



Cuyahoga Valley Republicans
April 30, 2015

Jack Boyle and Rich Lowrie
Co-Founders
Put Growth First

What would your reaction be if you read this in the newspaper?

The Daily A

Tuesday, January 20, 2015

Enemy Forces Attack U.S.

*Strikes target economy's productive base.

*Damage exceeds cost of all prior wars, combined.

*GDP to plummet by \$9 trillion, seven times greater than 2008 financial crisis

*Democrats promise relief, call for more spending and government control.

*Republicans insist on spending cuts to balance budget.

*Jordan forms new caucus with other conservatives.

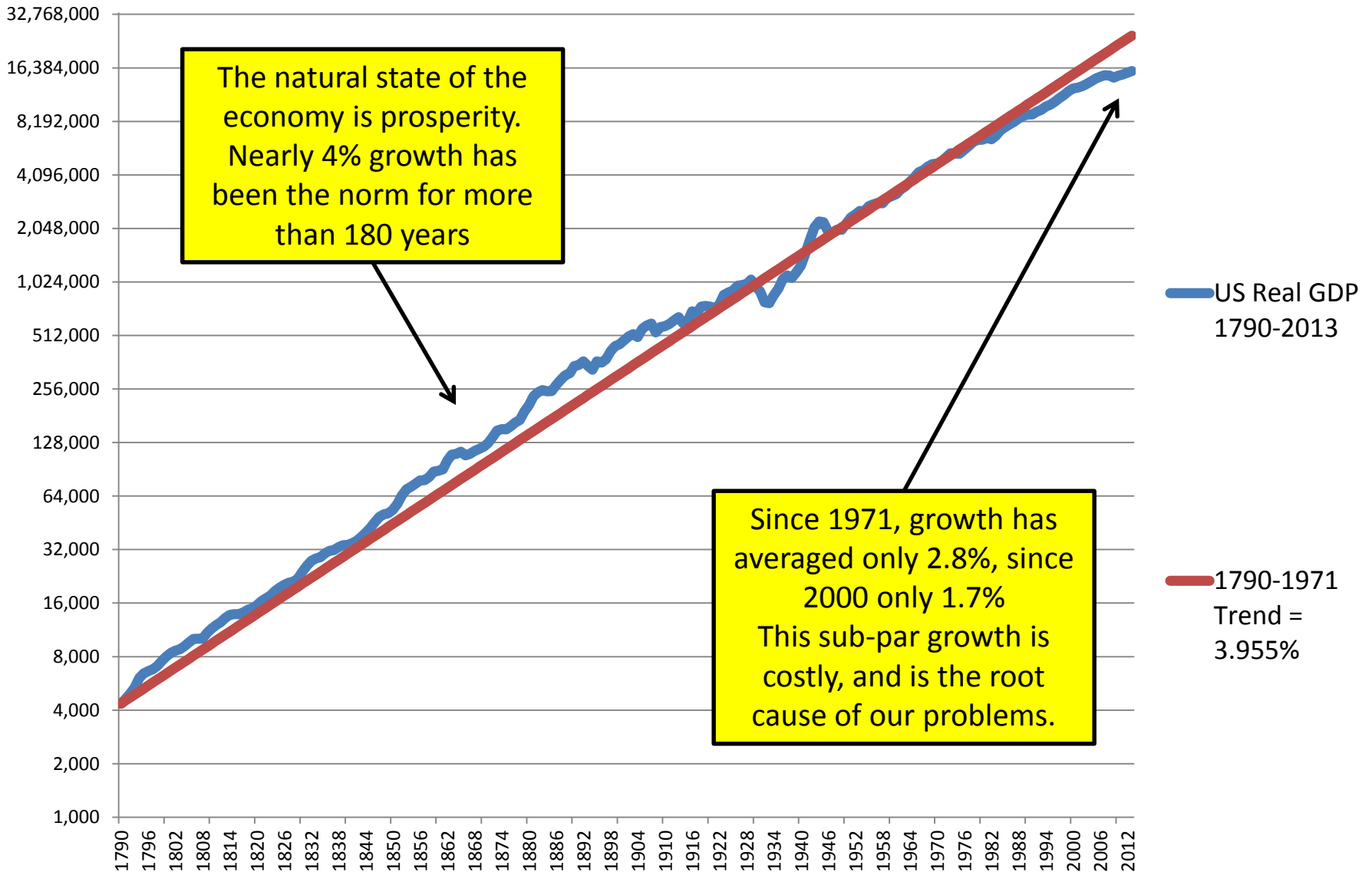
Ren
foll
imp

The
that
rela
the
beh
of a

What should our priorities be?

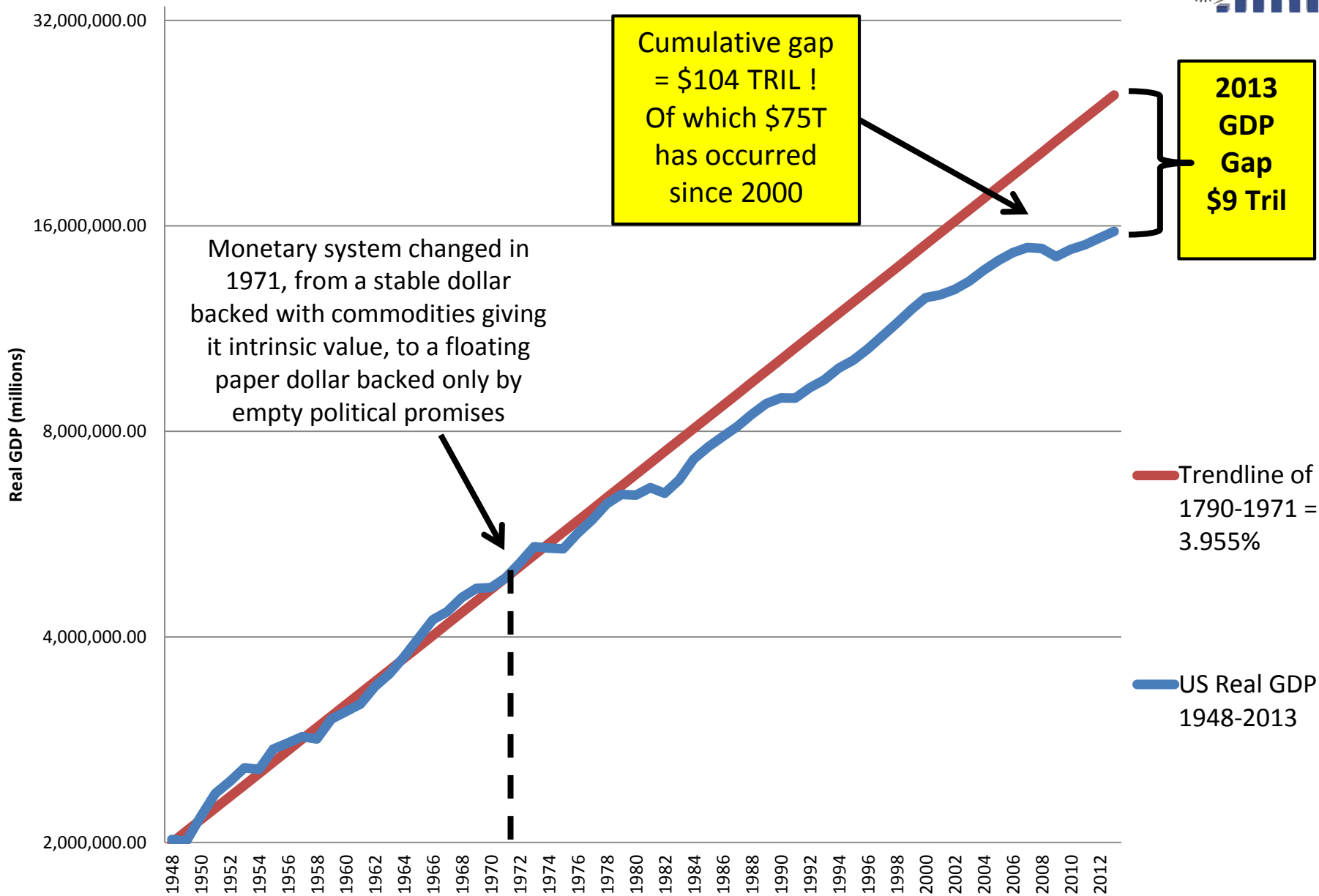
U.S. Real GDP: Actual 1790-2013 vs. Long Term Trend

