



# Congressman Joe Pitts

Sixteenth Congressional District of Pennsylvania

## Memorandum on Jobs and the Economy

TO: Citizens of the 16<sup>th</sup> Congressional District of Pennsylvania  
FROM: Congressman Joe Pitts  
DATE: November 9, 2011  
RE: Creating Jobs and Fixing Our Economy

---

The current economic situation is severely harming American families, American businesses, and America's stature in the world. With unemployment at 9 percent, millions of Americans are struggling every day to meet the basic necessities of life. When "under-employment" and unreported unemployment are added, that number nearly doubles. Repairing the situation is the single most important priority facing our nation and our government.

Ideological battles, interest group agendas, and partisanship must take a back seat to actually fixing the problem. The price for failure is too high and we have learned too much from past recessions to allow any excuses for failing to do the right things.

I want to highlight the various bills passed by the House this year to help job creators. It is even more important that I explain in detail what further steps we should take to reinvigorate our economy and encourage the creation of new jobs.

Many of my ideas were first presented in the memo I wrote to you after I voted against the so-called "stimulus" bill on January 28, 2009. I believed then that this exceptionally expensive legislation would be ineffective at turning the economy around, and I was right. On the day it was passed, unemployment was at 7.2 percent. Unemployment has increased more than 25% since then and remained high despite the stimulus bill and other efforts. It is essential that Congress focus on bipartisan solutions we know will work.

## What Doesn't Work

Prosperity does not come from the government. It comes from the genius, entrepreneurship, and hard work of the American people. Yet, many in Washington believe the key to prosperity is more government ownership, control, and micromanagement of the economy.

**Stealing from the Economy.** Everything the government does costs money. Before the government can spend money it has to take it from someone. That siphons money out of the economy that could otherwise be invested in new factories, new businesses, and new jobs. Even borrowed money steals from job-creators as government debt securities compete with Wall Street for investor dollars. Big government is bad for the economy.

**Micromanaging the Economy.** Many government agencies treat the American people like children, refusing to let business owners and entrepreneurs run their businesses without excessively close supervision. The housing bubble and other scandals certainly show us that regulation is necessary to prevent greed and corruption from running amok, but many government agencies go far beyond what is necessary. This is bad for the economy.

**Unstable Policies.** Some in Washington don't seem to understand the effect that their rhetoric and policies have on existing businesses. Increased or even merely inconsistent tax rates make it impossible for businesses to plan for the future. Similarly, uncertainty about future regulation makes it impossible for businesses to plan. Not being able to plan means not investing and not hiring. Many American businesses that might otherwise have expanded and hired spent all of 2009 and 2010 in "wait and see" mode. In 2011, the regulatory machinery of the federal government has continued to put roadblocks in front on job creators.

**Deficit Spending.** Recent events in Europe and here at home have illustrated what I have long argued: that high levels of debt and spending are inherently dangerous to the economy.

With the passage of the Budget Control Act in July, we have taken a first step toward getting our fiscal house in order. We reduced spending by \$917 billion over the next ten years and a Joint Select Committee of Senators and Representatives is meeting now to come up with an additional \$1.5 trillion in deficit reduction. Our debt burden is still growing too fast and we will need to take further action over the years.

### Why Government Spending Failed

The stimulus bill focused on massive federal spending in the belief that huge government outlays to federal, state, and local agencies and to federal contractors would seed the economy with new economic activity. Instead, it has massively increased the amount of money we owe to China and other creditors, permanently increased the baseline of federal spending, and has done little to encourage the private sector (the real job creators) to hire. The jobs it saved were almost exclusively those of government employees. The total cost, including interest (we borrowed all of the money), was over \$1 trillion.

At the time, I proposed a plan that would encourage entrepreneurs and businesses to invest and hire by reducing their tax burdens, by reducing the price of energy, by limiting their regulatory burdens to those that make sense, and by opening new markets.

## What I Believe We Should Do.

The first thing we need to recognize is that the government cannot snap its fingers and create prosperity. Government cannot create wealth. All it can do is move wealth around, robbing from Peter to pay Paul. Government needs to approach the situation with humility, admitting that the real power to create prosperity lies outside of Washington. Here are my priorities for addressing our current economic situation and restoring vitality and full employment to our economy.

**Help Those Who Need Help.** We must never forget that millions of Americans are struggling. We need to help the unemployed, but the help we give must be paid for and not added to our debt. This means tough choices for politicians, but those choices are no tougher than those made by Americans every day.

