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Disconnect

By Richard W. Rahn
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Which presidential contenders would be best for the economy and which ones worse? Unfortunately, much of the campaign has revolved around a series of largely meaningless sound bites and words like “change.”

Some candidates find they can get away with policy prescriptions totally disconnected from their stated goals and empty platitudes, because many in the press demand nothing more, even in the “debates.”

Last weekend, CNN interviewed an “independent” voter who said he was undecided between John McCain and Barack Obama. One being the most aggressive about winning in Iraq and wanting to curtail government spending, and the other wanting to leave Iraq quickly and engage in much more government spending — huh?

I suspect that there are millions of other voters who haven't a clue about various candidates' positions, let alone understand the actual implications of their declared policies.

A candidate's stated policies can also be much different from his or her ability or willingness to get them enacted — as I learned the hard way when I was one of the economic advisers to the first President Bush in the 1988 campaign. Some may recall he successfully ran to curtail the growth in government spending through a “flexible freeze” and a promise not to increase taxes — “read my lips.”

Within months after taking office, he began to abandon the “flexible freeze” and subsequently discarded his pledge not to increase taxes — which turned out to be fatal economic and political mistakes.

When government wastes money through mismanagement or on unproductive programs, the people are worse off. Even government studies show about 50 percent of government spending is ineffective.

There is overwhelming evidence that high marginal tax rates on labor, saving and investment are destructive. Government regulations that do not meet reasonable cost-benefit tests are economically harmful. It has been well understood for several centuries that free trade benefits the majority of the people.

Ron Paul has the most radical free market and high-growth economic program. While his chances of being elected are almost nil, he has done a great service by rekindling the debate about the proper size and role of government.

Fred Thompson has laid out the most detailed economic agenda, that would not only continue the Bush tax cuts but further reduce taxes and move toward a flat tax alternative and entitlement reform. He seems the most genuine free market candidate next to Ron Paul, and likely to be unafraid to use his veto pen.

Questions remain as to how hard Mr. Thompson would fight to downsize government despite his good instincts, and how well he would manage the government bureaucracy.

Mitt Romney and Rudy Giuliani both support making the Bush tax rate cuts permanent and, particularly in Mr. Romney's case, advocate additional pro-growth tax rate cuts. Both argue they can “pay” for the tax cuts by holding down the size of government, and they have both proved in the past that they are strong managers, have reduced growth in government, and, like Mr. Thompson, support free trade.

But Mr. Giuliani, like Mr. Thompson, has not signed the pledge against increasing taxes. John McCain has also said he favors continuing the Bush tax rate reductions, except for not fully eliminating the death tax. Mr. McCain has been a strong voice and warrior within Congress for spending restraint, but inconsistent in his past support for lower taxes.

Mike Huckabee has supported the most radical tax reform measure, the national sales tax or Fair Tax, to replace the income tax. Critics charge the 23 percent rate required is too high to be workable. If Mr. Huckabee would support a more limited version of the sales tax, which leaves Social Security and Medicare funding to be dealt with separately, and thus would allow the rate to be under 15 percent, it probably would be politically doable.

To work, the Huckabee tax proposal would need to be coupled with very strong spending growth restraints. Yet he has taken a populist line, implying much higher spending, which is what happened in Arkansas when he was governor.

Hillary Clinton, Barack Obama and Bill Richardson have said they will let the Bush tax rate reductions expire, and will increase “taxes on the rich” — defined not by wealth, but by income — as low as a family making $200,000 a year.

Also, given they all want to increase the capital-gains tax rate, they are saying to almost all Americans, who normally have capital gains in some years, that they will be considered “rich” in those years. In addition, all three have called for major increases in government spending, more government regulation and are opposed to free trade.

Despite their rhetoric about caring for the “little guy,” their policies would result in higher unemployment and lower income growth.

The absolute worst set of economic policies has been put forward by John Edwards. He not only embraces almost all the worst tax-and-spend policies of Mrs. Clinton, Mr. Obama and Mr. Richardson, but wants to go further by greatly expanding government regulation, further increasing capital-gains tax rates (which would be a big downer for the stock market and for the millions of workers whose pensions hold stocks), and placing wage controls on corporate executives. His policies amount to a prosperity- (and liberty-) killing war by his fellow trial lawyers against the entrepreneurs, small business people, and productivity-increasing corporations which create the wealth and jobs for their fellow Americans.

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