Notice the worsening gap vs. the 3.955% trend growth



Zooming in on 1948-2013

Economic Cost of Stagnation Exceeds Cost of All Wars, COMBINED!



Total Military Cost of War

Billions of Dollars – Constant 2010 Dollars

(Source: US Congressional Research Service, Costs of Major U.S. Wars
Stephen Daggett, Specialist in Defense Policy and Budgets, 2010)

American Revolution 1775-1783	\$ 2.4
War of 1812 1812-1815	\$ 1.5
Mexican War 1846-1849	\$ 2.4
Civil War: Union 1861-1865	\$ 59.6
Civil War: Confederacy 1861-1865	\$ 20.1
Spanish American War 1898-1899	\$ 9.0
World War I 1917-1921	\$ 334.0
World War II 1941-1945	\$4,104.0
Korea 1950-1953	\$ 341.0
Vietnam 1965-1975	\$ 738.0
Persian Gulf Warb 1990-1991	\$ 102.0
Total Post-9/11—Iraq, Afghanistan/Other 2001-2010	<u>\$2,000.0*</u>
TOTAL Cost of All Wars Combined	\$7,717.0
GDP Gap vs. Historical Trend	\$9,169.8



- Based on estimates reported in Washington Times quoting Harvard's Linda Bilmes
Costs are still ongoing.

Sources: All estimates are of the costs of military operations only and do not reflect costs of veterans' benefits, interest on war-related debt, or assistance to allies. <https://www.fas.org/sgp/crs/natsec/RS22926.pdf>

The Growth Task Force: A Project Proposed to the House Freedom Caucus

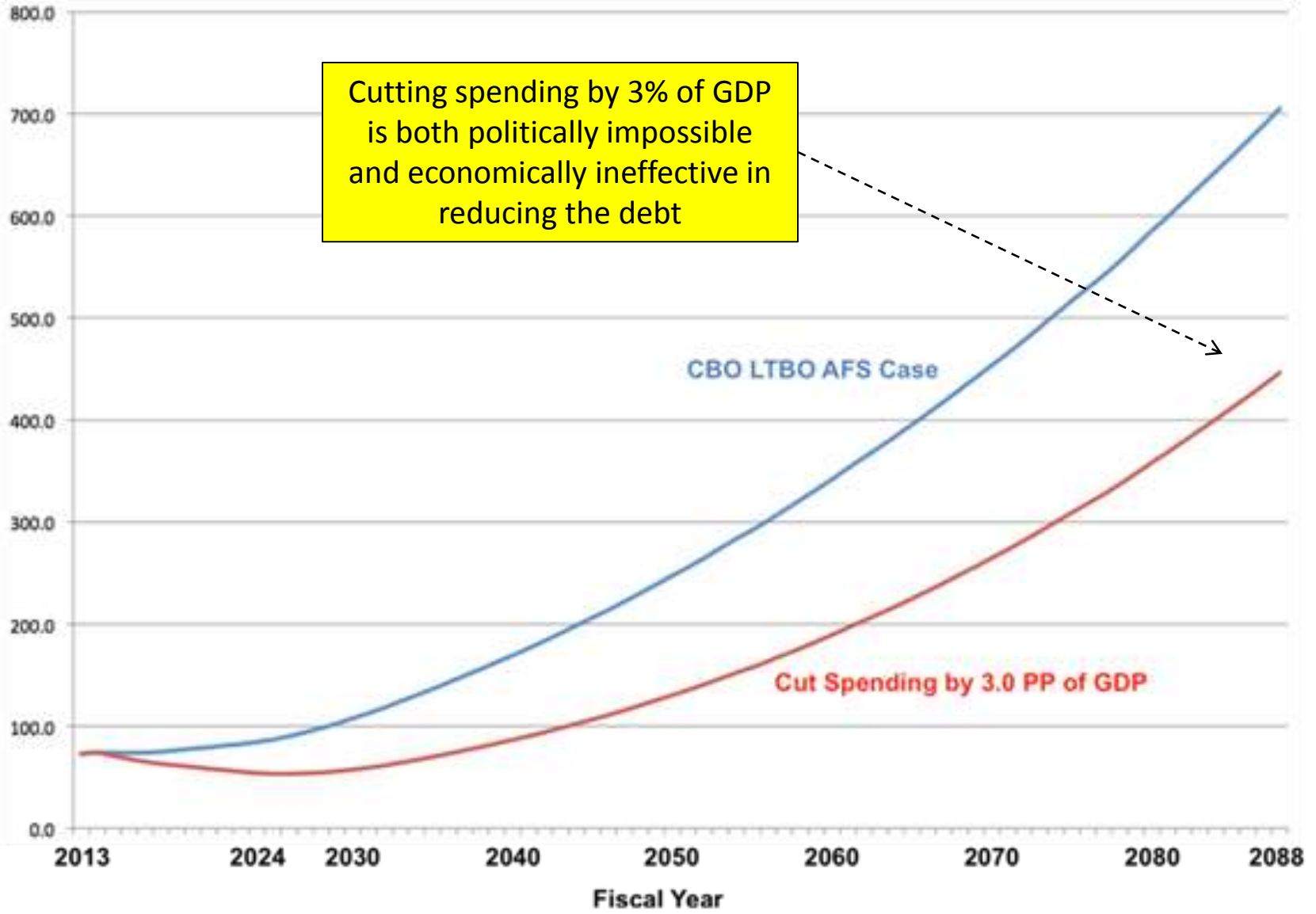


Objectives:	Can we solve our problems with growth?	If so, how much more do we need?	How do we generate that growth?	How do we ensure growth lifts the 100%	What policies have the greatest impact?	How do we better connect with voters?	How do we enact it given DC's obstacles?
Summary Preliminary Findings							
Key Actions							

Impact of Huge Spending Cuts (3.0 Percentage Points of GDP)



