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## The Growth Agenda

By Richard W. Rahn

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Would you expand your stock market holdings if you knew taxes would be increased on businesses' most valuable employees? Business depreciation allowances would be reduced? Tax disadvantages of U.S. multinational corporations would increase relative to their foreign competitors? And the tax rate on capital gains and dividends would rise? Well, this is exactly what John Kerry proposes, and that is the major reason the stock market has been floundering.

A rational person understands the Democrats propose many anti-economic growth policies and there appears roughly a 50 percent chance the Democrat will be elected. Therefore, one's stock market holdings are likely to have less value if Mr. Kerry is elected.

Every good economist understands higher taxes on labor and capital reduce economic growth and job creation. Good economists also understand the "fair trade" agenda Mr. Kerry proposes is nothing more than a code word for protectionism, that will result in slower economic growth and job losses.

The Kerry Democrats have also proposed a higher minimum wage that will increase unemployment for teenagers and the least skilled. Finally, Mr. Kerry has proposed upward of \$2 trillion in new federal government spending, and the Democrats have endorsed the "pay-go" rule, which says any new spending must be covered by higher taxes. This means the tax increases necessary to pay for all of the proposed new spending are many times the tax increases Mr. Kerry has already proposed.

In sum, the Kerry Democrats have in reality proposed the platform most contrary to economic growth and jobs creation in U.S. history. They are betting the news media will be too dumb or willfully blind to notice and the Republicans too incompetent to explain the reality of the Democrats' proposals to the American people.

The Democrats have handed the Republicans a golden opportunity to set forth a true economic growth and jobs creation plan. Unfortunately, it is not at all clear the Bush administration and the Republicans have the skills and bold thinking to take advantage of the opportunity presented.

The Democrats are good at selling falsehoods, and the Republicans are lousy at selling the truth. Many in America believe the Clinton administration was a great economic success, when in reality Bill Clinton took over a growing economy and left it in recession.

Thus the first task of the Republican team is to educate the American public about the reality of the Clinton policies and how they were responsible for the recession and job losses. The second task is to explain how the Democrats' proposals are likely to lead to another recession and even greater job losses.

But even if the Republicans accomplish these first two tasks, it will not be enough unless they have a credible growth package of their own and can sell it to the American people.

The Bush campaign and the White House are now engaged in an internal battle about what economic package should be proposed. There are those who understand the need for policy boldness and an aggressive sales campaign, and there are those who are timid, scared, and defensive (the girly-men in Arnold-speak). President Bush has said he does not want to repeat his father's mistakes. One of his father's biggest mistakes was to enter his re-election campaign without a vision of where he wanted to lead the country on the economic front (unlike Mr. Reagan). We soon will know whether the son will follow the father with the economic vision deficit and likely election loss or set forth a bold vision sold in a way that grabs the attention of and excites the voters, leading to re-election.

What would a bold pro-growth agenda include? On the tax front it would contain a sincere commitment to fundamental tax reform and simplification, where no American would pay more in taxes and many would pay less. It would include proposals to make American companies more internationally competitive by ensuring our corporate tax rate was lower than the average of our competitors, rather than the fourth-highest in the world. It would include the pledge to make permanent all the recent tax cuts, including repeal of the death tax, and keep the accelerated depreciation -- slated to expire at the end of this year -- so vital for business capital investment.

A growth agenda would also contain a pledge to make the necessary Social Security reform while there is time. The president should endorse a plan like the one just proposed by Rep. Paul Ryan, Wisconsin Republican, that would enable all Americans to enjoy higher and more secure retirement benefits through partial privatization.

Necessary regulatory reform should be addressed by insisting on more complete and better cost-benefit analysis for all regulations, with an expanded right of private action to enforce reasonable cost-benefit tests. A renewed commitment to tort reform needs to be part of the package. Finally, realistic and sincere proposals must be made to reduce the rate of growth of federal spending below the economy's growth rate.

If Mr. Bush and his campaign do all the above competently and effectively, he should win, even with continuing difficulty in Iraq. And if he doesn't -- well like father like son.

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