# Aff AT: Restoring Americas Future CP

# ---Stimulus Solvency Deficit

**Stimulus/government spending is a DA to the cp**

**Politico 2010** (11/17 “Alice Rivlin and Pete Domenici present deficit plan” <http://www.politico.com/news/stories/1110/45284.html>)

Meanwhile, spending would be reduced by $2.7 trillion over those nine years. The plan would freeze nondefense discretionary spending for four years though statutory spending caps that if exceeded would require across the board spending cuts. This would curtail projected spending by $1 trillion over nine years. A five-year freeze on defense spending, also through spending caps, would yield $1.1 trillion in savings. The plan would save $756 billion over nine years by raising [**Medicare**](http://www.politico.com/news/stories/1110/45284_Page2.html) premiums and revamping the program to be more self-financing through premiums paid by participants.

**---Links to Politics**

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**NPR 2010** (November 17th, “Task force examines debt, slow pace of the recovery” <http://www.npr.org/2010/11/17/131393340/second-panel-releases-plan-to-slash-debt>)

Mr. PETE DOMENICI (Co-Chair, Bipartisan Task Force): There is no way for this plan to get implemented unless everybody agrees that they will sacrifice, much as we did to win the Second World War, everybody got involved and we won it. This is going to be something like it - that in a big top war. HORSLEY: There are bound to be political battles if any of the taskforce recommendations actually make it to Congress. Even the members of the task force were unable to agree on every recommendation, though they did endorse the overall package.

**---Tax Holiday Fails**

**Tax holiday doesn’t boost econ – companies will cheat**

**Becker 10-10** (Bernie, Senate report says repatriation tax holiday failed to create jobs in US, http://thehill.com/blogs/on-the-money/domestic-taxes/186641-senate-report-repatriation-holiday-failed-should-not-be-repeated)

Sen. Carl Levin’s (D-Mich.) report said that, in fact, the corporations who took most advantage of the holiday enacted in 2004 shed jobs in the ensuing years and did not increase their rate of spending on research and development. On the flip side, the study found those corporations also appear to have used the holiday for stock buybacks and to boost executive pay, which was not allowed under the legislation authorizing the holiday. Levin’s report comes as a group of large corporations, many of them technology firms, are lobbying hard for another crack at a tax holiday, which would give them the opportunity to bring offshore profits to the U.S. at a drastically reduced rate. “Those who want a new corporate tax break claim it will help rebuild our economy, but the facts are lined up against them,” Levin, the chairman of the Senate’s permanent subcommittee on investigations, said in a statement. Proponents say that, given the current partisan divide in Washington and with corporations holding roughly $1 trillion abroad, a new holiday is one of the few feasible ways to inject needed capital into the struggling U.S. economy. Bipartisan groups of lawmakers have now introduced similar bills in the House and the Senate, both of which would allow corporations to get their tax bill on repatriated funds as low as 5.25 percent and also include disincentives for corporations that eliminate jobs. The current top corporate tax rate is 35 percent. The WIN America Campaign, a pro-repatriation coalition that includes Apple, Cisco, Oracle and Google, released a statement after Levin’s study became available, calling it one-sided and overly reliant on outdated data. “The real question is, should we allow American companies the freedom to deploy this money here or risk it being spent overseas?” the campaign asked in its statement. According to Levin’s report, the 15 companies that repatriated the most funds in the previous holiday cut more than 20,000 jobs from 2004 to 2007, even though that was one of the stated reasons for enacting the tax break. Those 15 companies brought back $155 billion, essentially half of the $312 billion that was repatriated during the holiday. In fact, the subcommittee’s investigation found that only two of 19 corporations – Microsoft and Oracle – who relied heavily on the holiday attributed an injection of spending on new employees to the infusion of offshore profits. (Oracle said it was able to buy two other corporations in part because of the holiday.) In all, 12 of the 19 corporations reported net jobs losses between 2004 and 2007, with Pfizer, who repatriated more than $35 billion, also cutting 11,748 jobs. For its part, IBM, which brought back $9.5 billion, cut 12,830 jobs. Like previous studies, Levin’s report also found that corporations who repatriated also gave their top executives big raises and bought back more of their own stock. In large part, the paper argues, the corporations were able to pull that off, even though those uses weren’t authorized under the 2004 law, because money is fungible and the legislation did not install tough enough oversight measures. The study found that stock repurchases grew 38 percent from 2005 to 2006 among the top 15 repatriators, and that those companies also increased executive pay by 27 percent from 2004 to 2005 and another 30 percent from 2005 to 2006. “Increased spending on stock repurchases violated the spirit of the law by directing the stream of repatriated funds to augment shareholder wealth, and likely executive wealth, instead of putting the funds toward Congressional priorities, such as hiring workers or increasing R&D spending,” the report said. The study also found that, according to the Joint Committee on Taxation, the 2004 holiday lost $3.3 billion over a decade, and that seven of the 19 corporations examined brought back all or the vast majority of their offshore funds from tax havens like the Cayman Islands. It also said that corporations started stashing an increased amount of profits offshore in the aftermath of the 2004 holiday, with some corporate holiday skeptics saying that the policy encourages multinationals to keep money outside the U.S. The Levin study adds to a growing library of analysis on repatriation holidays – with left-leaning groups and organizations tilting conservative coming down on each side of the debate. The Heritage Foundation and Citizens for Tax Justice are among the groups skeptical of another holiday, agreeing that the last one did not do much to spark job creation. But the U.S. Chamber of Commerce and the Democratic group NDN say that another holiday could help spark economic growth and bring more revenues into the Treasury.