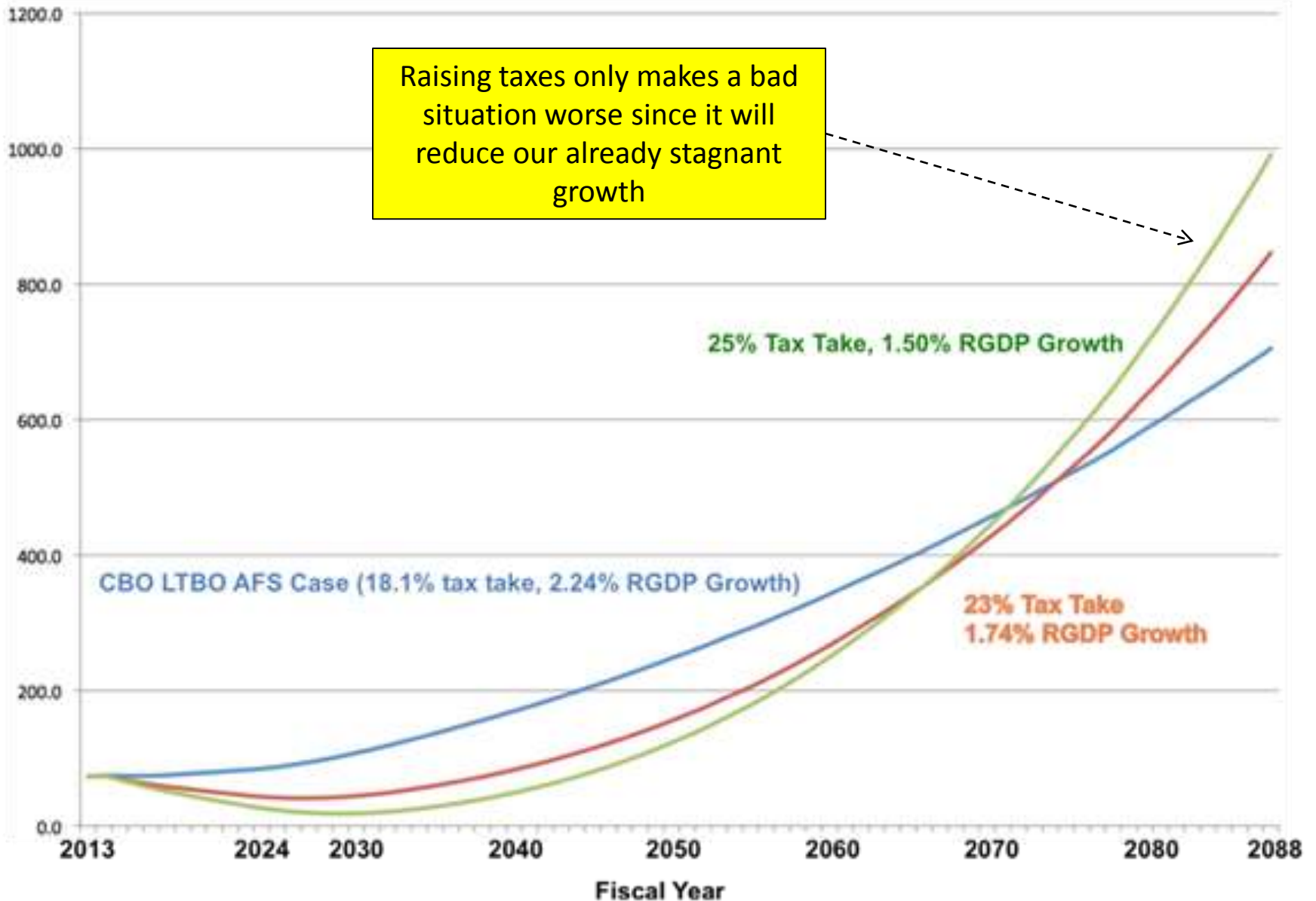
Federal Debt Held by the Public (% of GDP)



Impact of Higher Tax Takes, with Lower RGDP Growth Rates



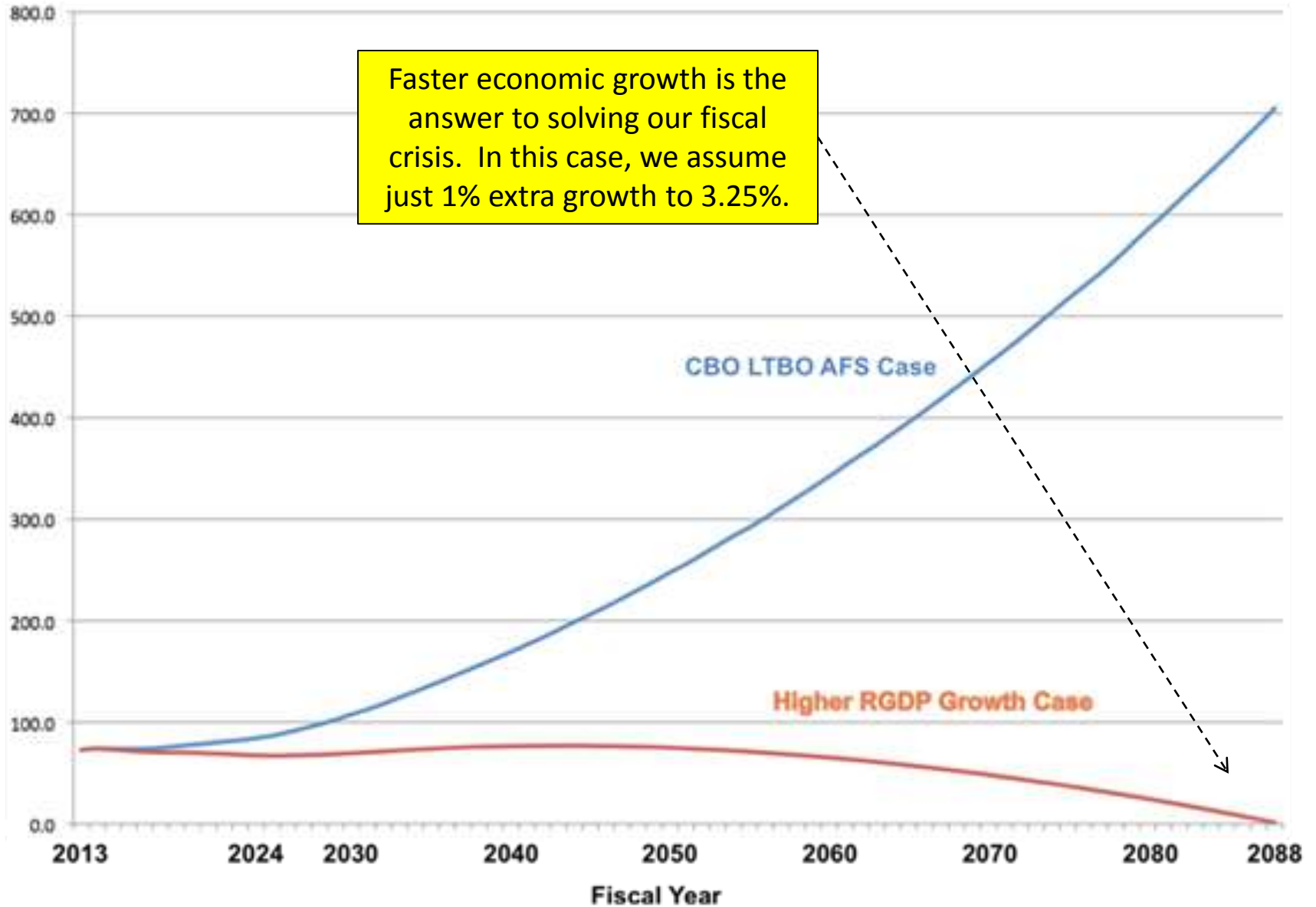
Federal Debt Held by the Public (% of GDP)



Impact of Higher RGDP Growth (3.25% vs. 2.24%)



Federal Debt Held by the Public (% of GDP)



Faster economic growth is the answer to solving our fiscal crisis. In this case, we assume just 1% extra growth to 3.25%.

