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Herman Cain's proposals would boost economy and create jobs: economist

Herman Cain's 5-step plan would boost the US economy and create jobs, according to Daniel Mitchell, an economist and senior fellow at the Cato Institute.

Mitchell said in the 21st century, globalization has made it easy for businesses to shift their money (investments) and operations (jobs) internationally. Therefore, it's of the utmost importance for the US to have the right policies and economics in order to win those operations and monies.

Mitchell said the Obama administration's policies do the opposite. Cain's proposed policies, however, would work to achieve those goals.

Below are his comments on each of Cain's 5 proposals.

1) Lower the corporate tax rate to 25 percent from 35 percent.

Mitchell: The US has one of the highest corporate tax rates in the world, which is a very self-destructive policy in a globally competitive environment. I think it should be lowered to 15 percent, but 25 percent is a good start.

2) Take the capital gains tax rate to zero.

Mitchell: The capital gains tax is a form of double taxation (businesses already get taxed on profits, so taxing the gains of investors would be doing it twice). Many of America's trade partners have no capital gains tax, so it would be beneficial for the US to join them in that policy.

3) Take the tax rate on the repatriation of foreign profits for US companies to zero.

Mitchell: Almost every nation in the world taxes their companies on a territorial basis. The US is one of the few countries to tax on a worldwide basis.

4) Cut the entire 6.2 percent payrolls tax for workers and employers for 1 year.

Mitchell: I'm not a big fan of this approach. Generally speaking, people only respond to permanent change in incentives. If you permanently eliminate taxes on workers, you'll increase their incentive to work and be more productive. A 1-year holiday doesn't help that much, but it certainly doesn't hurt, either.

5) Make the tax rates permanent or indefinite.

Mitchell: Permanent tax reductions are positive. In 2013, we have a potentially damaging automatic tax increase. It's a threat to the economy and presents investors with uncertainty.

Mitchell said there are plenty of US companies that have money right now. However, they can't spend or invest their money profitably in the US because of current tax burdens and the threat of future tax burdens. Meanwhile, many developed countries and US trade partners offer them a better deal.

To rectify this problem and better compete with foreign countries, the US should therefore implement something similar to what Cain proposed.

Mitchell said he knows Cain from serving together in the National Tax Reform Commission in the 1990s. He described Cain as a “bright and dedicated” person “who has a genuine desire to make the country better.”