**Extending Unemployment Benefits.** In response to growing unemployment and a deepening recession, I voted to create the Emergency Unemployment Compensation program. This was the eighth time in history that Congress has created such a program. Congress has since expanded or extended the program seven times. I supported those extensions and expansions when they were done responsibly. For instance, there was an expansion of the program in the “stimulus” bill, but I didn’t vote for it because the entire bill added more than \$1 trillion to the debt.

**Stable and Low Taxation.** One of the greatest impediments to job growth is the tax code. Constant tinkering with our tax code makes it very difficult for employers to plan ahead and hire new workers.

**Maintain Existing Personal Income Tax Brackets.** In 2001, Congress restructured the income tax to create a new bottom bracket of 10 percent and to lower each of the existing tax brackets. Because some senators objected to the tax cuts, the reductions were enacted for only ten years.

**Reduce Taxes on Employers.** The U.S. effective corporate tax rate is 40 percent, one of the highest rates in the world. This is a significant disincentive for corporations to set up shop in America and dramatically decreases new job growth. I support H.R. 5029 that would reduce the federal corporate income tax rate to 12.5 percent.

### Distractions.

In 2009 and 2010, Democratic leaders in Washington used “job creation” as a talking point for other priorities, rather than focusing on job creation itself. They used the lure of “job creation” to push for every one of their priorities from Cap and Trade to Obamacare. The actual creation of jobs, of course, did not happen.

Even rank and file Democrats in Congress are angry about this. The Washington newspaper *Roll Call* reported that “one liberal House Democrat [Rep. Raul Grijalva] laughed when asked if he thought of the climate change package as a jobs bill.”

Likewise, Rep. Peter DeFazio, a liberal Democrat from Oregon, blasted the “stimulus” bill, saying, “Those are fantasy jobs. Those aren’t real jobs. They just need to put a cork in it and realize that some things that have been around for a while are still relevant ... like a good transportation network that isn’t falling apart.”

There are certainly many Democrats in Washington who believe the stimulus, healthcare, and cap and trade bills were good policy. Seemingly few, however, believe they were truly focused on fixing the economy and creating jobs.

**Reduce or Eliminate the Capital Gains Tax.** H.R. 5029 also eliminates the capital gains tax. Experience shows that the government actually collects less tax revenue at a high capital gains tax rate than it does at low rates, because the capital gains tax discourages investment and economic activity.<sup>1</sup>

**Eliminate the Estate Tax.** The estate tax is bad for small, family businesses because they often can't afford to pay the tax when it comes time to pass the business on to the next generation. Small businesses are the number one job producer in America.

**Balance the Budget and Start Paying Off Debt.** Paying down our national debt is becoming urgent. One only has to look at Greece to see what can happen to a nation steeped in debt. Fiscal responsibility produces prosperity. Fiscal responsibility is also entirely possible. I co-wrote four consecutive balanced budgets when I served on the House Budget Committee, negotiating each one with President Clinton. I know it can be done.

**This year, I voted for the House Republican Cut, Cap, and Balance Act that tried to:**

- **Cut** \$111 billion in spending this year to bring our federal government back down to the same level of spending as in fiscal year 2008. The least we can do is go back to the same budget we had before the spending binge started. From there we can move forward with further spending reforms and get our government down to the right size.
- **Cap** government spending to bring it down to the historic average of 20 percent by 2021. Right now we are spending over 24 percent of GDP, far over the historic average. This rate of spending is simply unsustainable.
- **Balance** the budget over the long term by enacting a constitutional amendment. I support H.J.Res. 1, a resolution that would create a balanced budget amendment. This would force Congress to balance its budget every year unless three-fifths of the House and Senate agree to deficit spending. Pennsylvania and other states are required to balance their budget each year, and Congress should be as well.

**Just Doing the Right Thing.** In truth, any President can propose a balanced budget and any Congress can pass a balanced budget. It just takes courage and the willingness to say "no" to things we can't afford.

**More and Cheaper Energy.** Everything we do in our economy requires gasoline, electricity, or some other form of energy. From getting to work to turning on your computer when you get there, you need energy to be productive. Manufacturing in particular requires significant amounts of energy to produce things. High energy prices not only suppress the creation of new jobs but also create a strong incentive to move factories to other countries. We must increase our supply of energy by promoting new and cleaner sources and by responsibly maximizing our use of existing domestic sources.

**Promote Clean Energy.** It is very important that we produce energy as cleanly and responsibly as possible. Wind, solar, and hydroelectric power generation do not pollute the air, but only constitute 7 percent of our power generation. We need to promote these clean sources of energy to reduce our reliance on imported fossil fuels.