CBO LTBO AFS Case

Higher RGDP Growth Case

PUT GROWTH FIRST

Deficit Reduction Calculator



We must discover the target growth rate

The CBO projects the cumulative 10 year deficit will be **\$6.675 trillion**.

By how much do you want to reduce this 10 year deficit? \$ trillion.

Calculate

Email

You can accept economic stagnation and cut spending by **\$4.60 trillion**.

Or, to have the same impact, we can increase **economic growth** by just **1.46%** from **2.20%** to **3.66%**.

Click on the growth rate for an important message

To generate 1.46% more growth we must have new **capital investment** of...

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
→	\$495 Bn	\$513 Bn	\$532 Bn	\$552 Bn	\$572 Bn	\$593 Bn	\$615 Bn	\$637 Bn	\$660 Bn	\$685 Bn

Like 2154 people like

Which will generate **new jobs** each year of...

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
→	2,358,053	2,444,475	2,534,064	2,626,937	2,723,213	2,823,018	2,926,480	3,033,735	3,144,920	3,260,181

Notes: The CBO estimates that each 1/10th of one-percent increase in the real rate of growth will reduce the 10 year deficit by \$314 billion. This is a conservative estimate since it is based on static analysis. A more realistic analysis would be to use the methodology of the Social Security Trustees and model changes based on the net present value to the infinite horizon. Capital investment figures are derived from the Woodhill Equation. The Woodhill Equation states that GDP = (46% x non-residential produced assets)+(7% x residential produced assets). Thus each new dollar of capital investment adds to the stock of produced assets which, in turn, generates an additional 46 cents of GDP every year. The average job is supported by \$210,000 of produced assets. We are roughly 15.6 million jobs away from full employment. Any demand for jobs beyond this level will likely result in a combination of higher labor force participation, higher wages, and immigration.

Enter the the target growth rate

IMPORTANT

A decade of 3.66% growth is unlikely under our floating paper dollar but was common under a gold anchored dollar. (Click [here](#) to change the growth rate)

Scoreboard says:

	Number of 10 year periods with growth	Total number of periods	Percent of time growth achieved
Gold Anchored Dollar	94	170	55%
Floating Paper Dollar	0	37	0%

The Winner: a Sound Dollar!!!

Take Action: If you want a return to strong growth, we must return to a **Sound Dollar**.

Next Step: Click [here](#) to tell your Congressman to co-sponsor the Centennial Monetary Commission.

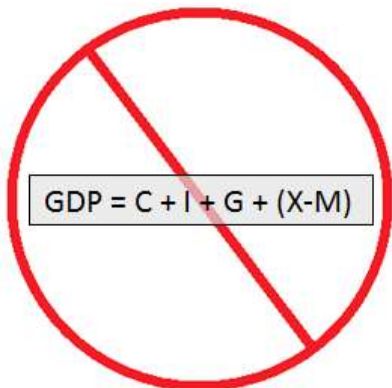
Notes: Data from www.measuringworth.com. The ten years ending 1972, 1973 & 1974 have been excluded from the tabulations as not belonging to either the sound money era nor the paper dollar era. Including them in the sound money era would make the results more favorable to sound money; however, treating them as belonging to the paper dollar era does not seem appropriate given that the majority of their ten years fell in the previous era.

How Do We Increase Economic Growth?

It's as easy as 1, 2, 3

Step One:

Demolish the formula for STAGNATION



The above is like your paystub, showing only *what happened* to your income, not *how it was earned*

Defeat argument that spending increases GDP with empirical study

- Go to a deserted island and prove how you can consume something before it has been produced

Production drives the economy, not consumption

- The engine pulls the train, the caboose does not push it
- Business investment is the fuel

Step Two:

Replace it with the HFC GROWTH FORMULA

GDP

-less Gross Housing Value Added
=Non Residential GDP

Non Residential GDP

divided by Non Residential Assets
=45%

Thus, every \$ of business investment

= 45 cents of GDP, every year

Full equation:

45% times non residential assets
+7% times residential assets
= GDP

Which is greater, 45% or 7%?

Step Three:

Do simple math

GDP of \$17 trillion

X 1% more growth

= \$170 bil. more GDP

\$170 billion

Divided by 45%

= \$378 bil. of bus. investment

How do we get \$378 billion of incremental business investment

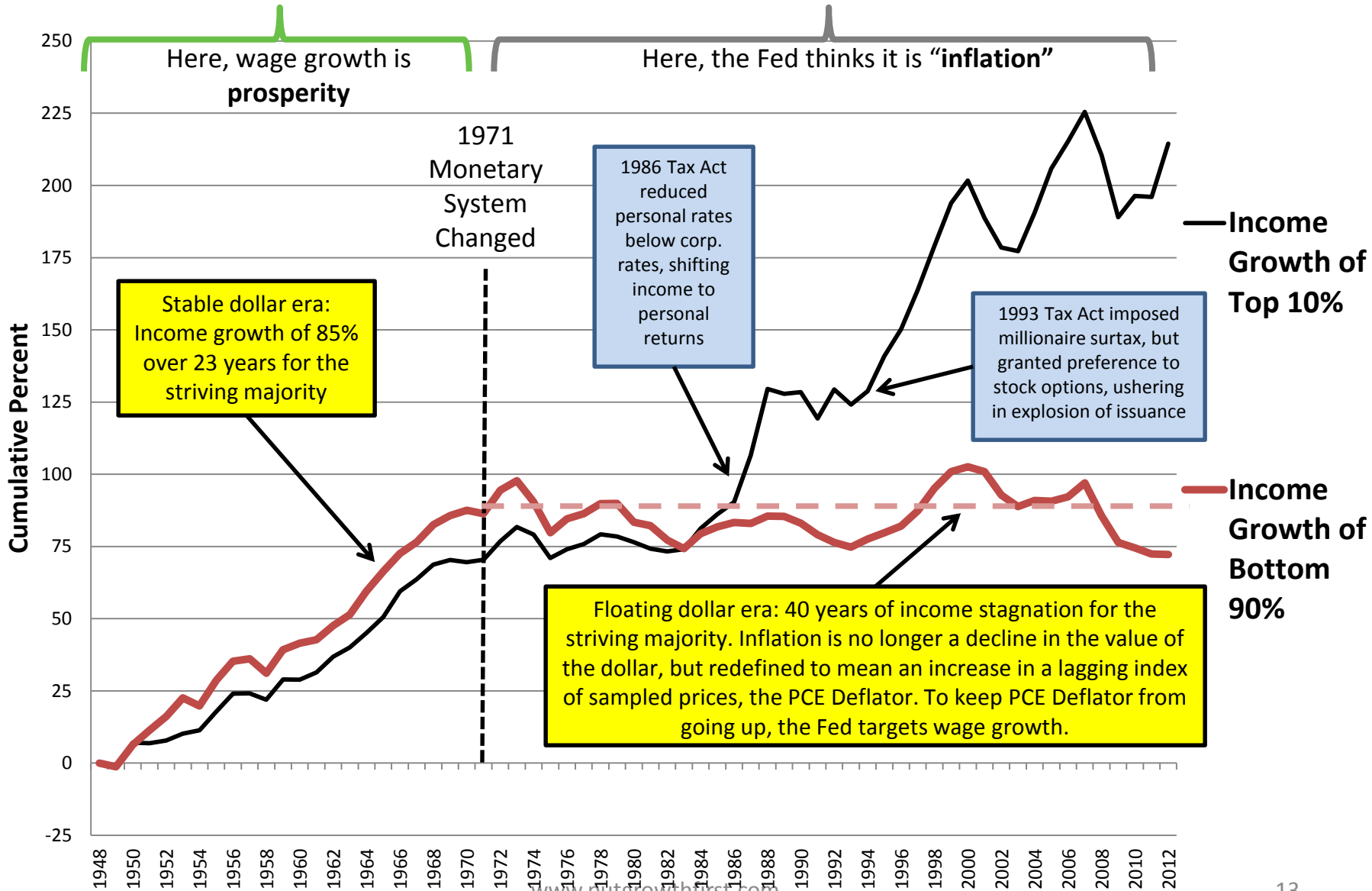
(above CBO forecast)

