would boost job growth by an average 581,000 per year from 2011 to 2020.

Perry, 61, questioned in his book how U.S. companies can compete with tax rates well above those of their foreign rivals, though he didn't say how much to cut.

Other candidates have provided more specifics. Romney and former Utah Governor [Jon Huntsman](#) have called for a reduction to 25 percent from 35 percent. U.S. Representative [Michele Bachmann](#) of Minnesota in the past has sponsored legislation to reduce the rate to that level as well, though she's suggested since she'd like to cut it by more.

Others have proposed going further. [Rick Santorum](#), 53, former senator from Pennsylvania, wants the corporate tax cut in half and would exempt manufacturing facilities.

[Newt Gingrich](#), 68, former speaker of the House of Representatives, would slash it to 12.5 percent and also allow companies to write off 100 percent of new-equipment purchase costs.

Herman Cain, 65, who once headed Godfather's Pizza Inc., proposes "the 9-9-9 plan" -- a 9 percent business flat tax, a 9 percent individual flat tax and a 9 percent national sales tax.

Personal Taxes

Differences have also started to surface on personal taxes.

Huntsman, 51, who started the campaign portraying himself as the moderate in the race, advocates a major overhaul of household income taxes with "drastically lower" rates of 8 percent, 14 percent and 23 percent. To pay for that, he'd end all deductions and credits. Huntsman would also eliminate taxes on [capital gains](#) and dividends.

"It's a real swashbuckling plan," Hasset said.

Perry also favors sweeping tax changes. He said in his book that one option would be to replace the current code in favor of a flat tax on income. Another option would be to put in place “an alternative model such as a national sales tax or the Fair Tax.”

Fair Tax

Cain and Texas Congressman [Ron Paul](#), 76, have also spoken approvingly of the Fair Tax -- a retail sales tax that would shield Americans below the poverty line from its impact.

Romney was more guarded when asked about the proposal in a Sept. 12 candidates’ debate. The tax “lowers the burden on the very highest income folks and the very lowest income folks, and raises it on middle-income people,” he said.

He then plugged his proposal to eliminate taxes on interest income, dividends or capital gains for middle-class Americans making less than \$200,000. That plan has been criticized by some conservatives for not going far enough and “for signing on to Obama’s definition of middle class,” Valliere said.

On federal spending, the candidates agree it needs to be reduced, though they differ over how much.

Romney initially wants to cut government outlays to 20 percent of gross domestic product. Others, including Huntsman and Santorum, favor an 18 percent cap.

Spending Cuts

Bachmann, 55, a leader of the Tea Party caucus in Congress, has a three-page list of “potential spending cuts,” including eliminating the International Trade Commission and the Overseas Private Investment Corp., which promotes development abroad.

A key difference is over military outlays: Paul has been the most vocal about reducing them -- a policy that the others have either shied away from endorsing or opposed outright.

It’s on trade that Romney has cast aside his cautiousness. He has promised that on his first day as president he’ll brand [China](#) a currency manipulator for holding down the value of the yuan and set in motion plans to slap duties on U.S. imports of Chinese goods in return.

Huntsman, who served as ambassador to China in the Obama administration from 2009 to 2011, chided Romney for the tough talk, saying in a Sept. 7 debate that “now is not the time in a recession to start a trade war.”

Romney has also surprised analysts like Valliere by joining the other Republicans in criticizing Fed Chairman [Ben S. Bernanke](#) for his handling of monetary policy. While he’s eschewed the heated rhetoric of Perry -- the Texas governor said it would be “almost

treasonous” if Bernanke pushed ahead with additional monetary stimulus -- Romney has declared that he wouldn't reappoint the Fed chairman when his term is up in 2014.

'Fire' Bernanke

Gingrich has said he'd “fire” Bernanke -- though since the Fed is independent the president can't do that. Paul would go even further and abolish the central bank.

Economists Mark Zandi of Moody's Analytics and Nariman Behravesh of consultant IHS said they doubt that the Republican programs will have much short-term impact on growth. While proposals such as broad-based tax reform will benefit the economy by enhancing efficiency, the effect of such steps only will be felt over time, they said.

Holtz-Eakin, who is president of the American Action Forum in [Washington](#), disagreed. Businesses will grow more confident and start to spend more if they believe the economy's potential is being expanded, he said.

“We are growing so slowly that every time something bad happens we get dangerously close to zero and everybody gets panicky,” he said. “The trend rate of growth is too slow. The Republicans want to increase it.”