

# The Washington Times

SUNDAY, DECEMBER 30, 2001

## Economic sabotage within

*Richard W. Rahn*

The American people are under attack not only from foreign terrorists but now from some members of their own U.S. Congress. The most basic function of government is to protect the people and their property. Our intelligence and law enforcement community failed in this duty on September 11, and the Congress failed in this duty the week before Christmas

We are now in a recession that will result in millions of Americans losing their jobs. There is no one who knows for certain how long the recession will last or how deep it will get. We may be lucky, as some are forecasting, and have a strong recovery in the spring. Or we may not be lucky and have a deepening of the recession with a long, slow turnaround.

Since economic science is not sufficiently developed to forecast the future with much certainty, the responsible policymaker takes action to remove as many impediments to economic growth as possible. This is precisely what the Congress, the Senate in particular, did not do. Rather than give the American people needed tax relief, the members of Congress gave themselves a Christmas present in the form of a \$4,900 pay increase — to \$150,000 per year — courtesy of the taxpayer.

Senate Majority Leader Tom Daschle was the one member of Congress who both had and exercised the power to block the needed economic stimulus package, and ensure the pay increase. (In fairness, he had plenty of allies from both parties in sneaking through the late night vote on the pay increase.) The words and actions of Mr. Daschle are either that of a man deeply ignorant of economics or one who seeks political advantage by extending the misfortune of others.

Having watched Mr. Daschle for a number of years, I have concluded his sin is not that of ignorance but that of a man who has a callous disregard for the needs of his fellow Americans. I do not come to this charge lightly, but ask you to look at the evidence.

After loudly proclaiming the need for economic stimulus after the September 11 attack, he stonewalled against any real tax stimulus, and then refused to allow a vote on a greatly watered-down bill, even though there was a clear majority in both houses of Congress in favor of it. His stated reason for the blackball was that the bill did not contain enough extra help for the unemployed.

It might be argued that additional help for the unemployed is justified out of compassion, but it is certainly not economic stimulus. By refusing to allow the bill to come for a vote, he assured that the unemployed would get no extra help at all, because the bill contained many billions to help them and there was no alternative bill — so much for the good senator's compassion argument.

The senator repeatedly stated he was not against all the business tax changes offered to stimulate the economy. He said he favored the proposal to allow partial expensing for depreciation. That proposal had well-deserved bipartisan support in both houses of Congress and would have easily passed. It is the type of constructive tax change that would actually increase government tax revenues over the long run, because of all the new jobs and additional economic growth that would occur due to the additional new investment. If Mr. Daschle had been truly interested in creating more jobs for American workers and faster economic growth, he could have separated the depreciation proposal from the rest of the bill and allowed a vote on it. But, true to form, he did not.

When the first tax bill was being debated, Mr. Daschle revealed his true stripes in an exchange on the Fox Sunday News. After claiming the tax cut was "a giveaway to the rich," Mr. Daschle was asked by reporters Fred Barnes and

Brit Hume, what was the maximum percentage of income any American should have to pay in taxes. Mr. Daschle twice refused to answer the question. Clearly, if he really believed the "rich" were not paying a high enough percentage of their income in taxes, he could have easily answered the question.

Many politicians of both parties occasionally lapse into mild demagoguery and hypocrisy, but Tom Daschle has raised it to a new art form with his mild-mannered and sincere-sounding demeanor. It would merely be amusing if it were not for the fact that he uses his power to wreak sweet-sounding havoc on the lives of his fellow citizens.

The administration badly misjudged Tom Daschle and his comrades after September 11. They assumed that Daschle and company sincerely cared about their fellow citizens and were reasonable men who would be willing to compromise over genuinely held policy differences. Only slowly did the truth begin to dawn on the president and his advisers but, by the time most of them woke to reality, the game was over. Democratic strategists James Carville, Stanley Greenberg and Robert Shrum made it official in a paper, cynically arguing that the Democrats would benefit from prolonging the recession while supporting the president on the war. The fact is that they are only orally supporting him on the war, while at the same time blocking votes on many of his nominations that are needed to fill out his foreign policy/defense team.

To avoid getting caught again, the president and his advisers need to identify as many tax, spending, and regulatory impediments to economic growth as they can, and lay them out in a detailed appendix to the State of the Union address.

By impediments to economic growth, I mean those actions of government that are clearly not justified on any reasonable cost-benefit basis, and thus waste national resources:

- Tax rates, such as those on capital gains, which are above the revenue- and growth-maximizing rates, would be an example.
- Regulations like the one that the Clinton administration proposed just before leaving office, which would require us to report to foreign governments the interest payments made to foreign nationals is another. This proposal, if implemented, would mean that the U.S. government would drive hundreds of billions of dollars of needed foreign investment out of the U.S. in order to help socialist governments raise tax revenues, all at the expense of jobs for U.S. citizens.

There are thousands of foolish and costly tax, regulatory and spending programs that hurt all of us and ought to be eliminated.

The administration should also absolutely insist that the revenue estimators in the Treasury and Congress use dynamic (i.e., real world behavioral changes) rather than static (i.e., assumes little or no behavioral change) analysis to evaluate the fiscal impacts of the proposed changes. The current system gives bad numbers that result in bad policy.

Once the administration has compiled the list, it should pick the 100 most important impediments to economic growth (out of the many thousands that exist) and challenge the Congress to vote on each of them separately. The press and the public could then grade each member of Congress, like students taking an exam, on the number of correct votes. If the leadership of either House blocked votes on any measure, all of the members of the leader's party who did not explicitly and publicly express disagreement with the blocking agent would be scored as a "no." The president and his congressional supporters would need to forcibly oppose bundling of items in the list or bundling with unrelated items. Bundling an item would be considered a no vote. It would then be crystal-clear who was and who was not for economic growth and job creation.

For the above proposal to work, the administration, and its allies on both sides of the aisle, would have to publicize every day those items that were approved and by whom, or not approved and by whom. If the procedure were properly managed, each member of Congress would be forced to enter the election with a grade. The higher the grade, the more pro-growth and pro-job creation the member would be. The president would need to be actively engaged in the effort daily, helping to bring pressure against those whose highest calling is protecting the status quo.

Economic saboteurs can only succeed when the public is kept ignorant of their actions by a compliant press and timid foes. It is important that good people be as steadfast in defeating the economic saboteurs as they are with the terrorists.

---

Richard W. Rahn is a senior fellow of the Discovery Institute and an adjunct scholar of the Cato Institute.