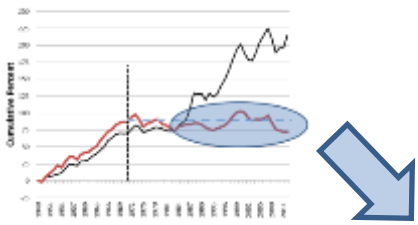
- Stabilize the dollar
- Reduce taxes on production and investment
- Stop hostile regulations
- Repeal Obamacare

Real Income Growth

Top 10% vs. Bottom 90% 1948-2012

2012 Real Dollars Data: World Top Incomes Database

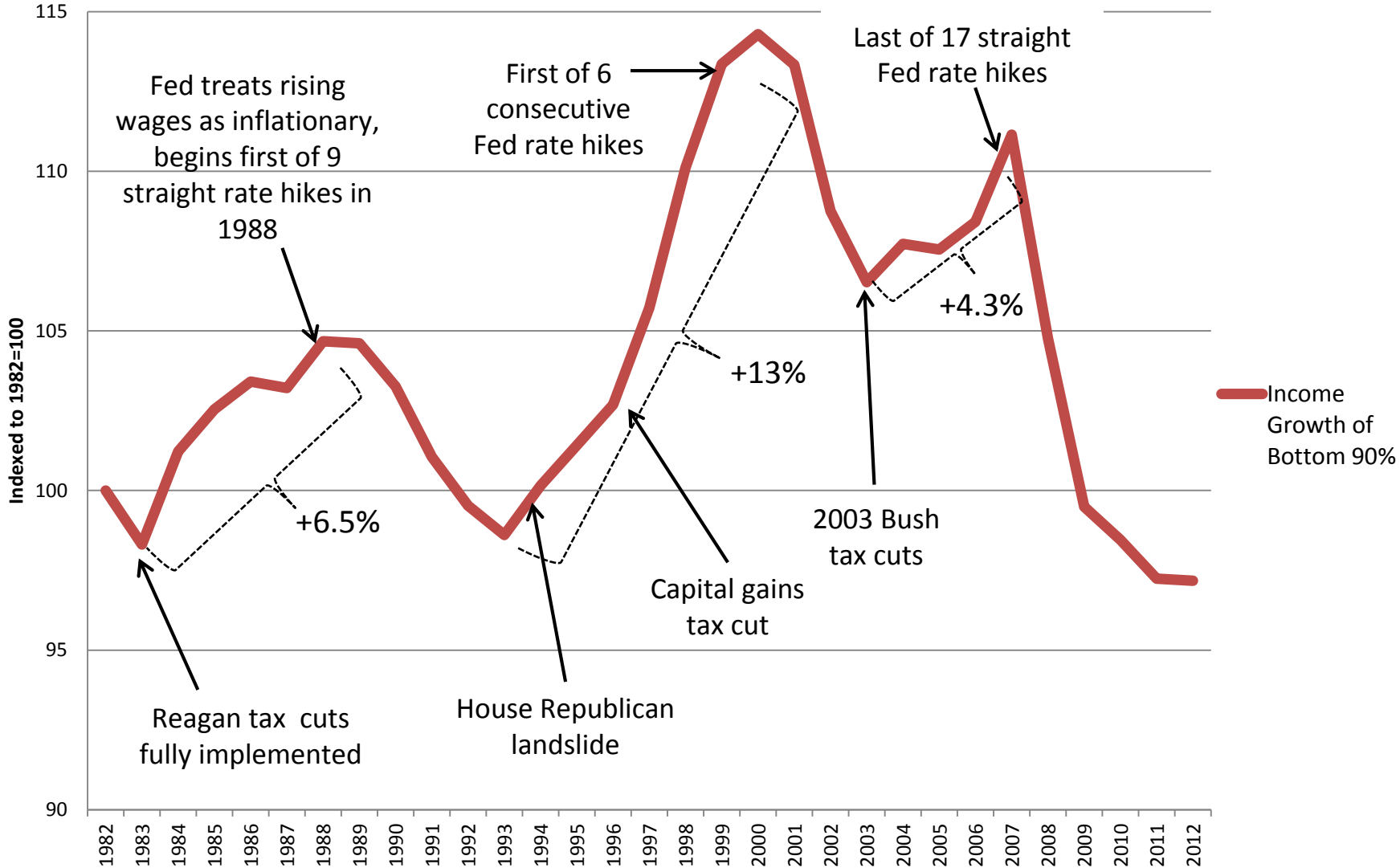




Zooming in on Bottom 90% 1982-2012

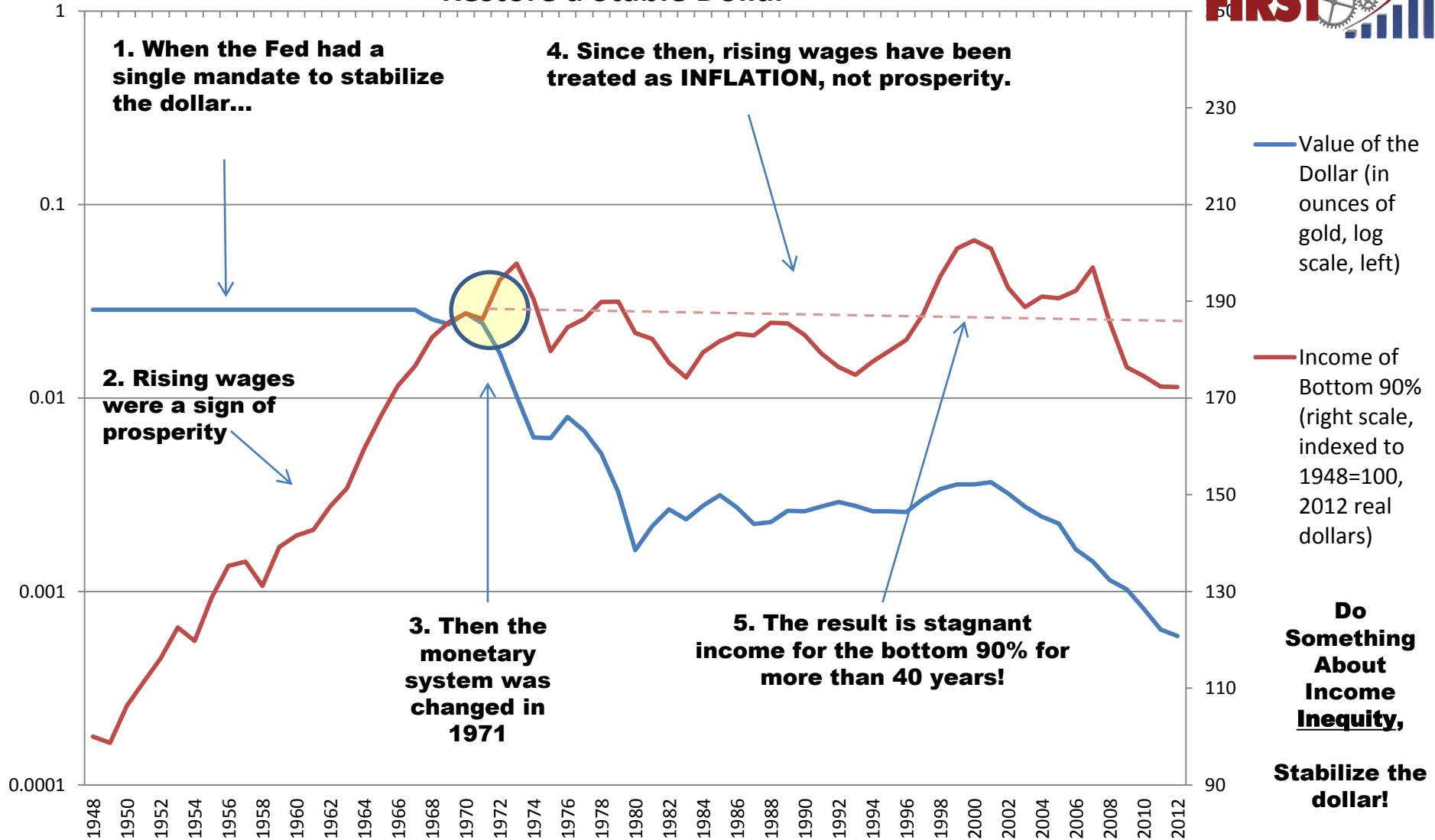
Real Income Growth

2012 Real Dollars Data: World Top Incomes Database



What Policy Offers the Greatest Impact?

Restore a Stable Dollar



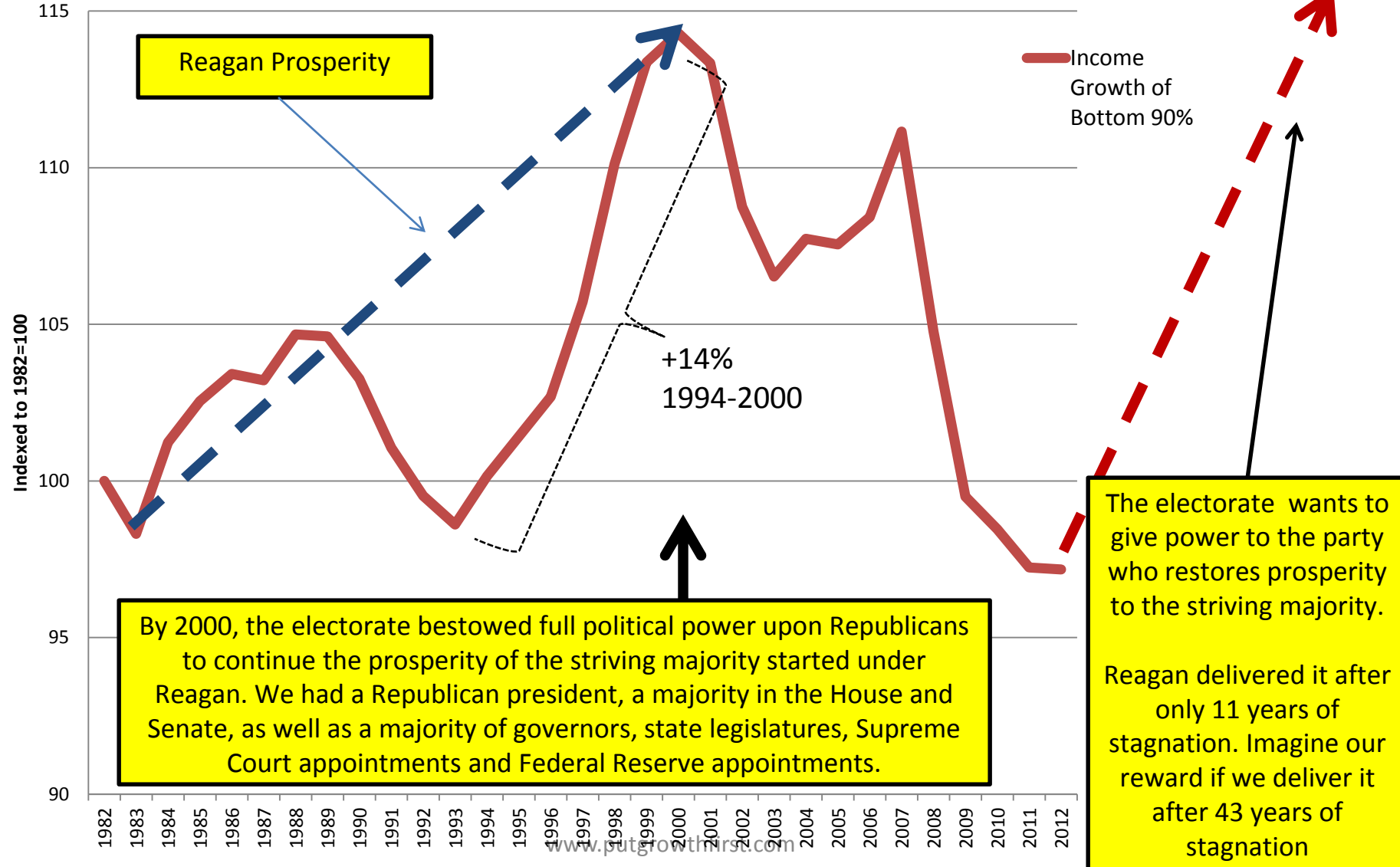


How Do We Connect With the Electorate, Repair Our Brand and Earn Power? Deliver Prosperity to the Striving Majority



The Fed Treats Wage Growth as Inflation Zooming in on Bottom 90% 1982-2012

Real Income Growth 2012 Real Dollars Data: World Top Incomes Data



Reagan Prosperity

+14%
1994-2000

By 2000, the electorate bestowed full political power upon Republicans to continue the prosperity of the striving majority started under Reagan. We had a Republican president, a majority in the House and Senate, as well as a majority of governors, state legislatures, Supreme Court appointments and Federal Reserve appointments.

