



## MEMORANDUM TO INTERESTED PARTIES

**From:** Stephanie Cutter, Obama for America Deputy Campaign Manager

**Subject:** Mitt Romney Will Apply the Wrong Economic Values to Our Nation

Mitt Romney is submitting as his chief qualification for the presidency his business experience from his time at Bain Capital, the financial buyout firm he founded in the 1980s. He claims that through that business experience, he understands how to create jobs and grow the economy. But by his own admission, Romney's goal at Bain Capital wasn't about job creation or economic growth – it was solely about maximizing profits for investors without regard for the long term viability of the companies they bought or the well-being of their employees.

Romney created wealth for himself and his investors by buying companies and then cutting costs by shipping jobs overseas, laying off workers and shortchanging employees on wages, health care and pensions to increase his return on investment. In several cases his firm loaded companies with debt in order to pay itself millions in fees and dividends, and then walked away with a profit while forcing the company into bankruptcy, putting workers jobs, benefits and pensions at risk. Mitt Romney could run his business however he saw fit. But his economic philosophy focused on turning a quick profit for investors, not an economic philosophy that would help grow America's economy over the long term, create jobs or strengthen the middle class.

The question the American people will decide is whether they want a President who spent his career generating profits for investors at any cost – choosing short-term gains over jobs and long-term growth for everybody else. The American people will also decide whether they want a President who is going to apply those same values and lessons to our economy as a whole. That's something Mitt Romney has made clear he'd do by returning us to the failed economic policies that richly rewarded a few but crashed our economy and punished the middle class and those trying to join it.

On issue after issue, Romney's policy proposals echo his values as a corporate buyout specialist and the lessons he drew from that experience:

- As the CEO of Bain, Romney's first priority was creating profits for investors, not building healthy companies that created jobs for workers and security for the middle class. As president, Romney would cut taxes for millionaires and billionaires by 25 percent while raising taxes on 18 million hard-working American families.

- As the CEO of Bain, Romney found new ways to finance risky deals for short-term gain, rather than promote long-term economic growth. As president, he would bring back the risky financial deals that jeopardized our entire economy and threatened the middle class, promising to repeal Wall Street reform and restore Enron-era accounting.
- As the CEO of Bain, Romney shipped American jobs overseas to cut costs quickly and increase a return on his investment for himself and his investors. As president, Romney has promised to give businesses incentives to ship American jobs overseas by making them exempt from paying U.S. taxes on their offshore income.
- As the CEO of Bain, Romney and his partners enriched themselves and their investors by weighing down companies with debt, forcing some into bankruptcy. As president, Romney would increase the deficit by handing out \$5 trillion in tax breaks weighted to millionaires and billionaires without saying how he'll pay for it – likely leaving the middle class footing the bill.

### **1. Romney's Economic Values: Top-Down, Not Middle-Out**

Mitt Romney's business values echo the economic policies of the past that benefit the people at the top and undermine the security of the middle class and those trying to join it.

#### ***Romney at Bain:***

**At Bain, Romney's first priority was making quick profits for his partners and investors instead of creating jobs for American workers.** As a corporate buyout specialist, Romney frequently chose to cut costs, several times by shipping jobs overseas to low-cost countries rather than investing in a company to make it more competitive in the long term. As Romney's former partners have admitted, his only goal was creating wealth for investors, not creating jobs and building successful enterprises. As Romney's partner, Mark Walpow said, "We had a scheme where the rich got richer. I did it, and I feel good about it. But I'm not planning to run for office."

**In some deals, Romney made money for himself and his investors even while the company went bankrupt and workers lost jobs.** At GS Industries, a steel company, Romney added \$500 million in debt, bankrupting the company and costing 750 workers their jobs and benefits. A government agency was forced to bailout the company's pension fund, but executives and managers took home \$9 million in retention and severance payments. Meanwhile, Romney and his investors made more than \$12 million on the deal, along with \$900,000 a year in management fees, as a reward for making the decisions that led the company to implode. Workers bore the consequences while Romney and his partners made a fortune.

#### ***Romney as President:***

**As president, Romney would choose tax cuts for the wealthy over investments we need to grow.** Romney has proposed \$5 trillion in tax cuts weighted to the wealthy – but he would cut investments in education, clean energy, research and development, infrastructure and other areas that strengthen the middle class.

- **Romney’s \$5 trillion tax plan heavily favors the rich.** Romney’s tax cuts are tilted towards the wealthy: about 39 percent would go to just the top 1 percent of taxpayers. The top one-tenth of that 1 percent of taxpayers get a tax cut that is, on average, 900 times larger than what a middle-class taxpayer would get. At the same time, Romney would raise taxes on 18 million hardworking families, who would see their taxes go up by an average of \$900.

President Bush’s large tax cuts for the wealthy in 2001 and 2003 produced the slowest average monthly job growth in an economic expansion since World War II. Even as the economy grew as a whole, household income and wages for most Americans were flat and the poverty rate went up.