---

<sup>1</sup> In 1998 Congress and President Clinton reduced the rate from 28 percent to 20 percent. Congress also balanced the budget that year. In 2003, President Bush and Congress further reduced the rate to 15 percent. Investments and tax receipts increased both times.

**Maximize Use of Domestic Energy.** America owns tremendous deposits of coal, oil, and natural gas. As long as we are dependent on fossil fuels, we should use our own sources as often as possible for economic, environmental, and political reasons. We need to continue investing in technologies to make our use of fossil fuels cleaner and more efficient. New hydraulic fracturing technology has made Pennsylvania's own huge natural gas deposits accessible for the first time. Natural gas is far cleaner than coal or oil and is supporting jobs in the 16<sup>th</sup> District even though there is no shale gas in our immediate area. Domestic energy production creates new jobs across the country.

**Regulate Wisely.** When it comes to regulation, more is not necessarily better. We need the right regulations and then we need to enforce them. Bad and unnecessary regulations stifle job creation. The regulations we have should be aimed at stopping fraud and incompetence, and at lowering costs. Lowering costs will allow employers to hire more workers.

**Healthcare.** Healthcare is not just an important service; it is a major part of our economy that provides millions of American jobs. How we regulate the business of healthcare will have a direct impact on the health of our economy.

**Repeal Obamacare.** Of all the reasons to repeal Obamacare, the most important is that we simply can't afford it. Obamacare should be repealed and replaced with commonsense measures to make sure people can get insurance even if they have pre-existing conditions or need help paying for it.

**Replace With Better Ideas.** We cannot just stop at repeal. There are still major problems with our health care system making health insurance unaffordable for far too many Americans. We need to end tax policies that discriminate against individuals buying insurance on their own, rather than through an employer. With a dynamic, mobile workforce we need to make insurance portable and allow competition across state lines. We need to eliminate junk lawsuits and reduce the cost of malpractice insurance. Finally, we need to reform the Food and Drug Administration to speed medical innovation and new cures.

**Banking.** The financial crisis exposed the inadequacy of our financial regulatory structure. Large banks were deemed "too big to fail," and subsequently bailed out with taxpayer dollars. Fannie Mae and Freddie Mac, two quasi-government corporations, pumped capital into the housing market, which inflated the housing bubble at an ever-accelerating rate. Finally, the Federal Reserve had broad authority to intervene in the economy, picking winners and losers in the market and further jeopardizing the taxpayer. Clearly our financial markets need to be reformed.

**End "Too Big to Fail."** We need to make bankruptcy for all banks of any size a viable option. Bankruptcy helps to ensure market discipline, something many of the biggest banks do not have. The financial "reform" bill passed last year, actually enshrined "too big to fail" in our laws.

**Reform Fannie Mae and Freddie Mac.** I'm a cosponsor of H.R. 1182, the GSE Bailout Elimination and Taxpayer Protection Act, which reforms Freddie and Fannie so that the taxpayer is not stuck dumping hundreds of billions of dollars into these failing housing giants.



**End Chinese Currency Manipulation.** Congress should pass H.R. 639, the Currency Reform for Fair Trade Act. This legislation would press China to stop manipulating the value of its currency to gain an unfair advantage in its trading relationships.

**Reform Federal Subsidy Programs.** For example, Federal controls on the sugar market ensure profits for the sugar industry by artificially propping up the price of this commodity. The Department of Commerce estimates that the high price of sugar has cost 90,000 jobs nationwide, some of them in the 16<sup>th</sup> District. I have bipartisan legislation, H.R. 1385, the Free Market Sugar Act, that would help keep food jobs in the U.S. Other subsidy programs should be reformed or eliminated.

**Build Infrastructure.** While government can't simply create prosperity, it can do things to help those who can. One thing government can do to help is build infrastructure. The construction of new roads and bridges is the government's job, and now is a good time to do it. Modern infrastructure helps the economy as goods move more efficiently from factories to consumers.

**Redirect Stimulus Dollars to Infrastructure.** The stimulus bill directed only a small portion of its money to infrastructure spending. Hundreds of billions of unspent stimulus dollars could be redirected to infrastructure spending, creating temporary construction jobs and improving the business climate for almost every American business.

**Pass H.R. 1846, the Highway Trust Fund Reform Act.** This legislation will replenish diminishing highway funds by repealing outdated and costly labor provisions in the 1931 Davis-Bacon Act.

## What the House Has Done This Year

Right from the start of this year, House Republicans have worked to provide relief to job creators. We remain committed to keeping our campaign promise to put jobs and economic growth at the top of the agenda.