The electorate wants to give power to the party who restores prosperity to the striving majority.

Reagan delivered it after only 11 years of stagnation. Imagine our reward if we deliver it after 43 years of stagnation



How Do We Connect With the Electorate

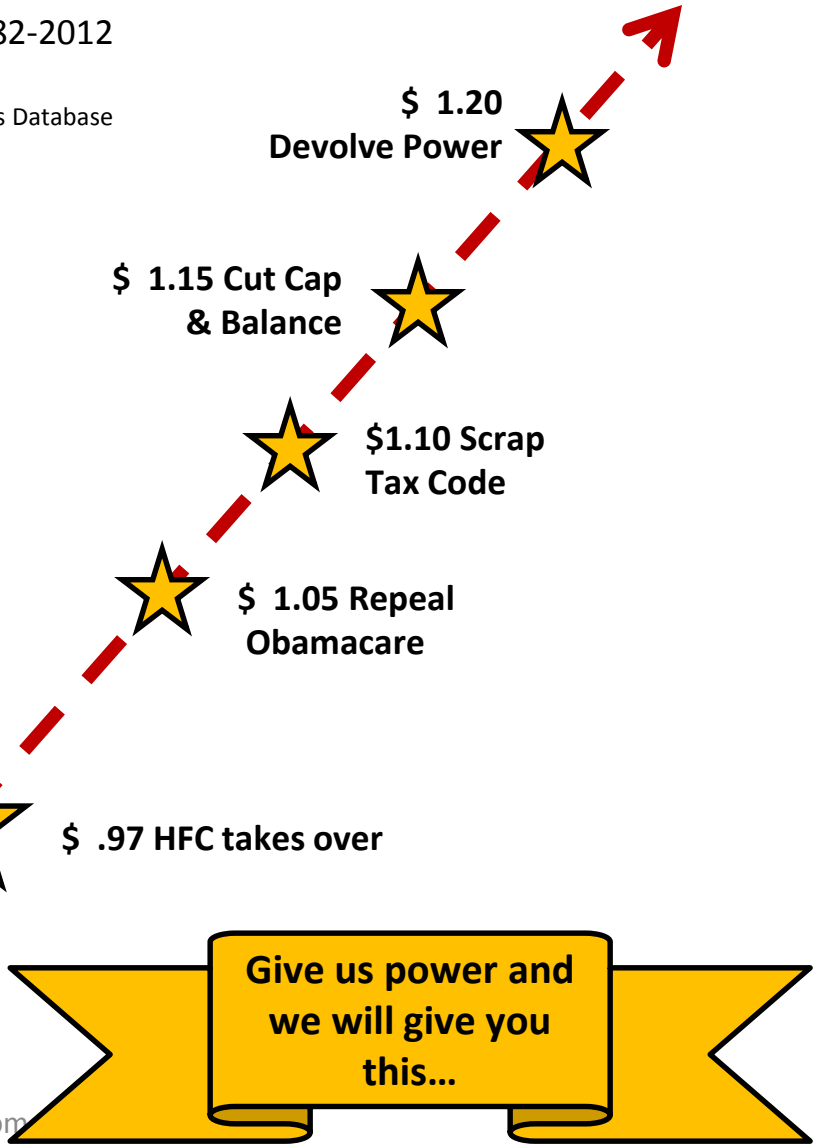
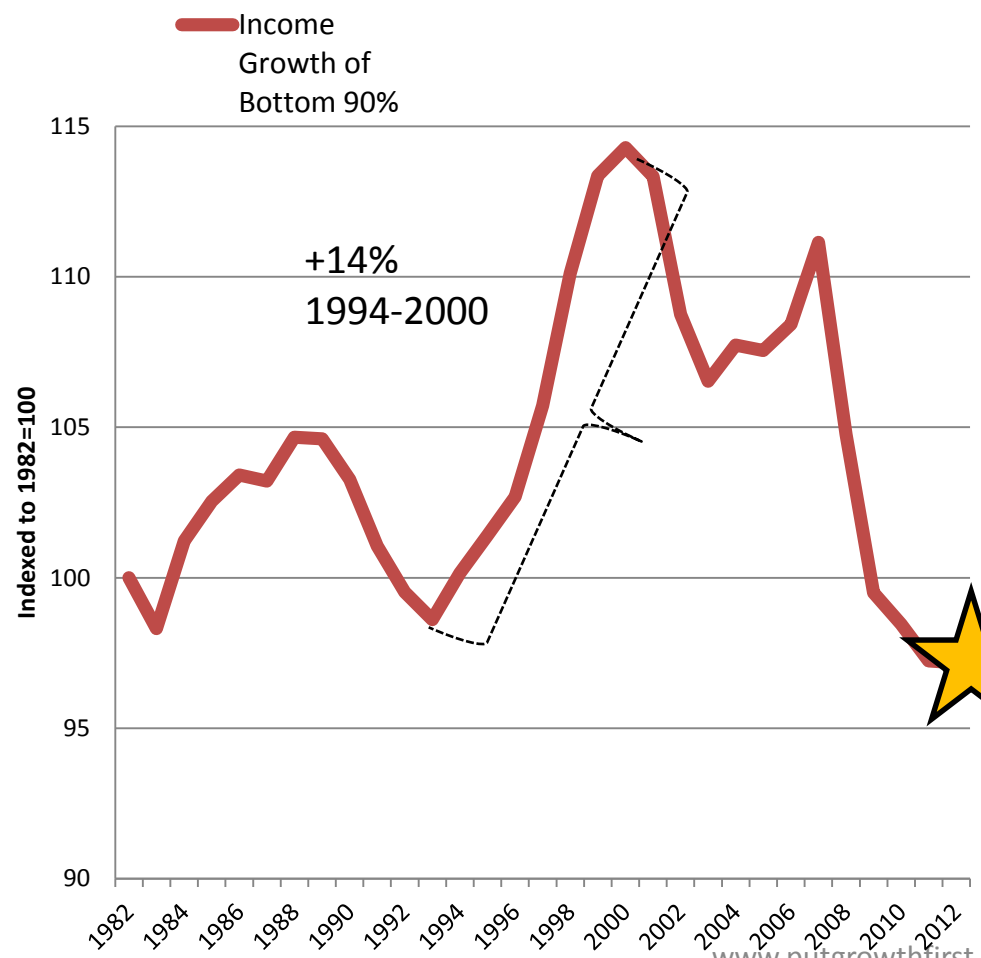
Offer a "Contract With the Striving Majority"

