

WELCOME TO BOOTCAMP

Conservative Persuasion BOOTCAMP



**The Broadmoor
Colorado Springs
May 3, 2013**

CONSERVATIVE PERSUASION BOOTCAMP

The Broadmoor * Colorado Springs * May 3, 2013

Learning Objective: To equip each “bootcamp recruit,” by active participation, with knowledge, skills, and attitudes for winsomely vindicating with our fellow citizens America’s founding principles.

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“If the trumpet give an uncertain sound, who shall prepare himself to the battle?” – St. Paul

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Winning Economic & Tax Arguments

Facts on the Ground Since January 2009:

1. Despite record levels of stimulation that exploded government spending to 25 percent (from a 60-year average of 18 percent) and four consecutive years of trillion-dollar deficits, “***this is the feeblest economic recovery since the Great Depression,***” according to the Associated Press. Here’s why:
 - Averaging less than 2 percent since the recovery began in June 2009, GDP growth is only 40 percent of the historic average for post-recession rebounds and is well under the 30-year average growth rate of 3.4 percent;
 - Median household income has dropped 5 percent;
 - The percentage of Americans with a job is at a 40 year low and unemployment is 7.8 percent;
 - In the fourth quarter of 2012, official unemployment rates were 6.3 percent for whites, 9.8 percent for Hispanics, and 14.0 percent for blacks. Counting those who’ve left the labor force, true unemployment is 15 percent;
 - If the current “recovery” performed as well as the average of all post-World War II recoveries, current US GDP would be 15 percent larger and 8 million more Americans would have jobs;
 - A record number of Americans are dependent on government for disability checks and food stamps, up 20% and 44% respectively;
 - US poverty rates are at a 50-year high, even after spending a cumulative \$15.5 trillion in the “War on Poverty” over the period;
 - Debt is \$16.6 trillion or 105 percent of GDP -- up from \$10 trillion and 68% of GDP -- as we accumulate \$2.75 of debt for every dollar of GDP growth;
 - Annual debt expense is currently \$230 billion. Even at historically low interest rates, mandatory interest expense will overtake defense spending (\$640 billion) by 2020. If interest rates revert to historic

averages, interest expense will consume the entire discretionary budget of \$1.2 trillion.

2. ***Contrary to President Clinton's claim that no president could have done better with the economy since 2009, all presidents have.*** President Reagan inherited the other "worst" post-WWII recession and, unlike the most recent, had to contend with double-digit inflation and interest rates, in addition to double-digit unemployment. By this point in his presidency, Reagan's pro-growth policies had unleashed the US economy:
 - Unemployment dropped from 9.2 % to 7.1%;
 - Median incomes increased 13%;
 - GDP growth rate was 11%.
3. ***Americans have been denied this prosperity because of unprecedented levels of government spending, job-killing regulation, and crony capitalism*** – partisan policies which large majorities of business leaders in two recent surveys (Business Roundtable and National Federation of Independent Business) say hurt them.

Taxes:

"It is a paradoxical truth that tax rates are too high and tax revenues are too low and the soundest way to raise the revenues in the long run is to cut the rates now ... Cutting taxes now is not to incur a budget deficit, but to achieve the more prosperous, expanding economy which can bring a budget surplus." *John F. Kennedy, 11/20/62 Press Conference*

"Our tax system still siphons out of the private economy too large a share of personal and business purchasing power and reduces the incentive for risk, investment and effort – thereby aborting our recoveries and stifling our national growth rate." *JFK, 1/24/63 Congressional Address on Tax Reform*

"A tax cut means higher family income and higher business profits and a balanced federal budget. Every taxpayer and his family will have more money left over after taxes for a new car, a new home, new conveniences, education and investment. Every businessman can keep a higher percentage of his profits in his cash register or put it to work expanding or improving his business, and as the national income grows, the federal government will ultimately end up with more revenues." *JFK, 9/18/63 in an address to the nation on a tax reduction bill*

1. Raising taxes is harmful

- i. Taxes suck financial resources out of the private economy where they're more efficiently managed, transferring them to less efficient government;
- ii. It's unfair to individuals
 - We should respect individuals' earned success, allowing them to keep as much of their money as possible

