



## **MEMORANDUM TO INTERESTED PARTIES**

**From:** David Axelrod, Obama for America Senior Strategist  
**Date:** May 30, 2012  
**Subject:** Romney Economics: It Didn't Work Then And It Won't Work Now

Ten years ago, Mitt Romney told the people of Massachusetts that his experience in business uniquely qualified him to strengthen the state's economy. Foreshadowing the message of his current campaign, Romney presented himself as a "job creator," whose experience as a corporate buyout specialist had given him special insight into how to grow the economy..

"I speak the language of business," he told the people of Massachusetts, repeatedly. "I know how jobs are created."

It was a false representation. For, as even his colleagues have acknowledged, Romney's goal in business was never job creation. It was to maximize quick profits for himself and his investors, and those profits often came at the expense of the long-term growth of the companies they took over and the well-being of the men and women who worked there. Whether companies succeeded or failed, Romney Economics netted huge profits for him and his investors, but sometimes proved devastating for the middle-class workers whose jobs, benefits and pensions were put at risk.

So what did that experience mean for Massachusetts?

Romney campaigned for Governor on the promises of more jobs, decreased debt and smaller government. He served during a nationwide economic expansion, and when he entered office Massachusetts' unemployment rate was still below the national average – where it had been for nearly a decade. Republicans and Democrats across the state were hopeful that he would deliver on his promises. When he left office, however, state debt had increased, the size of government had grown, and over his four years, Massachusetts' record of job creation was among the worst in the nation.

Now Romney's back, making the same pitch to America that he did to the people of Massachusetts. "I've had a real job," he says. "I think it helps to have a real job, to be able to create real jobs."

But when it comes to Mitt Romney and his economic philosophy the facts are clear—it didn't work then, and it won't work now.

The history:

The national economy began to grow in November 2001 and creating jobs in July 2003. But the recovery was slower in Massachusetts. Under Governor Romney, the Massachusetts economy was not at the top or even in the middle, but close to the bottom of all the states. The state lost jobs through the end of 2003, lagging the rest of the country by six months. Under Mitt Romney, Massachusetts plummeted from 36<sup>th</sup> to 47<sup>th</sup> out of 50 in job creation and manufacturing jobs declined at twice the national average, and for the first time in more than a decade, Massachusetts' unemployment rate was above the national average. Job growth failed to keep up with population growth in Massachusetts, even as the reverse was true in the rest of the country. The median income fell behind the rest of the country, falling down while incomes in the rest of the country grew. Economic growth in Massachusetts trailed the rest of the country every year

Romney was in office. That could be why 222,000 more residents left Massachusetts than moved there between July 2002 and July 2006, a loss of 3.5 percent of the state's population and the third-highest rate of departures in the country.

Long-term debt increased by more than 16 percent in just four years and Massachusetts was first in the nation in debt per capita, and state spending increased by more than six percent per year – all while Romney proposed even larger increases. And after Romney raised \$750 million per year in taxes and fees on middle class families and small businesses, he handed a tax break of more than \$75 million to just 278 of the wealthiest – then touted the tax cut as he launched his first bid for president.

Romney himself has said that “you have an opportunity to get to know me best by looking at my record as governor.”<sup>1</sup> So what do we see when we take a look under the hood? Mitt Romney applied the economic philosophy he learned in the private sector to disastrous results as Governor of Massachusetts. Now he's making the same promises he made when he was running for governor. We've seen this all before – it's the same formula that benefitted a few, but crashed our economy in the first place and undermined security for the middle class. Massachusetts couldn't afford Romney Economics, and neither can the American economy.

### **Romney's Record On Jobs: Stagnant Growth And Declining Wages**

Romney has repeatedly touted his experience in the private sector, whether in Massachusetts or on the campaign trail for president now. Romney says his experience in the private sector will be the panacea for creating jobs in America. But his record shows that despite the lofty promises, Massachusetts fell to 47<sup>th</sup> out of the 50 states in job creation—fourth from the bottom. Manufacturing jobs declined at a rate twice the national average, and wages fell, while growing nationwide. It didn't work in then in Massachusetts and it won't work now for the country.