**Empowering Small Business Owners.** One of first bills the House dealt with this year, H.Res. 72, was an order to review federal regulations, both existing and in the process of being drafted, that could impede job growth. The House has passed five bills (H.R. 872, H.R. 910, H.J.Res. 37, H.R. 2018, H.R. 1315) to eliminate rules that are redundant, harm small businesses, and impede private sector investment. Each of these bills passed with bipartisan support, but the Senate has considered none of them so far.

**Encouraged Entrepreneurship and Growth.** After House and Senate passage, the President signed a much-needed update to our nation's patent system, H.R. 1249, the American Invents Act. This bill streamlines our patent system to make it easier to register new inventions that could lead to new companies and create new jobs.

**Maximize Domestic Energy Production.** For many companies, energy costs are one of their biggest budget items. Manufacturing jobs are especially vulnerable to spikes in the price of electricity and gasoline. By opening up more domestic production of natural resources we can reduce our dependence on foreign nations and insulate our nation from price shocks caused by unrest in places like Libya and Venezuela. So far we've passed five bills (H.R. 1230, H.R. 1229,

H.R. 1231, H.R. 2021, H.R. 1938) to create jobs and reduce energy prices. Each of these bills is stuck in the Senate.

There is bipartisan support for each of these House-passed bills, but Democratic leaders in the Senate have been reluctant to put them to a vote in that chamber. While we've been busy, there is more that we should do.

## What I've Worked on With the President

Contrary to the media perception that nothing is getting done in Washington, Republicans and Democrats have worked together to pass several major pieces of legislation. In many other years, these bills would have been hailed as triumphs of bipartisanship. Unfortunately, the press has focused almost exclusively on the major disagreements between the parties.

**Fixing the Tax Code to Help Job Creators.** On April 14 this year, the President signed H.R. 4, the Small Business Paperwork Mandate Elimination Act. This bill eliminated a provision of last year's health care bill that would have buried small businesses in new tax paperwork. Repeal saved businesses billions of dollars in new compliance costs. So far, this small provision is the only part of the health care law to be repealed.

**Increasing Trade.** America is still the number-one manufacturing country in the world. However, unfair currency manipulation and a diminished focus on expanding our markets overseas has had a negative effect on manufacturing and domestic job growth. On October 21, the President signed three trade agreements into law.

**Korea Free Trade Agreement.** The U.S. International Trade Commission estimates that U.S. exports could rise by \$10 to \$12 billion dollars. The U.S. Department of Commerce estimates the agreement would produce tens of thousands of new manufacturing jobs.

**Colombia Trade Promotion Agreement.** Over 40 agricultural industries including the American Farm Bureau support the Colombian agreement citing the fact that, "the agreement will provide U.S. products exported to Colombia with the same duty-free access already granted to Colombian products exported to the U.S."

**Panama Free Trade Agreement.** The PA Farm Bureau estimates this agreement would provide \$190 million in new revenue for PA agriculture per year.

**Modernizing the Patent System.** Under our current patent system there is a backlog of 700,000 applications. Delay in patenting a new invention can delay investment in new ventures. An expensive system of filing, challenging, and litigating patents can also impede the job growth that comes with profitable new innovations. On September 16, the President signed H.R. 1249, the America Invents Act. This bill will streamline the patent system making it easier for existing businesses to grow and allow for new companies to be created.

**More Areas of Agreement.** In past addresses to Congress, the President has supported expansion of safe nuclear energy. I support his call for new reactors specifically designed never to meltdown. We also agree on a number of individual provisions in the President's jobs bill including repeal of withholding rules for government contracts, incentives for hiring veterans, and payroll tax relief.

## Conclusion.

President Bill Clinton once said, “There is nothing wrong with America that cannot be cured by what is right with America.” I agree with that. Fundamentally, America possesses all the greatness it ever had. The current recession is in great part a result of what’s wrong with America’s government, not of what’s wrong with America itself. I have great confidence that despite the government’s mistakes, America will rebound and rebound strongly.

Long-term, however, the weight of the government’s mistakes may be too much to bear if we don’t act soon. Our government debt is growing out of control. We must rein in spending now, before it is too late. Some in Washington want to raise tax rates instead. I believe that would be a very bad idea. What we should do is close tax loopholes, broaden the base, and reduce rates which would actually raise more revenue.

We must solve our spending and economic troubles the old-fashioned way: through discipline and responsible decision-making. If we can do that, America’s future will be as bright as ever.