- We don't discriminate against any minority in America, whether that minority is African American, Latino, or rich
- Progressive taxation allows society to express compassion for its neediest, but there's a tipping point at which we unfairly punish the rich minority, which is no less unfair than mistreating a racial minority;
- ii. All people respond to incentives – kids, spouses or us. If we raise taxes on working and investing, we'll get less work and less investment
 - In the short-term, tax increases may increase tax revenues, but as JFK understood, in the long run, tax rate increases decrease the size of the economic pie so there's less for everyone;
- iv. When corporate tax rates increase, the most economically vulnerable are impacted disproportionately
 - Corporations increase prices to cover increased tax expenses – If WalMart increases prices, lower income consumers are hurt the most
 - Increased tax expense means corporations have less available funds with which to invest in hiring, salaries, benefits and expansion;
- v. The economic stagnation caused by increased taxes handicaps Americans' opportunity to earn the success from which achievement and happiness derive. It undermines our freedom to determine our life "profit," however defined, which is what our Founders meant by "the pursuit of happiness" – America's moral promise.

2. ***Do the Rich pay their fair share relative to the middle class and poor?***

- i. According to a study of the top 24 economies in the world by the Organization of Economic Cooperation and Development (OECD), "Taxation is the most progressively distributed in the US;"
- ii. The wealthiest 10% in America (individuals and small businesses) earn 45% of total gross income and pay 71% of federal income taxes (see attached table). For the top 10%, the gap in the percentages of taxes paid and income earned is at a high, according to IRS data;
- iii. The bottom 50% earn 12% of total income but pay only 2% of total taxes; their tax rate is almost 0% and their share of total taxes paid has never been lower;
- iv. Effective tax rates for the rich are lower than the income tax rate because the rich tend to have more investment income which is taxed at a lower rate since it has already been taxed at the corporate level;
- v. The effective tax rate for the rich is the same today as in 1990 (18.5%), meanwhile, tax rates for the bottom 50% have declined from 5% to 2%;
- vi. Considering tax credits earned by the low income citizens and government transfer payments (Medicaid, welfare, food stamps, etc), nearly 70% of earners receive more government benefits than they've paid in.

3. ***Do US Corporations pay their fair share?***

- i. Of 34 OECD countries, the US has the world's highest effective tax rate;
- ii. The Corporate tax rate is the same today as it was in 1990;

- iii. Meanwhile, other nations have cut their corporate tax rates to attract corporations, hence US corporations leave off-shore growing percentages of their corporate income to shield it from higher US tax rates;
- iv. When US corporations leave income offshore, they can't use it to invest in hiring, salaries, benefits and expansion in the US.

4. Can we solve the deficit problem by taxing the rich more?

- i. Were US taxes distributed even more progressively, there aren't enough rich people to pay
 - Even if the government instituted a 100 percent tax on both corporate profits and incomes above \$250,000 per year, it would only yield enough revenue to run the government for six months;
 - The dirty little secret is that to reduce the deficit or avoid spending cuts, we'd need a "soak the middle class" strategy. That's because 98% of America's taxable income is in households that earn less than \$250,000.

What is fair?

What is "fair" depends on whether people perceive the person's wealth to be earned. If earned, it isn't fair to redistribute it. However, when President Obama said last summer, "You didn't build that," he was implying that people didn't earn their success and that their wealth needed to be shared. Therefore, it's critical to distinguish between those who worked hard and earned their wealth and those who didn't (ie, from crony capitalism, bailouts, corporate welfare).

Why should a farmer making \$2.5 million be eligible for farm subsidies?

Should Warren Buffett be entitled to the same Medicare and Social Security benefits as those without corporate jets?

Should wealthy backers of green energy be entitled to billions in below-market loans whether or not they're political donors?

Is it fairer to equitably divide a stagnant or shrinking economic pie or to grow the pie so everybody gets more, albeit unevenly?