#### *Romney's 2002 Promise*

**“I'm the only candidate in this race who has a lifetime of experience in the private economy. I speak the language of business. I know how jobs are created and how jobs are lost. I'm gonna do everything in my power to get our economy back working again for the people of Massachusetts,”** said Mitt Romney during a 2002 gubernatorial debate in Massachusetts.<sup>2</sup> [VIDEO](#)

#### *Romney As Governor*

**During Romney's tenure as governor, Massachusetts's economic performance was “one of the worst in the country” on “all key labor market measures.”**<sup>3</sup> In his four years in the statehouse, Massachusetts fell from 36<sup>th</sup> to 47<sup>th</sup> out of 50 states in job creation. While the rest of the nation saw more than five percent growth in job growth, Massachusetts lagged behind at an anemic one percent. Not only did the unemployment rate in Massachusetts under Romney fall more slowly than the national rate, but whereas when Romney entered office, Massachusetts's unemployment rate was below the national rate, by the time he left, the state was above the national rate. As FactCheck.org noted, “Romney's job record provides little to boast about.”<sup>4</sup>

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<sup>1</sup> Huckabee candidate forum in South Carolina, 1/14/12

<sup>2</sup> Worcester debate, 10/1/02

<sup>3</sup> Boston Globe, 7/29/07

<sup>4</sup> [Factcheck.org](http://Factcheck.org), 1/11/08

**Manufacturing jobs declined at twice the national average – the third-worst record in the country.** Despite these numbers, Romney nonetheless proposed cutting spending to a manufacturing partnership program that had helped hundreds of small Massachusetts manufacturers “compete, survive and save thousands of jobs.”<sup>5</sup>

**Overall wages fell under Gov. Romney, including a five percent drop in the median hourly wage during the first two years of his administration, the steepest drop in the nation.** As the national median household income rose by 1.4 percent during his four years in office, the same indicator in Massachusetts fell by almost one percent – the 35<sup>th</sup> worst income growth in the country.

According to Northeastern University economist Andrew Sum, “**As a strict labor market economist looking at the record, Massachusetts did very poorly during the Romney years. On every measure you’ve got, the state was a substantial under-performer.**”<sup>6</sup>

#### Romney’s 2012 Promise

“**I think a private sector background is better for getting people back to work,**” Romney told a local news station in Toledo, Ohio.<sup>7</sup> [VIDEO](#)

#### **Romney’s Record On Taxes: Tax And Fee Hikes For The Middle Class, But Cuts For Millionaires**

In Massachusetts in 2002, Romney promised to fight against higher taxes on working families. But he raised taxes and fees on middle class families and small businesses that hit average taxpayers in the pocketbook, raised a gas tax, and the tax burden on Bay Staters was up more than \$1,200 at the end of his term. Meanwhile, he cut taxes for millionaires like himself, handing over more than \$75 million to just 278 of the wealthiest in Massachusetts. And now, he’s promising not to raise taxes again. But his lofty promises weren’t kept then, and he can’t keep them now.

#### Romney’s 2002 Promise

“**I will fight taxes at every turn. The problem with increasing taxes is that it puts a burden on working families; they can’t afford it,**” proclaimed Romney during his campaign for governor.<sup>8</sup> [VIDEO](#)

#### Romney As Governor

**As governor, Romney raised fees and taxes in Massachusetts by between \$740-\$750 million a year, imposing more fee hikes in his first year in office than any other state in the nation.** That year, the nonpartisan Massachusetts Taxpayers Foundation noted that the fee increases in Romney’s first budget would “surely hit taxpayers’ pocketbooks as hard as any tax increase and, many would argue, less fairly as well.”<sup>9</sup> He raised fees for hospitals, nursing homes, motor vehicles, buying a house, the blind, disabled people, and getting married. Romney even raised a gas tax by 400 percent. According to calculations done by the Tax Foundation, under Romney, the per capita tax burden in Massachusetts increased by 30 percent

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<sup>5</sup> Boston Globe, 11/23/06

<sup>6</sup> Reuters, 1/20/08

<sup>7</sup> WTOL (Toledo, OH), 2/16/12

<sup>8</sup> Suffolk University Law School debate, 10/29/02

<sup>9</sup> [Massachusetts Taxpayers Foundation 8/11/2003](#)

– more than \$1,200. As the Cato Institute noted, Romney’s claim that he adhered to a no-new-taxes pledge as governor is “mostly a myth.”<sup>10</sup>

**Romney’s cuts forced local governments to raise taxes and fees on Massachusetts residents.** When Romney cut local aid in an effort to balance the state budget, local property taxes hit the roof to cover the shortfalls. According the Massachusetts Municipal Association, which represents the state’s cities and towns, by the end of 2005, property taxes were at their highest in 25 years as a result of the cuts to local aid.

**Romney did cut taxes – for millionaires like himself.** In 2005, he proposed and signed legislation that “overwhelmingly” helped “the most affluent taxpayers in Massachusetts,” people who were already benefiting from “the lion’s share” of the Bush tax cuts.<sup>11</sup> The bill he signed meant that more than \$75 million in tax breaks went to 278 wealthy Bay Staters, who got an average tax break of \$281,000. Romney admitted that he might benefit from the tax refund, but promised to give the proceeds to charity.

