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Economics chasm between

By Richard W. Rahn
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Sen. John Kerry and his fellow Democrats seem to believe that by attacking President Bush for "inadequate" job creation the Republicans will be too inept to remind the American people that it was the Clinton economic policies that gave us the recession and the job losses.

With polls showing Mr. Kerry ahead on economic issues, the Democrats chutzpah is succeeding.

Mr. Kerry and his allies say they will bring back "Clintonomics" that gave us "great prosperity." It requires no great skill to take over a growing economy with a falling unemployment and leave it in a recession, which is precisely what Bill Clinton did.

Democratic propagandists have also led many Americans to believe Mr. Clinton's economic performance was vastly superior to Ronald Reagan's, but the real facts show quite the reverse.

Mr. Reagan did the opposite from Mr. Clinton in that he took over a failing economy -- with double-digit inflation and no growth -- and turned it into a low inflation, high-growth economy. Under Mr. Reagan, the standard "Misery Index" dropped 7.8 points, threefold better than Mr. Clinton's performance. New jobs, economic growth and real incomes all grew faster under Mr. Reagan than under Mr. Clinton.

The Democrats are fond of saying more new jobs were created under Mr. Clinton than under Mr. Reagan. They are right by a small margin if you take the absolute number of jobs from the January each president took office until the January they left office. But as every economist knows, jobs lag changes in economic policy and the business cycle by a year or more.

Correcting the number for the lag shows that under Mr. Reagan's policies 19.4 million new jobs were created and under Mr. Clinton only 13.7 million new jobs were created.

The difference becomes even starker when one adjusts for the bigger U.S. population under Mr. Clinton. Even the unadjusted data show a bigger percent increase in new jobs under Mr. Reagan. The properly adjusted data show a 19.4 percent increase in new jobs under Mr. Reagan, and only a 7.3 percent increase under Mr. Clinton (less than population growth).

The federal tax burden as a percent of gross domestic product (GDP) fell by more than 8 percent under Mr. Reagan, while it increased by 15 percent under Mr. Clinton, leaving us less free and less prosperous. Both Mr. Reagan and Mr. Clinton kept domestic discretionary spending growing at a rate less than nominal GDP, for which they are entitled to high marks.

Mr. Reagan had to increase defense spending to win the Cold War, while Mr. Clinton had the luxury of reducing defense spending, both in relative and absolute terms.

Mr. Reagan was criticized for running deficits, which he did. However, it is the total national debt in relation to our GDP that is the correct measure of economic burden. The little known fact is under Mr. Reagan the ratio of debt to GDP (401/2 percent) did not increase during his last three years because the economy was growing faster than the deficit, and in fact he left us with a lower debt burden than did Franklin Roosevelt (more than 100 percent of GDP), John F. Kennedy (42.3 percent) and Mr. Clinton at the end of his first term (46 percent).

Ironically, Mr.Clinton led us into the recession because of his preoccupation with balancing the budget. Rather than cut overall spending to balance the budget, he increased the tax burden on capital, which led to government taxing high-cost private sector savings and investment to pay off low-cost government debt. (This was as foolish as would be for an individual to reduce a low-cost 6 percent mortgage by paying down the principal with high-cost credit card loans.) The result was to deprive the private sector of productive capital, hence the recession.

The Bush administration and Republicans in general have failed to make an issue of who and what caused the recession. They seemed to have forgotten their own history. In the summer of 2000, Mr. Bush and his economic team had noticed the sinking economy. The Democrats, including John Kerry, were in denial. Mr. Bush proposed a tax cut which, if enacted in the summer of 2000, might have enabled us to avoid the recession. The Democrats opposed the cut and hence it was not enacted. As a result, we were in a recession the quarter Mr. Bush took office. If Al Gore had won, we would have been in the same recession, and it would have been interesting to see whom he would have blamed.

If President Bush can propose and sell a new Reaganomics -- tax reduction, serious spending restraint, and free trade -- he will win on the economy, provided his team reminds the American people of Mr. Clinton's real record. Mr. Kerry is engaging in a risky strategy by advocating higher taxes and, unlike Mr. Clinton, even more government spending and trade protectionism. If enacted, such policies would likely lead to another recession.He is betting on the lack of memory and economic ignorance of the media and the American people, coupled with the incompetence of the Republican economic media team. If Mr. Kerry succeeds with this gambit, it will be a sad reflection on both our political parties.

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