Winning Obamacare Arguments

The Moral Case

- Government should not make health care decisions for people (the “insurance” plans sold on the exchanges will mandate the inclusion or exclusion of care as determined by unelected bureaucrats within the government, not our own doctors).
- As consumers, Americans shouldn’t be forced to accept one-size-fits-all insurance plans. Rather, Individuals should have access to a wide range of insurance plans (Obamacare limits the availability of catastrophic plans and HSAs).
- Obamacare institutes age discrimination (young people are forced to overpay for insurance so that premiums are cheaper for older people). This makes it harder for the young to save for their own futures.
- The two biggest problems with our health care system are access and cost. While Obamacare increases access, it makes the cost problem worse. We shouldn’t solve one problem by making another problem worse.
- The Association of American Medical Colleges projects a 90,000-doctor shortage this decade, a crisis Obamacare will only exacerbate, resulting in a two-tier system as doctors increasingly allocate time away from insurance plans that pay less.
- Obamacare increases the cost of doing business, undermining employers’ ability to hire, pay and provide benefits to employees. Consequently, increasing numbers of employees are expected to lose their insurance plans, doctors, and even their jobs.
- Millions of Americans will fall into government administered Medicaid plans, traditionally accessed by the poor. Reimbursement rates are so low, growing numbers of doctors refuse Medicaid patients causing quality of care to deteriorate as illustrated by Deamonte Driver -- a 12-year old Medicaid beneficiary with an abscessed tooth who died because he didn’t get timely care, -- not because he was uninsured, but because he was government-insured.
- Obamacare interposes government between Americans and their faith, in violation of constitutionally protected religious liberties. After a German judge banned circumcision in newborns last year, what’s to prevent an American ban, if not the First Amendment?
- As bedrocks of American civil society, faith-based social service agencies have served the vulnerable since our founding. Yet Obamacare mandates they pay for services that defy their religious conscience (contraceptives,

sterilization, abortions), unjustly forcing them to choose between their moral beliefs and government dictates, while undermining their good works.

The Facts

- Obamacare makes insurance more expensive for the middle class by forcing them to pay for coverage they will never use; The Society of Actuaries estimates an increase of 40% in costs to the newly insured in Colorado while the CBO estimates Obamacare will cost nearly twice its original estimate, leave 30 million Americans uninsured, and cause 20 million people to lose their employer-provided health insurance.
- Obamacare regressively imposes 20 new taxes on families and small businesses, incentivizing the hire of part-time instead of full-time workers.
- The cost to taxpayers of Obamacare will be enormous. Many millions of Americans, many not traditionally thought of as “rich”, will receive government subsidies to pay for insurance premiums. Subsidies will be given to individual adults who make up to \$42k per year; and to families with family income up to \$90K per year. This is a budget-buster.
- Obamacare plans are “guaranteed issue,” meaning anyone can sign up for insurance at any time, and they are assured insurance. Many people will wait until they are sick or injured to buy insurance since paying the fine for not having insurance is still less than paying insurance premiums for periods the insurance is not needed. This increases insurance companies’ costs, which are recouped through higher premiums.
- Obamacare forces tens of millions off of their employers’ plans and onto government insurance. Most employers feel morally obligated to provide health insurance for employees. Otherwise, many employees would be forced to buy individual health insurance, which is generally much more expensive and limited than group insurance plans. Under Obamacare, employees can go to the state exchanges to buy Obamacare insurance plans – and the government will subsidize the cost for individuals. Thus, employers are likely to stop providing health insurance to employees, even if it means paying a fine, since the fine is much lower than the cost of health insurance.
- Obamacare will make actual access to care more difficult for the poor and elderly by forcing them to compete for limited healthcare resources, especially as doctors exit the Medicaid/Medicare systems due to low reimbursements
- Obamacare reduces market forces by severely limiting HSAs and catastrophic plans, used mostly by the young. Obamacare is a massive wealth transfer from the young to the old.
- It unfairly allows waivers and exceptions for the politically well connected.

- Obamacare slows medical progress with a medical device sales tax, and a prohibition on new physician-owned hospitals.

The Principles

A health care system should:

- Allow people to pay for the care and insurance they need, while providing a basic safety net for the truly needy, through tax credits and subsidized high-risk pools.
- Recognize that people have a moral right to make their own health care decisions and to spend their own money to protect their health or that of their family.
- Incentivize the development of new technologies and treatments – the only proven means of making better care available to all.
- Require lawmakers to submit to the same healthcare system to which they're subjecting Americans – lawmakers are not above the Obamacare law.