#### Romney’s 2012 Promise

“I’m not going to raise taxes on the American people,” Romney told Bloomberg TV in an interview in January 2012. [VIDEO](#)

#### **Romney’s Record On Deficit And Debt: Ballooning Long-Term Debt And Deficits For His Successor**

In Massachusetts, Romney promised not to increase debt, and his administration claimed to have capped the amount of new debt the state would take on. But Romney’s record shows that Massachusetts’ long-term debt went up by \$2.6 billion -- a 16 percent increase in just four years. He left the state with the highest per capita debt burden in the nation. And on top of the new borrowing, Romney left a billion dollar deficit to his successor, having giving the public rosier projections than they were discussing internally. Now, Romney’s promising eliminating the budget deficit and ensuring that children have a future free from the nation’s debt. But his record shows that it didn’t work in Massachusetts and it won’t work now.

#### Romney’s 2002 Promise

**Romney Promise: “Do Not Increase The State’s Debt Burden.”** Under the “promises made” section of a 2005 report produced by the Romney Committee was this pledge: “Do not increase the state’s debt burden.”

#### Romney As Governor

**Under Romney, Massachusetts’s long-term debt increased by 16.4% or \$2.6 billion over four years.** His legacy was that Massachusetts had the highest per capita debt for any state in the nation by the end of his tenure. And although Romney paid lip service to the dangers posed by “growing state debt” and claimed that his administration had capped it and reduced borrowing, in truth Romney added debt well above and beyond his promised cap.

**In addition, Romney left a billion dollar deficit to his successor.** As he was leaving office, Romney’s aides released a budget blueprint to the public that was far rosier than their internal projections, but in

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<sup>10</sup> Cato Institute’s [Fiscal Policy Report Card on America’s Governors: 2006](#), 10/24/06

<sup>11</sup> Massachusetts Budget And Policy Center, Facts At A Glance, [June 2005](#)

private, they warned incoming Gov. Patrick's aides that the state's finances were grim, including a budget deficit up of up to \$1.1 billion.

#### Romney's 2012 Promise

**"I am planning on cutting the deficit down to zero,"** said Romney in February 2012, and a few months earlier, he vowed to give every child **"a future without debt."** [VIDEO](#)

#### **Romney's Record On The Size Of Government: Increased Spending And More Government Jobs**

Romney promised to "go after government" in Massachusetts and eliminate bureaucracies. But he left Massachusetts with more state employees than he found it, and state government jobs grew at six times the rate of private sector jobs. Now he's promising to make Washington "a lot smaller." Romney couldn't use his private sector experience to make the government smaller in Massachusetts, and he won't be able to as President either.

#### Romney's 2002 Promise

**"I'm going to cut down the size of government, the bureaucracies we have. They're going to squeal like a stuck pig, but we have to go after government,"** Romney said in October 2002.

#### Romney As Governor

**Under Romney's stewardship as governor, state spending in Massachusetts went from \$22.3 billion to \$28.1 billion, an increase of 6.5 percent each year.** Despite his false claim – debunked by fact-checkers – that he cut the rate of growth of government in Massachusetts, the truth is that had Romney had his way, the increase could have been even larger, as he proposed eight percent higher spending per person.

#### **On Romney's watch, state government jobs grew at six times the rate of private sector job growth.**

The total number of full-time equivalent state employees in Massachusetts increased by five percent. Instead of rooting out waste, fraud and abuse, Romney tried to eliminate the state agency tasked with finding fraud and waste in government. As the president of the nonpartisan Massachusetts Taxpayers foundation noted, "Did he make government smaller and simpler – no, it looked very much like what it did four years earlier."

#### Romney's 2012 Promise

**Romney: "I Want To Take Washington Apart And Then Put It Back Together So It's A Lot Smaller."** [WLW Radio (Cincinnati, OH), 2/28/12] [VIDEO](#)

#### **Conclusion**

Mitt Romney was right: we do have an opportunity to get to know him best by looking at his record as governor. His business experience was about two sets of rules – one for his investors, and another for the workers who lost jobs, pensions and benefits. Further scrutiny reveals that he carried his experience as a corporate buyout specialist to the statehouse in Massachusetts. But in the end, Romney Economics actually resulted in fewer jobs, more debt and bigger government. That's because Romney Economics isn't about long term economic growth – it's about two sets of rules, one for those at the top and another for everyone else. It didn't work in then, and it won't work now.