**Tax holiday fails – doesn’t improve the economy or repatriate jobs**

**Froomkim 10-13** (Dan Froomkin is senior Washington correspondent for The Huffington Post, Repatriation Tax Holiday Push Shows Congress Turning Deaf Ear To Occupy Wall Street, http://www.huffingtonpost.com/2011/10/13/repatriation-tax-holiday-corporate-power-occupy-wall-street\_n\_1000900.html)

But Congress tried almost exactly the same thing in 2004, and it failed. In 2004, the companies taking advantage of the holiday ended up laying off thousands of workers and spent most of the money they brought back from abroad buying back stock and otherwise enriching their top executives and major stockholders. "A lot of times in life, there's uncertainty; you haven't done it before. But in this case we've done it and it failed," said Marr. "It was beyond a failure. It was an embarrassing failure." If anything, the policy case for such a move now is even weaker than it was in 2004. The United States' biggest companies are already sitting on some $2 trillion in domestically held cash and liquid assets that they refuse to spend on job-creating measures. (See this HuffPost slideshow of the top corporate cash hoarders.) And in this era of deficit obsession, the holiday would actually reduce federal government revenues over the long term. Congress's Joint Committee on Taxation recently estimated that while a holiday would increase federal receipts in the near term -- as companies rush to take advantage of it -- it would add $78.7 billion to the deficit over a decade by losing tax revenue on money that would have been repatriated anyway. The holiday’s leading advocates, not surprisingly, are the companies that have the most to gain. As Bloomberg reported last month, a coalition of large companies called Working to Invest Now in America (WIN America), has assembled "an army of more than 160 lobbyists, including at least 60 who once worked for a sitting member of the House or Senate, pushing for the repatriation holiday." The biggest members of that coalition include Apple, which has $12 billion waiting offshore, Google with $17 billion, Microsoft with $29 billion and Cisco with $32 billion. Nevertheless, despite this narrow constituency, the bill is garnering support in Congress. "It's one of the hottest issues of this legislative season," said Scott Klinger, an associate fellow at the Institute for Policy Studies. "The only thing the parties can agree on is more failed corporate tax cuts, and that's a sad statement." "It's odd that the only thing you can get bipartisan support for is redistribution upwards," Beale agreed. "This is what the Occupy Wall Street thing is all about," said Lee Sheppard, contributing editor at Tax Analysts, a nonprofit publisher of tax information. "The two parties are the same. They're both beholden to business and not responsive to people." The one significant holdout -- at least so far -- is the White House. In a long blog post in March, for instance, Treasury Department official Michael Mundaca concluded: "To pay for giving this large tax cut once again to a small group of U.S. companies without increasing the deficit, we would have to raise taxes on other U.S. businesses." THE LESSONS OF 2004 The failure of the 2004 tax holiday has been abundantly examined and documented. A 2009 Congressional Research Service study found that the benefits were highly concentrated in a few firms. A study by three University of Kansas professors found that firms that lobbied for the 2004 provision got a 22,000 percent return on their lobbying investment. A 2009 study entitled "Watch What I Do, Not What I Say" concluded that the repatriation resulting from the tax holiday "did not lead to an increase in domestic investment, employment or R&D -- even for the firms that lobbied for the tax holiday stating these intentions. ... Instead, a $1 increase in repatriations was associated with an increase of almost $1 in payouts to shareholders." A 2010 statistical analysis by a Northwestern University law professor detected "a dramatic increase in the rate at which firms add to their stockpile of foreign earnings kept overseas" following the 2004 law. That stockpiling is "consistent