The Policies

In addition to the Medicare and Medicaid reforms already proposed, the following changes would increase transparency and the power of the patient to control his own costs:

- Require hospitals and doctors to post prices, allowing healthcare consumers to choose providers based on price and quality comparisons, as we do all other purchasing decisions.
- Separate Insurance from the workplace by encouraging non-work groups, and individual plans
- Americans should retain the right to fund and use HSAs and select the insurance that's best for their needs, whether expensive plans with greater coverage or low deductibles or low-cost plans with less coverage or higher deductibles.
- Eliminate state insurance mandates that force people to pay for services they won't use and the incremental overhead necessary to administer and pay for routine, predictable services.
- National risk pools/Nationally available policies -- to provide safety net coverage for the higher-risk Americans.
- Tort Reform -- to reduce legal expenses and malpractice insurance costs for doctors and hospitals.

Winning Entitlement Arguments

The Moral Case

- **It is wrong to make a promise you cannot keep.** For decades, politicians have promised to support their constituents in old age, to provide their medical care and to pay for the medical needs of the poor. But without reform, the big entitlement programs (Social Security, Medicare, and Medicaid) will go broke, breaking the promises made. Future seniors and the poor will be the most harmed by the safety net's disappearance.
- **It is unfair to force one group of people to pay for the benefits given to another group, without their input and when it is unlikely the paying group will ever get the same benefit.**
 - Future generations have no say in setting today's policy, but they will foot the bill when all the debt used to finance today's entitlement programs come due.
 - This is "fiscal child abuse".
- **When we know a promise must be broken and people will be disadvantaged, we must distribute the pain evenly. It is wrong to favor one group over another.**
 - We have made promises to our seniors for a secure retirement with medical benefits, and we have made promises to our children that they will inherit a prosperous economy not unduly weighed down by debt. We cannot keep both promises.
 - Both current seniors and their grandchildren must bear the burden – not just one or the other.
- **Entitlement Programs should encourage virtuous behavior**
 - Social Security discourages work, discourages marriage, encourages dependency, and prevents people from enjoying earned success.

Background

- When tax-hike proponents justify expansive government by praising its most legitimate and necessary functions, they're like David Copperfield, expertly distracting us with one hand so we don't notice the other.
 - The concern isn't spending on roads, bridges, teachers or firemen; it's the 60% of the federal budget consumed by our massive welfare state -- a catchall for Social Security, Medicare, Medicaid, and dozens of other "safety net" programs created by vote-hungry politicians.

- Senator Tom Coburn contends, "Congress has been an assembly line of new programs and a favor factory for special interests. Our economy is on the brink of collapse not because politicians can't agree, but because they have agreed for decades...to borrow and spend far beyond our means... to create or expand nearly forty entitlement programs, carve out tax advantages for special interests, build bridges to nowhere and earmark tens of thousands of other pork projects."

- Now that the welfare state is crumbling and imperiling our way of life, we have the opportunity to transform our government so that it will serve us better. Doing so will renew the moral promise inherent in the American Dream while making it accessible to all.

The Facts

- **Entitlement Programs consume the majority of the federal budget**
 1. We currently spend over \$2 Trillion a year on entitlements, roughly 2½ times what we spend on Defense, and close to 15% of our entire GDP:
 2. Entitlement programs cost more each year than the combined cost of the Iraq and Afghanistan wars plus the TARP bailouts

Where Did Your Tax Dollar Go?

In 2012, Washington collected \$2.4 trillion in taxes, more than \$20,000 for every American household. Yet Washington actually spent \$3.5 trillion, or nearly \$30,000 per household, adding \$1.1 trillion to the debt.



* Includes federal employee retirement and disability, unemployment compensation, food and housing assistance, and other federal income security programs.

Notes: Figures have been rounded. Defense spending includes overseas contingency operations.

Source: White House Office of Management and Budget.

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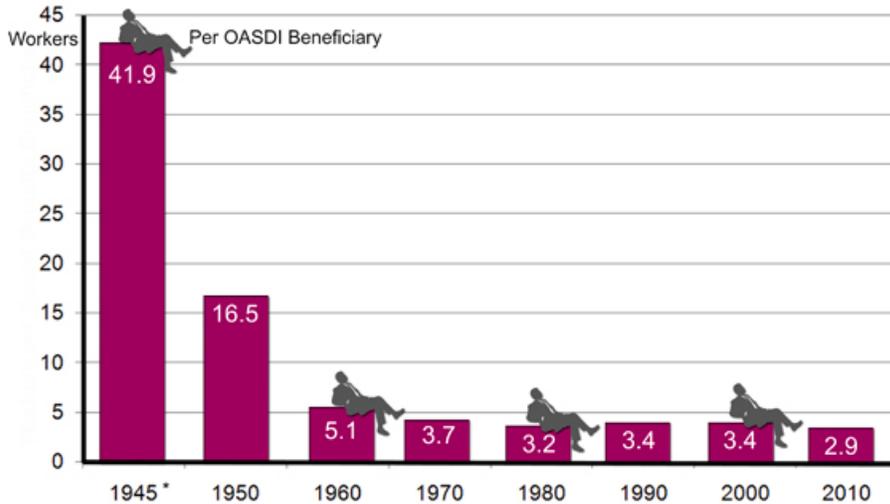
- The amount spent on entitlements has been growing far faster than predicted at these programs' inceptions, and far faster than the rest of the budget:

