



From the office of Texas Workforce Commission

# Chairman Tom Pauken

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Opinion/Editorial

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## **America's Pressing Problems: Joblessness and Debt** by **Tom Pauken**

“Jobless America threatens to bring all of us down with it” is the headline of a recent story by Jeremy Warner in the British newspaper, *The Daily Telegraph*. In the article, Warner notes that the U.S. unemployment rate nationally continues to hover in the 10-percent range and that the U.S. may be facing something new: “a structural problem of unemployment.”

High levels of joblessness are made even worse by the enormous levels of government debt. The *Telegraph* reporter cites, “IMF estimates which see gross U.S. debt rising to well in excess of 110 percent of GDP by 2015.” Warner concludes on an even gloomier note that Washington policymakers have “no strategy for the jobless and no strategy for rolling back debt.”

With national elections looming on November 2nd, Americans sense the seriousness of the situation and are demanding more than the same old empty political slogans and short-term fixes from Washington policymakers. The various stimulus schemes from Washington to inject “government money” into the system in order to get the American consumers to spend our way out of this nasty national recession simply haven’t worked. We’ve had Cash for Clunkers, tax credits for homebuyers, artificially low interest rates from the Fed, huge spending increases at the federal level -- all supposedly designed to get the consumer spending again and to get unemployment rates down. The Washington policymakers are simply making a bad situation worse. All they have to show for their various “stimulus packages” are persistently high unemployment rates and much greater government debt levels.

Isn’t it time to try a different approach?

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Let me make the case for a bold economic strategy designed to put Americans back to work while getting federal spending under control. Rather than continue the Keynesian policies of attempting to have our government spend its way to recovery, a truly long-term solution to high unemployment is to start growing the private sector again. To borrow a phrase from the late President John F. Kennedy, “a rising tide lifts all boats.”

The quickest way to get the American economy moving is by replacing our onerous business tax system that has the perverse effect of exporting prosperity and good American jobs abroad. From 1999 to 2009, there was zero growth in private sector employment nationally with the only growth in employment coming from an increase in government jobs. During that same 10-year period, the U.S. lost one-third of its manufacturing base. That’s a total of 5.5 million good American jobs that were shipped overseas, outsourced or simply went away. We currently are running trade deficits with 90 separate nations, and our manufacturing trade deficit from 2000 to 2008 amounted to \$5.4 trillion. This combination of large trade deficits along with private sector job losses has continued during the first two years of the Obama administration.

The situation may be dire, but it isn’t hopeless. One way to jump-start the economy and start bringing good jobs home to America is by replacing the current corporate tax system which has a tax rate of 35 percent and a 6.2 percent payroll tax. A better way to tax business is with a revenue-neutral, business consumption tax that would be applied to all goods and services coming into the U.S. All companies exporting from the U.S. would receive a tax abatement or tax credit against their business consumption tax. Immediately, this change in tax policy would result in leveling the playing field between us and our trading competitors. It will help bring jobs home to America, get our economy moving again, and begin rebuilding our manufacturing base. Moreover, this new economic policy will lead to a substantial reduction in our trade deficit. Known as the Hartman Plan, this idea is beginning to get bipartisan support. Former Democratic Senator Fritz Hollings supports this approach to business taxation as do Sen. Jim DeMint and Congressman Paul Ryan.

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To tackle the federal spending and debt problems, our national government first must enact an austerity budget, akin to what the new Cameron government is doing in Great Britain. The new motto coming out of Washington, D.C., should be “doing more with less.” We showed that such an approach could work, as it did in President Ronald Reagan’s first term in office from 1981 through 1984, when literally we cut domestic spending at a time of high inflation. No administration has been serious about cutting spending since then. Given our extraordinary levels of government debt in 2010 we have no alternative except to get our federal debt levels under control before it is too late.

Any major effort to rein in federal spending also must address the excessive concentration of power in Washington, D.C., with its ever mounting federal mandates and earmarks. This is an apt moment for a major shift away from the concentration of power in Washington, D.C., to a decentralized approach which would allow the states and local communities to exercise a much greater control over how those federal dollars are best spent in their respective areas. “One size doesn’t fit all” when it comes to dictating policy by a centralized bureaucracy headquartered in Washington, D.C. Diversity is a strength, not a weakness of our great nation. As quickly as possible, we need to move power and money away from Washington, D.C., and back into the hands of the states, communities, and the people themselves.

America faces a more serious set of problems than at any time in my lifetime. But, great problems present great opportunities for major reforms of those policies which have led us into a state of economic crisis.

Let the debate begin.

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*The Texas Workforce Commission is a state agency dedicated to helping Texas employers, workers and communities prosper economically. For details on TWC and the programs it offers in coordination with its network of local workforce development boards, call (512) 463-8556 or visit [www.texasworkforce.org](http://www.texasworkforce.org).*