- **Romney’s budget plans would gut investments in our future.** Romney’s embrace of the Congressional Republican budget would gut investments in education, clean energy, research and development, and infrastructure. The Romney-Ryan budget would slice almost one-fifth of all domestic discretionary investments by 2014 – which might deliver quick savings, but would hurt our ability to compete for years. If the spending cuts were applied across the board, over time the Romney-Ryan plan would cut 200,000 kids a year from Head Start, cut federal student loans that help families afford college by about \$1,000, and cut 1,600 NIH grants a year that support research into diseases like Alzheimer’s, cancer and AIDS.

### ***President Obama:***

**President Obama is creating an economy built to last.** The President is fighting for investments critical to growing the economy and restoring middle-class security: education and skills for American workers, innovation and manufacturing, clean energy, and our roads and bridges. While Romney wants to gut our investments in the future to get quick savings today, President Obama is making sure that America will stay competitive in the long term.

- **Education and skills:** The President has set a goal of ensuring America has the highest proportion of college graduates by 2020, called for 100,000 science, math, technology and engineering teachers and one million STEM graduates in 10 years, and proposed training 2 million workers with skills that lead directly to good jobs in industries that need workers.
- **Innovation and manufacturing:** The President is committed to doubling funding for critical federal research agencies. He has proposed increasing funding for Federal advanced manufacturing R&D by 19 percent over 2012 levels.

**President Obama has cut taxes for middle-class families and small businesses.** Nearly every American worker has gotten a tax cut. A typical family will save \$3,600 under the four years of tax cuts President Obama has signed into law. The President has cut taxes for small businesses 18 times, giving them powerful incentives to invest and hire.

## **2. Romney Would Let Wall Street Write Its Own Rules Again**

Mitt Romney's business values hold that the free market will take care of itself, despite our country suffering the worst financial crisis since the Great Depression after Wall Street was allowed to play by its own rules at the expense of the entire economy.

### ***Romney at Bain:***

**At Bain, Romney found new ways to finance risky deals for short-term return on investment instead of promoting long-term economic growth.** Romney was one of the leaders of the highly leveraged private-equity model, in which he would buy companies – largely with debt – and then force them to take on even more debt as he turned a profit for his partners, and cut jobs, wages, and benefits for workers. For example:

- **American Pad & Paper:** Romney and his partners acquired an office supply manufacturer and took the company on an acquisition binge, paying themselves fees for each acquisition while loading the company with almost \$350 million of debt. To cut costs, they laid off workers before the debt forced the company into bankruptcy.
- **GS Industries:** Romney and his partners took control of steel company GS Industries and repeatedly undermined workers' pay, benefits, and worker safety at steel plants in cities across the country. In Kansas City, after months of negotiations, they finally agreed to protect workers' benefits in the event of a plant shutdown. But when they drove the company into bankruptcy, they shut down the plant and cut the benefits they had promised the workers, leaving 750 workers without jobs or health insurance.

### ***Romney as President:***

**As president, Romney would roll back financial reforms to let Wall Street write and play by its own rules again.** Romney would eliminate basic financial rules, returning us to the failed policies of the past that couldn't stop the historic crisis that cost millions of jobs and trillions of dollars in household wealth.

- **Wall Street reform:** Romney would repeal historic reforms that rein in the kind of Wall Street recklessness that crashed our economy. The Wall Street reform bill President Obama

signed in the wake of the financial crisis requires banks to hold more capital against the trades they make so that they have to pay for their own bad decisions, not taxpayers. The law ends the era of “too big to fail” by putting a system in place that, if firms make too many mistakes, lets them wind down in an orderly way and ensures that taxpayers are never asked to bear the cost and our entire economy is never again put at risk.

Romney’s plan to let Wall Street write its own rules again is a recipe for another disaster. Just last week, JP Morgan announced that it had made a series of bad trading decisions that triggered a loss of at least \$2 billion. While we can’t stop every bad decision, we can and must ensure they aren’t made with taxpayer dollars and they don’t put our economy at risk. That’s why President Obama signed historic Wall Street reforms.

- **Accounting standards:** Romney would repeal Sarbanes-Oxley rules put in place a decade ago to prevent accounting frauds like Enron’s. He would weaken corporate responsibility rules and let senior management off the hook. Romney would also once again allow the massive conflicts of interest that led Arthur Andersen auditors to ignore illegal activities at Enron and then help cover them up.

### *President Obama:*

**President Obama passed landmark Wall Street reform.** The President’s reforms promote transparency, limit the types of risky investments that can be made with deposits insured by federal taxpayers, and prevent losing investments by banks from causing broader risk to the financial system by forcing banks to hold more capital. The President is standing up to those who want to delay, defund, and dismantle these reforms, because we just can’t afford another crisis.

### **3. Romney Would Give Businesses Incentives to Move American Jobs to Other Countries and Not Create Jobs Here at Home**

Mitt Romney’s business experience shows he shipped American jobs overseas to cut costs quickly and increase profits for him and his investors – and at the expense of American workers and American communities.

