The Romney Economic Agenda and Its Effect on the Middle Class and Growth

How His Economic Proposals Depend on the Failed Bush Strategy of Enriching the Wealthy at the Expense of Everyone Else

Michael Linden, Seth Hanlon, Jennifer Erickson, Gadi Dechter, Adam Hersh, and Karla Walter
July 2012
It is no exaggeration to say that the linchpin of former Massachusetts Gov. Mitt Romney’s economic strategy is to further enrich the richest 1 percent of Americans. Nearly every element of his economic agenda revolves around what would be good for the richest people and the biggest corporations in the United States. This shouldn’t truly surprise anyone. His approach is very much in line with the dominant conservative economic theory of the last three decades, “supply-side economics,” and shares numerous characteristics with the economic policies of the George W. Bush administration.

Indeed, there is little, if anything, in the economic agenda of the current Republican presidential aspirant that would be considered particularly revolutionary among adherents of the supply-side theory. But what is notable is the degree to which Gov. Romney doubles down on that theory and on the policies of President George W. Bush to produce a plan that would dramatically favor the very rich over the interests of everyone else. It’s especially notable given how badly that theory and those policies fared during the past decade.

Supply-side economic theory holds that the best way to ensure prosperity is to, as much as possible, minimize taxation and government regulation on those who (in the view of supply-side theorists) are the most likely to produce growth: the rich. The often-used epithet, “trickle-down economics” is actually not far off from the central idea of supply-side theory. Reward wealth, allow the rich the freedom to use their money as they see fit, give corporations a free hand in how they treat their workers and customers and the result will be eventual prosperity for everyone. This idea is why adherents of supply-side theory so often like refer to rich people as “job creators.” They honestly believe it.

The problem for supply-siders in general, and for Gov. Romney in particular, is that we have repeatedly tried using their policies and those policies have repeatedly failed—and rather spectacularly at that. The presidency of George W. Bush is, of course, the prime example. By almost any standard, economic performance
under President Bush was awful, especially compared to his predecessor President Bill Clinton, who, in direct contravention to his supply-side critics, raised taxes on the rich.\(^1\) In fact, economic performance under President Clinton outpaced even that of the patron saint of supply-side theory: President Ronald Reagan.\(^2\)

The empirical evidence is very clear. Supply-side theory may sound good on paper, but it hasn’t worked in practice. Instead of prosperity trickling down, wealth seems to flow up.\(^3\)

Unfortunately, Gov. Romney does not appear to have taken any lessons from the Clinton and Bush presidencies. Instead, his economic plan is chock-full of policies that will make the very rich—and by extension, supply-siders—very happy.

This report takes a close look at the core of Gov. Romney’s economic agenda and describes just how just how targeted it is for the benefit of the few at the expense of the many in our nation. In brief, Gov. Romney’s plan for the economy can be summed up in four main points. His plan is built on:

- A tax plan solely for the 1 percent, raising taxes on nearly everyone else
- Massive yet unspecified spending cuts that threaten our economic competitiveness, future prosperity, and public safety
- Fiscal policies that will only exacerbate our federal budget challenges
- Extreme plans to exempt businesses from adhering to the most basic safety, health, environmental, and workplace rules and regulations

A tax plan solely for the 1 percent

The key element of any good supply-side economic plan is lower taxes for the rich and Gov. Romney’s blueprint absolutely delivers. The main element of his tax proposals consists of massive cuts for those at the very top. The total magnitude of the Romney tax cuts exceeds even that of the Bush tax cuts, a fact made all the more startling when you realize that Gov. Romney wants his new tax cuts \textit{in addition to}, not instead of, the Bush tax cuts.

The Romney tax plan also reflects an unfortunate corollary of supply-side’s main argument—since the rich are the key to prosperity, everyone else doesn’t matter very much. In essence, supply-siders believe while tax cuts for everyone would be nice, it’s really only the ones for the top that matter. Though Gov. Romney’s
specific proposals would, in fact, give everyone a tax cut, he has also promised to keep overall revenues where they were under President George W. Bush’s tax policies. Though Gov. Romney declines to explain how he would accomplish this feat, under any reasonable assumptions (and even most unreasonable ones) taxes for the middle class would have to go up.

The Republican presidential candidate’s tax plan, therefore, is a perfect illustration of supply-side theory—dramatically lower taxes for the rich, higher taxes for everyone else.