The U.S. Federal Government Becomes An Entitlement Machine
Federal government entitlement transfers as a percent of Federal budget outlays,
1940-2010



- **There have been 2 major causes of the explosion in entitlement spending:**
 1. Sharp increases in health care costs
 2. Sharp increase in life expectancy
 - When Medicare and Medicaid were enacted in 1965, life expectancy was only 68 years (and Social Security payments began at age 65).
 - Today life expectancy is close to 80.
- **As society ages and the birth rate has declined, there are not enough current workers to support the growing number of retirees:**

How Many Workers Support One Social Security Retiree?



Source: 2012 OASDI Trustee Report, Table IV.B2., www.ssa.gov, accessed May 21, 2012.
Data note: The Trustee Report provides data from 1945 and onward. Prior estimates are unavailable.
Produced by Veronique de Rugy Mercatus Center at George Mason University.

- **All three of the major programs, unless they are restructured, are headed towards insolvency**
 1. Social Security's Trust Fund will be depleted by 2033
 2. The Medicare Trust Fund will be depleted by 2024
 3. Even this is misleading: already both programs pay out more than they take in each year. Congress has to fund the difference with debt, since the cash in both Trust Funds has already been spent
 - The Trust Funds contain not cash but "IOUs" from the US Treasury
- **This spending has caused the US to accumulate massive debts**
 1. Our current debt is over \$16T (which is a number greater than the size of our annual economy)
 2. The US borrows \$41,222 per second just to keep government running.
 3. Greece and other countries' economies started unraveling when their debt became about 120% of the size of their economies
 - Today's unemployment rate in Greece and Spain is over 25%
 - For the poor and the young in those countries, the unemployment rate is closer to 50%
 - The US will be at the 120% debt to GDP ratio in a few years

The Principles

- Entitlement reform must always adhere to two principles
 - Entitlements were created to serve as a safety net for the needy, not as a prop for the middle class.
 - Entitlement systems should encourage individuals to continue working and saving so long as they are able.

The system should encourage people to use the money and services they receive wisely and responsibly, rather than promoting overuse and runaway spending.

The Policies

Social Security is the easiest entitlement program to reform and can be done without raising taxes.

- The age should be gradually raised to 70 by 2065.
- Benefits should be indexed to price inflation, not wage inflation, as the program's purpose is to keep the elderly out of poverty.
- Benefits should gradually be reduced for earners with high incomes. The system should be a way to keep individuals out of poverty, not create a dependent upper- and middle-class.

System could provide safety net for 60% of the price of the current system, keeping seniors out of poverty and empower them throughout their retirement:

- People should be given the incentive to work longer by eliminating the Social Security payroll tax for individuals over 62
- Basic income supplement should be provided to impoverished senior citizens.
- Workers should then be given ownership of their retirement savings by enrolling all workers 55 and younger into a retirement savings account funded by 5 percent of the worker's earnings (2.5 percent from the individual and 2.5 percent from the employer).

Medicaid is slightly more difficult to improve.

- States set the rules, while the federal government absorbs between 50% - 75% of the cost
- States therefore have an incentive to spend more.
- In 2009, Colorado expanded Medicaid; coverage is 3x what was projected, and costs are 9x
- The system should be converted to block grants based on a state's poverty rate

Medicare also encourages overspending by guaranteeing unlimited payment for health care costs. By 2020, we'll be spending \$725 billion on Medicare alone.

- Gradually raising the benefit age to 67, with disability still being available for those who need it
- Move to defined contribution, where a certain level of coverage is guaranteed
- Calculate the level of coverage can be calculated based on age, income and health status
- Put into an account for the seniors to dedicate to preapproved private plans

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