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Economic accountability path

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It is often said success has many fathers, and failure many orphans. Who then should be held responsible for the economy? Should President Bush be held accountable? — Fed Chairman Alan Greenspan? — Senate Majority Leader Daschle?

The person who should be held accountable is that person who has the authority for economic decision-making. One of the first things students of management learn is that authority and responsibility ought to be equal.

From, at least, the time of the Great Depression, presidents have been held responsible for economic performance, yet none of them has had control over all of the key aspects of economic decision-making.

The independent Federal Reserve Board largely controls monetary policy, which, in turn, largely determines the rate of inflation or deflation.

Mistakes in monetary policy can also stifle economic growth, but good monetary policy by itself may not be sufficient to create strong economic growth.

The level of taxation, government spending and regulation also greatly affects economic performance. Congress has the principal responsibility for each of these activities even though a president may have great influence. A president who can push policies through Congress because of a strong party majority or due to persuasive personal abilities can have a strong impact on the economy.

There are also exogenous factors that affect the economy, such as droughts, floods, earthquakes, economic booms and busts in other countries, and wars over which economic policy makers have no control.

Presidents like Lyndon Johnson and Ronald Reagan were able to implement much of their economic programs for good or ill, and are rightly damned or praised for the performance of the economy. Presidents like Gerald Ford and Bill Clinton were much more the victims and beneficiaries of policies over which they had limited control.

The present system of economic governance is politically stacked, in part by design and in part by accident so any politician can blame the other party for poor economic performance or take credit for a good economy. The losers in all this are the voters and the taxpayers with the almost impossible job of penalizing those who make the wrong economic decisions and rewarding those who make the correct ones.

A compounding factor is that many politicians and media people are ignorant about economics so they peddle economic nonsense while other, more knowledgeable but intellectually corrupt, politicians engage in economic demagoguery. The result is that economic untruths are widely believed and good economic policy becomes increasingly difficult to implement.

For instance, many people believe that when Mr. Clinton became president the economy was in recession and when he left office the economy was growing, because some in the news media repeated statements by politicians to this effect as facts. The real facts are the opposite.

The economy had been growing for four quarters when President Clinton was inaugurated and was in recession when he left office. Recently, Sen. Kent Conrad, North Dakota Democrat, strongly attacked President Bush for economic mismanagement. However, the senator, as chairman of the Budget Committee, has yet to produce a budget resolution, which is clearly his responsibility. In addition, the Democratic-controlled Senate has failed to pass any appropriations bills, even though the session is almost over, and the new fiscal year begins Oct. 1.

This has not prevented Sen. Tom Daschle of South Dakota and his fellow Democrats from blaming the president for the deficit. What is the voter to believe?

Vice President Richard Cheney has called again for a reduction in the double taxation of dividends, which is good tax policy. Yet his statements have been ignored by most of the press and by most members of Congress of both parties. Almost everyone agrees we need fundamental tax reform but, under the present system, the chance of it happening is almost nil, because it is nearly impossible to have serious economic debate and responsible action by Congress.

What is to be done? Given that presidents are now largely held accountable for the performance of the economy, let's consider giving them the necessary authority to meet the responsibility. The following changes should be considered: Allow the president to select the Fed chairman for his term in office unless Congress disapproves the selection by a two-thirds vote. Allow the president to present his budget, which would go into effect unless specific spending measures were deleted or added by Congress. (The president would still have the right to veto any of these deletions or additions.) Allow the president to propose tax law changes that would be adopted if not changed by Congress within 90 days.

The Constitution gives Congress the power over taxing and spending, which it would continue to have, but it could delegate part of it to the administration the same way it has with trade treaties under the so-called "fast track" provision. "Fast track" was created because it became obvious to everyone Congress was incapable of approving a trade treaty without it. It should be equally obvious that Congress is no longer capable of fulfilling its responsibilities regarding taxing and spending, and thus a change needs to be made.

Yes, let us make the president responsible for economic outcomes. But in so doing, we must give him or her the necessary authority to make the policy decisions which will determine whether or not the economy grows and by how much.

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