



Perry Trumps Gingrich, Santorum as Top Conservative Standing

By: **NANCY PFOTENHAUER**

The news has been filled with prognostications about whether or not conservative voters in South Carolina will coalesce around an alternative to former Massachusetts Gov. Mitt Romney. With Texas Rep. Ron Paul keeping a firm grasp on libertarian-leaning small government advocates, we are looking at a potential trifurcation of the traditional conservative vote among former Sen. Rick Santorum, former House Speaker Newt Gingrich and Texas Gov. [Rick Perry](#). On social policy, there really is not much daylight among those three gentlemen. Let's then put a yardstick against them on economic policy and see who is likely to do the most to turn the economy around. While I sympathize (and generally agree) with Federal Reserve bashing, right now it is a moot point. The current system is set up to allow the Fed to operate independently and the staggered, long term appointments of Fed governors ensures some level of political insulation. If directly modifying our monetary policy is off the table, we're left with fiscal and regulatory policy. So what does a Santorum/Gingrich/Perry comparison tell us on these two drivers of the economy?

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First, tax policy, where Rick Perry comes out on top. His plan is far superior to both of his competitors for the conservative crown and, frankly, ranks above everyone but former Gov. Jon Huntsman based on analysis done by the independent, non-partisan [Tax Foundation](#). Interestingly enough, that same analysis, which considers ten principles equally weighted, gives Perry a B, Gingrich a C+, with Santorum bringing up the rear with a D+. To be sure, post-Iowa, Rick Santorum has made some encouraging comments about the flat tax. It just a shame this embrace is so loose and so late.

As a quick summary, Perry's plan is based on an optional 20 percent flat tax, and importantly, eliminates almost all of the punitive double and triple taxation of savings and investment. Operationally, this means he ends the estate tax and exempts dividends and long-term capital gains from the definition of earnings. It's optionality, however, means he doesn't necessarily simplify the code and there would be some unpredictability in revenues. Gingrich happily goes with a 15 percent flat tax and lowers taxes on both business and invest, thereby improving competitiveness for U.S. companies.

Unfortunately, the former speaker keeps many of the largest tax expenditures and it, as The Tax Foundation notes, "continues the worldwide taxation of U.S. corporate income." Santorum's plan leaves special interest provisions in the code and actually adds another one in through taxing manufacturers at a rate of ... zero. Most damagingly, however, it does nothing to remove the double and triple taxations of savings and investment that Governor Perry corrects.

On spending, the big test is support for or opposition to House Budget Committee Chairman [Paul Ryan's](#) budget. Despite the doomsday crowd howling about "savage" cuts, the Ryan budget simply slows the growth rate of federal spending. [This chart by Ph.D. economist Dan Mitchell of the Cato Institute](#) says it all. As readers will note, the slope of the spending line continues to climb under our current path and Rep. Ryan's blueprint. On this criterion, we see Perry, and Santorum near the top. Former Speaker Gingrich, however, comes in dead last with his characterization of Ryan's budget as "right-wing social engineering."

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On regulation, the clearest indicator of common sense is where the candidates stand on the Regulations of the Executive in Need of Scrutiny, or REINS, Act. The bill, which passed the House on Dec. 7, 2011 (241-184), would dramatically improve political accountability for "major" regulations (defined as those carrying an annual economic price-tag in excess of \$100 million) by requiring Congress to vote to approve them. Essentially, it would force members of Congress to own the regulatory costs of the legislation they pass, a long overdue reform.

None of the three competitors for the conservative crown in South Carolina have weighed in on this critical tool for regulatory oversight. (Only two of the Republican presidential candidates have gone on record on this issue: Romney and Paul. The former Massachusetts governor gets extra points for identifying the significance of the legislation and clearly incorporating it into his [economic plan](#). Paul gets credit for voting for the bill). Free market advocates understand the significant role regulatory burdens play in the health of our economy. Any Republican candidate who hasn't endorsed at least the concept of the Reins Act is showing his ignorance of a key factor affecting economic growth. All three contenders for the conservative nod appear equally at a disadvantage here, but I look forward to being corrected in this matter.

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So, Gingrich is strong on his vision on tax policy, probably because of his close collaboration with revered supply-sider Jack Kemp. He sets off every alarm on spending with his harsh attack on Ryan's budget. Santorum underwhelms on tax policy, seems positive on the Ryan budget, but voted for large [spending increases](#) and has written a book prescribing a vastly larger role for the federal government. On net, Gov. Rick Perry seems the best of the bunch on both spending and taxes. Finally, a compelling reason for him to stay in the race.