Transparency and Accountability for Results

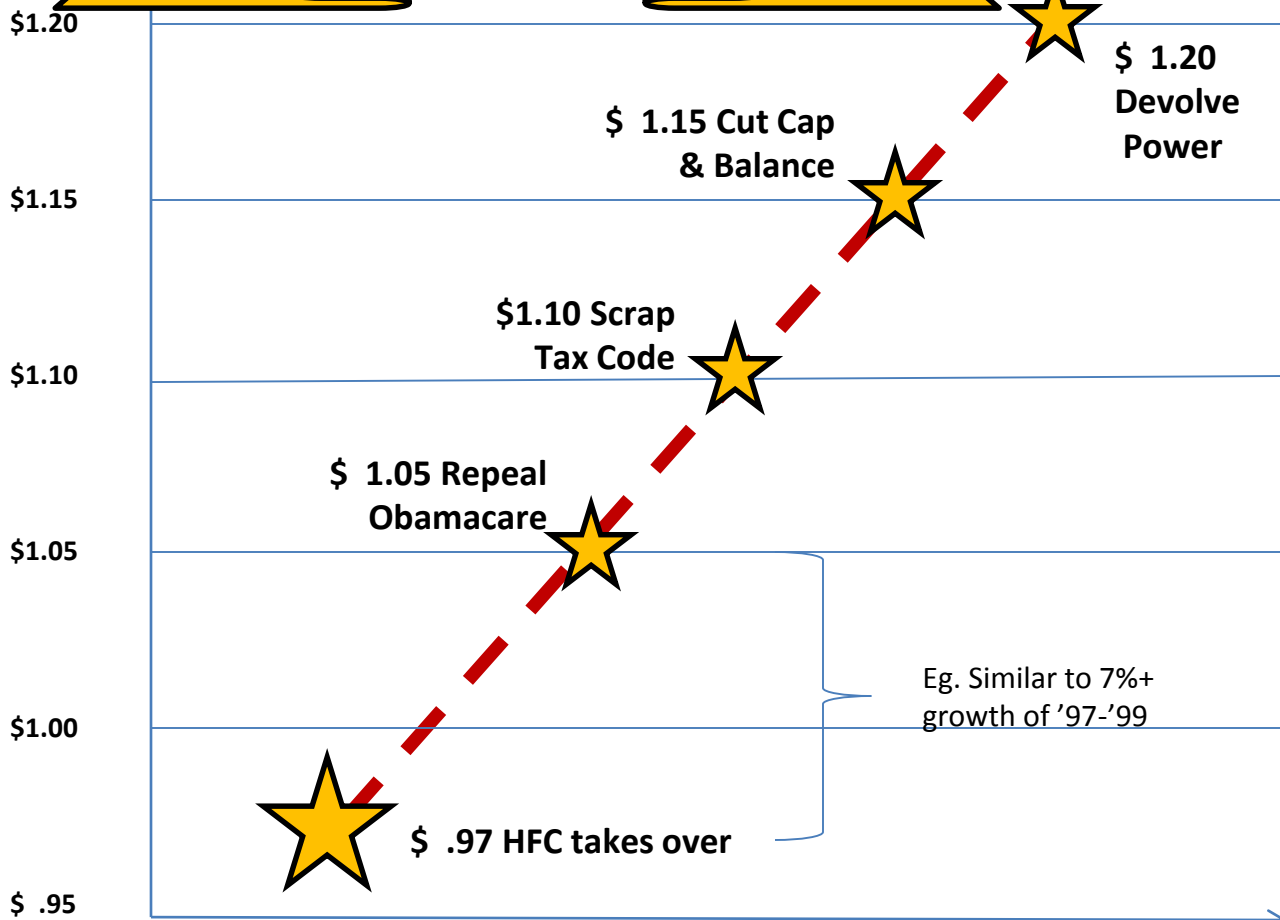
Never Before Seen in DC



Zooming in on Bottom 90% 1982-2012
 Real Income Growth
 2012 Real Dollars Data: World Top Incomes Database



Give us power and we will give you this...



Freedom, liberty, opportunity, pursuit of happiness are all *intangibles*.

To sell an intangible, sell the **BENEFITS**, not the features

Stabilizing the dollar, repealing Obamacare, scrapping the tax code, etc. are all features. The benefit is income growth for the striving majority

Income growth is the one benefit everybody desires

The striving majority is the largest political demographic under the sun

How Do We Overcome DC Based Institutional Obstacles?



- **Rise Above Silos**

- Example: Ex-Im Bank – Tax code double taxes exports, doesn't tax imports the same as domestic goods. Both playing fields are tilted against us. To treat a symptom of this, Ex-Im doles out subsidies. Connect the dots and identify the true source of the problem as being the tax code
- Target Growth Rate – Request Social Security Trustees to calculate growth rate necessary to fund programs without benefit cuts. Meet with committee chairman and request they hear testimony: Budget, Ways and Means, Joint Economic

- **Dynamic Scoring**

- Net Present Value – S.S. Trustees use net present value to 75 year horizon and infinite horizon
- Growth Shares – Have Financial Services Committee authorize Treasury to issue securities that pay investors 17% of GDP above CBO estimate
 - CBO will have to score zero outlays for interest because it assumes economy never grows above its forecast
 - Yet, CBO will have to score initial proceeds as a windfall, thus eliminating tax cut / deficit issues
 - Real time market prices for securities offer the market's "score" of congressional plans
 - Paying 17% of GDP above static forecast acts as a spending limit

The Growth Task Force: A Project Proposed to the House Freedom Caucus



Objectives:	Can we solve our problems with growth?	If so, how much more do we need?	How do we generate that growth?	How do we ensure growth lifts the 100%	What policies have the greatest impact?	How do we better connect with voters?	How do we enact it given DC's obstacles?
<p>Summary Preliminary Findings</p>	<p>Yes</p>	<p>At least 1% more.</p> <p>Require Social Security Trustees to Calculate new "HFC Target Growth Rate"</p> <p>Make sure the whole world knows the HFC Target Growth Rate</p>	<p>At least \$378 bil. of incremental business investment</p>	<p>Clarify Fed's mandate so it must stabilize the dollar. Could keep dual mandate but clarify "operating target".</p> <p>This forces them out of labor markets so they can't treat wage growth as inflation</p>	<p>Stabilizing the dollar will generate immediate growth and end 40 years of income stagnation for the striving majority. This is the key to earning a political mandate to enact our agenda</p>	<p>The electorate is a market, even if avg. voter is low information. Understand the striving majority wants income growth above all else and is willing to bestow full power to the party who "gets it."</p> <p>Speak to electorate, not the low info voter</p>	<p>Have S.S. Trustees calculate "target growth rate"</p> <p>Dynamic scoring: a) Net present value for CBO, budget and W&M cmttees b) Fin.Svc. Cmttee to authorize Treasury to issue new "growth shares"</p>
<p>Key Actions</p>	<p>Interactive calculator</p>	<p>Interactive calculator, hearings</p>	<p>Publish HFC Growth Formula, interactive calculator</p>	<p>5 page Fed reform bill</p>	<p>See Put Growth First next slides</p>	<p>Acknowledge problem, pledge to deliver income growth, deliver it, then repeat</p>	<p>Use Task Force to rise above silos, connect dots, define strategy, put us on offense</p>