**Promises of massive unspecified spending cuts**

Gov. Romney combines his specific tax cut proposals with promises of extremely vague spending cuts. Instead of detailing which programs should be reduced or eliminated and which should be maintained, he sets forth a broad target for federal spending: 20 percent of gross domestic product, the broadest measure of overall economic activity. Gov. Romney proposes a handful of specific spending cuts but by and large, he declines to explain how he would meet that target.

Unfortunately for the vast majority of Americans, the only way for a Romney administration to hit that target would be to implement massive cuts to most services, programs, benefits, and government assistance—everything from air traffic controllers to food safety inspectors, federal funding for education to investments in basic research and development, as well as a variety of assistance programs that enable low-income Americans to grasp a hand up into the middle class. And though Gov. Romney says he wants to protect Social Security and Medicare for current retirees and those soon to enter retirement, the math simply won’t work. Gov. Romney’s spending cap will, sooner or later, lead to enormous cuts for those two programs as well.

**Rhetoric about fiscal responsibility, but policies that lead to more debt**

The age of permanent federal budget deficits started with the first supply-side president, Ronald Reagan, and accelerated with the last one, George W. Bush. Gov. Romney’s policies promise another round of supply-side budgeting: big tax cuts financed by more debt. Gov. Romney certainly embraces the rhetoric of
fiscal responsibility—as, of course, did President Bush—but the actual policies he proposes would inexorably lead to more debt.

**An extreme deregulation agenda**

After low taxes for the rich, the second tenet of faith among the followers of supply-side theories is that corporations must be as free as possible from regulation and oversight. Gov. Romney’s plan embraces that ethos with gusto. His agenda includes proposals to repeal existing regulations, to make it nearly impossible to enact any new regulations, and to allow the executive branch to decline to implement any new rules or requirements that Congress does manage to pass. Gov. Romney also proposes to roll back many environmental regulations and worker protections.

Combined with spending policies that would inevitably slash the operation budgets of many regulatory agencies, Gov. Romney’s deregulation agenda would effectively give corporations nearly free reign. These policies flow from the belief that what’s good for the bottom lines of the Fortune 500 is necessarily good for everyone. They decidedly reject the notion that fair and efficient markets depend on a level playing field, clear rules, and impartial referees.

**Understanding Romney’s economic worldview**

Each of these elements in Gov. Romney’s economic policy proposals, in their own way, seeks to bolster those at the top. After all, that is the underlying premise of supply-side economic theory. Tax cuts that are paid for with middle-class tax hikes and cuts to middle-class programs or else not paid for at all—leaving it to future generations of Americans to pay off the debt. Less oversight of corporations and fewer rules about how those corporations can treat their customers, workers, and even shareholders.

And just as it shouldn’t be terribly surprising that Gov. Romney’s economic plan is a reflection of supply-side theory, it also shouldn’t surprise us when that plan fails to generate growth. After 30 years of economic experimentation, we know that a focus on the rich doesn’t yield broad prosperity; it only results in more inequality. Instead, a growing body of economic research points to very different ingredients for growth, chief among them a strong middle class.4
But Gov. Romney doesn’t have a plan for a strong middle class. Quite the opposite. The middle class would have to pay, one way or the other, for the enormous tax cuts he promises to deliver to the rich. Average Americans would also have to shoulder the burden of any deficit reduction that occurs under a Romney administration. Middle-class workers and those aspiring to join the middle class benefit from the labor standards and fair pay laws and regulations that Gov. Romney would like to see scaled back or eliminated. It is the 99 percent who depend on the environmental protections that Gov. Romney thinks are “job killers.” And it’s largely the middle class who will be asked to pick up the tab when Wall Street inevitably gets in trouble again after Romney repeals the financial reforms enacted in the wake of the housing and financial crises that nearly brought the world economy tumbling down.

Ultimately, Gov. Romney’s economic policies are heavily tilted toward the rich and corporations because that’s who he thinks are important for economic growth. The result of implementing those policies would be higher costs, fewer services, and weaker protections for the middle class as well as for lower-income Americans aspiring to the middle class. Gov. Romney believes that the positive effects of lower taxes for the rich and looser regulations for big businesses will more than offset the increased burden for the middle class. Both recent history and empirical economic evidence demonstrate why he’s wrong.
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