### *Romney at Bain:*

**Romney and his partners helped companies move jobs overseas while making millions for him and his investors:**

- **Holson Burnes:** After being bought by Bain, Holson Burnes, then one of the nation’s largest makers of photo albums and picture frames, cut American jobs while outsourcing most of its production to Far Eastern countries like China, Taiwan, Thailand, Indonesia and Malaysia.

### *Romney as President:*

**As president, Romney has proposed an overhaul of the tax code that would encourage businesses to shift investments and profits overseas by allowing them to avoid ever paying taxes on foreign income.** This would encourage companies to outsource American jobs or move a factory overseas, knowing they will never have to pay U.S. taxes on the earnings from that factory.

### *President Obama:*

**President Obama would create a level playing field for American businesses.** President Obama believes an essential part of an economy built to last is ensuring that everyone pays their fair share. He has proposed reforming our tax system to reward companies that create jobs in America, not those that move production overseas or use financial engineering to shift profits abroad to avoid paying U.S. taxes. The President proposes a minimum tax on foreign earnings to do just that, and to keep U.S. companies on a level playing field with competitors who must operate in a foreign country. To help American businesses compete and grow, the President has proposed lowering the corporate tax rate to 28 percent, and even lower for manufacturers.

### **4. Romney Lacks Credibility on Controlling the Debt and Deficit**

Mitt Romney has a private-sector record of piling debt on companies and a public-sector record of running up debt on the middle class. And his \$5 trillion tax plan weighted to the wealthiest Americans will drive us deeper into debt.

### *Romney at Bain:*

**At Bain, Romney forced companies to take on debt they couldn't afford, even as he and his partners profited and workers were denied benefits.** In many deals at Bain, Romney and his partners forced companies to pay huge dividends to investors and go on acquisition binges, piling on so much debt that some of the companies collapsed and were forced into bankruptcy. Romney and his partners made a large return on their investment at the expense of the bankrupt company, and its workers who were denied health care and pensions.

- **Dade Behring:** Under Romney, Bain acquired a medical products manufacturer and used hundreds of millions of dollars in debt to finance multiple acquisitions, while paying Bain millions in fees for each transaction. Bain and its partners then forced Dade Behring to take on \$420 million in new debt to be paid out to the investors, with Bain taking \$242 million of the total payout. The debt loaded on the company led to the company's crash, forcing it into bankruptcy when the debt reached \$1.5 billion.

### *Romney as President:*

**As president, Romney's tax cuts for the wealthy and his defense buildup would add more than \$5 trillion to deficits— even after accounting for his spending cuts that hit the middle class.**

- **\$5 trillion in tax cuts weighted to the wealthy, tax increases for the middle class:** Romney's tax cuts would cost about \$5 trillion over 10 years, based on independent estimates. This cost comes on top of the impact of extending the Bush tax cuts for the wealthiest Americans, which would cost nearly \$1 trillion over a decade. Romney hasn't explained how we would pay for these tax cuts for the wealthy, claiming only that he would close loopholes but refusing to name a single one. Indeed, there simply aren't enough savings to be found in the tax code to pay for Romney's tax cuts without raising taxes on the middle class.
- **\$2 trillion defense buildup without clear national security priorities:** Romney has set an arbitrary floor for core defense spending of 4 percent of GDP, a massive spending increase would cost about \$2 trillion over the next decade. Romney wants to spend first and plan later – he has failed to outline any specific policy ideas for how he would end the war in Afghanistan and said he would have left tens of thousands of troops in Iraq without articulating what their mission would have been.
- **Adding up to \$5 trillion to the deficit and cutting Medicare, Medicaid and Social Security:** Even after cutting discretionary spending by nearly 20 percent, repealing Obamacare and making deep cuts to Medicaid, ending Medicare as we know it, and making deep cuts to Social Security, the budget plans Romney has described would still increase the deficit by about \$5 trillion.

***President Obama:***

**President Obama has already signed \$1 trillion in spending cuts and has outlined a detailed plan to cut the deficit by \$4 trillion by looking for savings in every part of the budget.** The President's plan will reduce discretionary spending to its lowest level as a share of the economy since President Eisenhower's administration. The President has called for tax reform that would cut another \$1.5 trillion from the deficit by asking the wealthiest Americans to pay their fair share, closing corporate loopholes and simplifying our tax code. His budget cuts spending by \$2.50 for every dollar in new revenue, and the independent Congressional Budget Office found that the president's proposals would reduce the deficit to 3 percent of GDP by the end of the decade and stabilize the national debt.

**Conclusion**

Mitt Romney had every right to run his business as he saw fit – he and his partners set out to make a large return on their investments, and they succeeded. But Romney's career at Bain was

never about creating long-term growth and jobs for the middle class, and those investments were more important than the workers who lost their jobs, health care and benefits. Under Romney economics there two sets of rules – one for people at the top, and another for everyone else.

On the other hand, President Obama is fighting for an economy built to last in which hard work pays off, responsibility is rewarded and everyone does their fair share, has a fair shot and plays by the same rules.

The question the American people will decide is which set of values they want in the Oval Office.