The Washington Times
www.washingtontimes.com

Marketing failure

By Richard W. Rahn
Published June 4, 2004

Did you know that the U.S. has the fastest-growing economy among all of the rich nations?

During the past year, the U.S. has been growing threefold the rate of the average of the European Union countries and about 50 percent faster than Japan, and is now experiencing the fastest rate of GDP growth in 20 years.

The unemployment rate is now lower than the average of the 1970s, 1980s and 1990s. In addition, productivity growth has been soaring, interest rates are the lowest in decades, and real disposable income is up an annual 3.9 percent.

With all this good economic news, you would expect President Bush to be far ahead of Sen. John Kerry, Massachusetts Democrat, when it comes to the question of "which candidate would be best for the economy."

But in fact, several recent polls have shown Mr. Kerry ahead of Mr. Bush on this question. Part of the explanation is few Americans are aware of the above economic facts and how well the economy has been performing.

Even fewer Americans are aware policy failures in the Clinton-Gore administration gave us the recession, which was in place when President Bush took office. Probably, only a small minority of the electorate understand the fatal flaw in the Clinton-Gore economic policy was the big increase in effective tax rates on capital, and that John Kerry is now proposing to go back to those same failed policies.

The Bush administration has all the empirical evidence it needs to make the case that the president has and will manage the economy well, yet the polls clearly indicate failure to do so.

The president is open to legitimate attack on the very rapid growth in government spending, and his less-than-pure free market trade policies. But here again, Mr. Kerry has given away his substantive advantage by advocating even more government spending and more trade restrictions, particularly on outsourcing.

Some in the administration have blamed the media for "not carrying the good news about the economy." It is indeed true the national news media has a left bias, and many reporters are hostile to the President and are pro-Kerry. However, this is no excuse. All recent Republican presidents and officeholders have suffered from the same bias, but many, like Ronald Reagan, were able to overcome it.

The Bush economic team has yet to learn how to tell its story in a clear, concise and factually correct manner. Treasury Secretary John Snow and Commerce Secretary Don Evans give the numbers in their talks, but rarely explain clearly and correctly how their policies actually reversed the Clinton-Gore recession and gave us the current boom. (They usually do give credit to the tax cuts, but often fail to differentiate between the effects of supply-side and demand side cuts, leaving them vulnerable to Mr. Kerry's charge of "tax cuts for the rich.")

National Economic Council Chairman Stephen Friedman has been all but invisible, and presidential Council of Economic Advisers Chairman Greg Mankiw has been muzzled ever since he told the truth about "outsourcing" (i.e., it is good for the American economy).

The president and his economic team have yet to lay out their vision of what a second Bush term would mean for the economy. They have hinted at tax reform (and so has John Kerry), Social Security reform and measures to expand ownership of investments. These are all well and good, but they need to be bold, clear and compelling on each of the above, and to make sure the numbers and assumptions they use are accurate.

The president ought to tackle excessive spending and regulation (which most Americans correctly understand to be a major problem) by stating he is going to establish a serious program to require real cost-benefit analysis for every government spending and regulatory activity.

The government has actually had some success -- with its Office of Regulatory Affairs in Office of Management and Budget -- in stopping or modifying some major regulations that did not pass a reasonable cost-benefit test. This successful activity needs to be expanded to all regulations -- even those from the Internal Revenue Service -- and to all government spending programs, and to our support of multinational organizations like the United Nations, International Monetary Fund, World Bank, Organization for Economic Cooperation and Development and Financial Action Task Force.

James Carville is famous for saying, "It's the economy stupid." The current President Bush's father lost that debate with President Clinton, even though the economy had been growing smartly for the year preceding the election.

If the current president and his economic team do not quickly do a better job in marketing the economic facts and an economic vision, history may repeat itself.

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