

# Obama's best case

The presidential campaign has gotten so heated over the attacks and counterattacks from the Obama and Romney campaigns that it's easy to forget that larger issues are at stake in November. That's unfortunate because, beneath the froth, there is an important ideological debate to be had about America's future.

The attacks are, I suppose, inevitable. But let's be honest: They're largely untrue or irrelevant. Whatever the paperwork shows, Mitt Romney was not running Bain Capital after February 1999. Even if he had been, outsourcing jobs to lower a company's costs — and ensure its survival — is not sleazy; it's how you run a business efficiently. (Is President Obama suggesting that we put up tariff barriers to prevent outsourcing in the future?) On the other side, Romney's recent claim accusing the president of shoveling government grants to his political supporters was so twisted it earned the Fact Checker's highest score for distortion — "Four Pinocchios."

Below all the mudslinging lies a real divide. Obama has been making the case that the U.S. economy needs investment — in infrastructure, education, training, basic sciences and technologies of the future. Those investments, in the president's telling, have been the key drivers of American growth and have enabled people to build businesses, create jobs and invent the future.

Romney argues that America needs tax and regulatory relief. The country is overburdened by government mandates, taxes and rules that make it difficult for businesses to function, grow and prosper, he says. He wants to cut taxes for all, reduce regulations and streamline government. All this, in his telling, will unleash America's entrepreneurial energy.

Both views have merit. It would make for a great campaign if our nation had a sustained discussion around these ideas. Then the election would produce a mandate to move in one of these directions.

In both cases, the candidates would have to explain how they would square their ambitions with long-term deficit reduction. If Obama plans to invest government funds in infrastructure, or if Romney intends to cut taxes, each needs a serious strategy of fiscal reform. Obama has been more specific than Romney, but neither has been entirely honest about what the numbers show are necessary to get America's fiscal house in order: cuts to

entitlement programs and higher taxes (whether through higher rates or the elimination of deductions such as the one for mortgage interest).

On the broader economic strategy, I think that Obama has the stronger case. We need a tax and regulatory structure that creates strong incentives for businesses to flourish. The thing is, we already have one. The World Economic Forum's 2011-12 Global Competitiveness Report ranks the United States No. 5 — and first among large economies. There has been a little slippage in this ranking the past few years, but it is modest and can be rectified. Overall, however, whether compared with our own past — of, say, 30 years ago — or with other countries, the United States has become more business-friendly. That's why, just last week, the Economist magazine predicted an American economic renaissance.

America is worse off than it was 30 years ago — in infrastructure, education and research. The country spends much less on infrastructure as a percentage of gross domestic product (GDP). By 2009, federal funding for research and development was half the share of GDP that it was in 1960. Even spending on education and training is lower as a percentage of the federal budget than it was during the 1980s.

The result is that we're falling behind fast. In 2001, the World Economic Forum ranked U.S. infrastructure second in the world. In its latest report we were 24th. The United States spends only 2.4 percent of GDP on infrastructure, the Congressional Budget Office noted in 2010. Europe spends 5 percent; China, 9 percent. In the 1970s, America led the world in the number of college graduates; as of 2009, we were 14th among the countries tracked by the Organization for Economic Cooperation and Development. Annual growth for research and development spending — private and public — was 5.8 percent between 1996 and 2007; in South Korea it was 9.6 percent; in Singapore, 14.5 percent; in China, 21.9 percent.

In other words, the great shift in the U.S. economy over the past 30 years has not been an increase in taxes and regulations but, rather, a decline in investment in human and physical capital. President Obama has real facts and a strong case — which makes it all the more depressing that his campaign has focused on half-truths and weak arguments.