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The Jack Kemp I Knew

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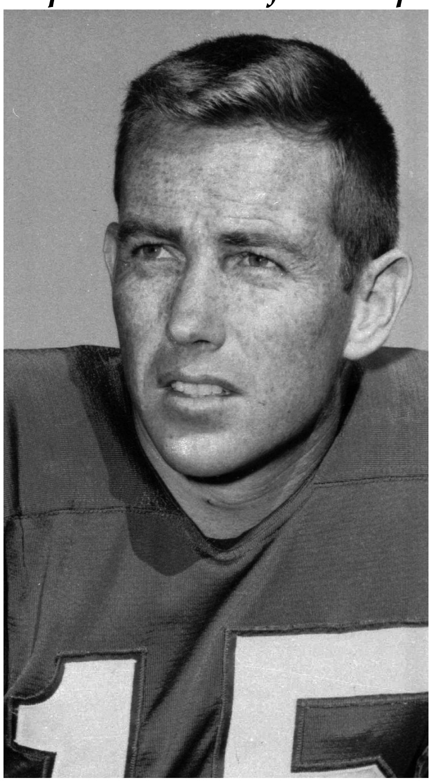
A quarterback of the Republican tax-cutting revolution



Arguably, without Jack Kemp, the Reagan supply-side, high-growth economic revolution would never have occurred. Mr. Kemp, a young congressman from Buffalo, N.Y., convinced Ronald Reagan and much of the nation of the wisdom of sharply cutting tax rates on labor and capital.

When Ronald Reagan ran for president in 1980, he wisely endorsed a bill - the Kemp-Roth Act - to cut income tax rates 30 percent across the board. It was a radical idea, but it worked so well that not even President Obama is proposing a return to the 70 percent marginal tax rate that existed in 1980.

Jack Kemp was a very successful quarterback for the Buffalo Bills who then was elected to Congress. Mr. Kemp was a natural-born leader. He had a forceful physical presence and a quick intellect, and was a gifted orator.

At that time, Republicans were mired in an uninspiring debate about how much to cut the budget rather than how to reignite economic growth and job creation. Mr. Kemp intuitively understood that just cutting budgets was neither a political nor economic winner for the Republicans or the country.

As the son of parents who built a successful small trucking company, Jack Kemp understood the difficulties entrepreneurs face in building any business, and that destructive tax and regulatory policies can become insurmountable hurdles for most.

In the mid-1970s, Mr. Kemp assembled a group of highly talented economists and economic writers for advice and ideas. The group included Robert Mundell, who went on to win the Nobel Prize in economics, and Art Laffer of the Laffer Curve fame. Norman Ture, Paul Craig Roberts, Steve Entin and Bruce Bartlett were advisers who later served as officials of the U.S. Treasury. Bob Bartley, who was editor of the Wall Street Journal, and Jude Wanniski of the Journals editorial page were also key advisers.

Despite an absence of formal education in economics, Mr. Kemp had been reading economic textbooks and studies and became an intense and incisive questioner of his advisers in order to formulate his own ideas and clarify his thoughts. Mr. Laffer was teaching at the University of Southern California at Los Angeles in the late 1970s. He would occasionally take the "red-eye" into Washington, arriving at about 5:30 a.m., and I would pick him up at Dulles Airport and take him to Mr. Kemp's home in Bethesda. There, Jack, dressed in his bathrobe, would cook breakfast for us while peppering Art with questions and challenging his assertions.

Later in the day, the Kemp economic team would often meet in Art's hotel in D.C. to discuss policy ideas and how best to explain the tax plan to other Republicans, business people, those in the media and the public at large.

Jack had the remarkable ability to take economic truths and make them understandable to everyone - "You cannot hate the employer and love the employee." No one was better than Jack in explaining how all benefit from a bigger economic pie. In his own words, he was "a bleeding-heart conservative," and he understood that without rapid job creation the poor and many minorities would not have a chance for better lives.

Jack was a tax-cutting zealot, not because of some abstract philosophical notion, but because he clearly understood how high tax rates reduced the incentives and capital needed for job creation - "How many truck drivers do you have if you cannot afford trucks?"

Despite the charges from his left-wing critics, Jack never argued that all tax cuts pay for themselves, but he did believe that modest deficits were preferable to high tax rates that killed growth. Unlike most other Republicans and almost all Democrats, Jack did have a plan for getting the United States out of the stagflation of the late 1970s under the Carter administration, where there was little growth and a 13.5 percent inflation rate. The Keynesians of the time favored monetary expansion to reduce interest rates and high tax rates to contain inflation. Mr. Kemp and his advisers argued that the Keynesians had it all backward and the solution was to reduce tax rates to spur the economy and restrain growth in the money supply to reduce inflation.

Mr. Kemp successfully sold this idea to Ronald Reagan, who made it the core of his successful 1980 presidential campaign. (In his unsuccessful 1976 campaign, Mr. Reagan had emphasized cutting spending rather than cutting taxes.) With Mr. Kemp leading the charge in Congress, the tax cut plan was passed, the economy soared (7.2 percent in 1984) beyond anyones expectations, and federal tax revenues came in at a much higher level than either the critics or the supporters of the tax cut expected. Mr. Reagan and Mr. Kemp supported Paul Volcker at the Fed, who did the necessary wringing out of inflation by restricting monetary growth in the early 1980s, even though many politicians of both parties were screaming for monetary expansion.

There has been no politician in recent decades with a better understanding of the consequences of economic policy than Jack Kemp.

Mr. Kemp, unlike those in the current administration and the congressional Democratic majority, knew that without sound money and low tax rates, we could not have a vibrant economy. Much of the prosperity and job creation we had in the quarter-century from 1983 to 2007 can be directly attributable to the remarkable efforts and economic salesmanship of Jack F. Kemp.

We have lost Jack's voice for his enduring economic principles, just when we need them more than ever.

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