with the hypothesis that the temporary holiday conditioned firms to anticipate future such holidays and to change their behavior by placing more earnings overseas than ever before." A report earlier this month from the Institute for Policy Studies documented the "wave of job destruction" that followed the 2004 tax holiday. (See a slideshow of the top 10 job slashers that benefited from the holiday.) And a new report from Michigan Democratic Sen. Carl Levin's permanent subcommittee on investigations, released on Tuesday, concluded that after repatriating over $150 billion under the 2004 law, "the top 15 repatriating corporations reduced their overall U.S. workforce by 20,931 jobs." For example, Pfizer, the corporation that repatriated the most foreign earnings -- $35.5 billion -- cut 11,748 jobs in the United States from 2004 through 2007. Instead, "annual compensation for the top five executives at the top 15 repatriating corporations jumped 27% from 2004 to 2005, and another 30%, from 2005 to 2006, with ten of the corporations issuing restricted stock awards of $1 million or more to senior executives," the report said. Taxing repatriated income isn't a matter of companies being taxed twice on profits they made abroad, it's a matter of them being taxed at all on things like revenue from patents and trademarks they have sheltered abroad. "If they had paid taxes elsewhere, they could bring the money back here and get credit," explained Sheppard. Most of the money repatriated during the 2004 holiday flowed in from tax havens, the Senate subcommittee found -- not surprising, considering the biggest benefits of a tax holiday inevitably accrue to companies that have been most assiduous about sheltering vast amount of their profits in low- or no-tax countries. According to a 2008 Government Accountability Office report, four of the companies lobbying hardest for the 2004 tax holiday -- Apple, Cisco, Microsoft and Pfizer -- operated a combined 572 sub-companies in tax shelter countries at the time. THUMBS DOWN FROM ANALYSTS Giving such companies a huge tax break "rewards unpatriotic corporations that, through accounting tricks, have shifted their American profits abroad," the Institute for Policy Studies' Klinger said. "They did it in 2004 and kind of laughed their way to the bank, and now they want to do it again." And it's not just progressives and good-government groups that are finding fault with the arguments of tax holiday proponents. Analysts for Goldman Sachs, in a September newsletter and an unpublished email to clients last week, concluded the holiday would not achieve its stated ends. "[W]e would not expect significant changes in hiring or investment patterns," the analysts wrote. Instead, they concluded, "corporate share buybacks and dividend payments would increase." In addition, the move would "condition US multinationals to never routinely repatriate any foreign profits" again -- and would add to the deficit. The Fitch ratings service concluded that that the legislation "is unlikely, if passed, to support growth-oriented investment by U.S. firms." Rather, Fitch said it expects "most firms benefiting from the proposed repatriation tax relief, notably large multinational companies in the technology and pharmaceutical sectors, to prioritize share repurchases at a time when cash balances are strong and capital spending plans are increasingly uncertain in the context of slowing global growth." **Even the Heritage Foundation**, which has rarely met a tax cut it didn't like, recently concluded the holiday "would, like its predecessor, **have a minuscule effect on domestic investment and thus have a minuscule effect on the U.S. economy and job creation**." A study from the U.S. Chamber of Commerce, which is funded largely by multinational corporations, is almost alone in predicting the repatriation tax holiday would result in more jobs -- 3 million, it says, many of them the result of stock buybacks and dividend payments. But more skeptical economists argue that, of all the ways the companies could use a sudden influx of cash, stock buybacks would be among the least productive for the economy -- and would line the pockets of the super-rich.