

L707: Analysis of the 2012 Election

Session Six: Economic Policy

Introduction.

The central focus of this course has been on the stark contrasts between the candidates regarding the government's role in the economy (political economy). While there are other issues, it seems to me this issue presents the most intractable difference; moreover, the gridlock over the economy is the greatest threat to our national security. We are reminded daily that we are headed for a "fiscal cliff" that can throw the United States, and the rest of the World, into a second recession that can spell disaster.

My introduction to the course suggested that the "Show Down" is between the Democrats desire to continue an active role of government in promoting a "Communitarian" society that distributes economic justice vs. a Republican desire to undo the New Deal and Great Society policies and return the country to the pre-New Deal era of the 1920s. My thesis is based on the trend over the last three decades; the Republicans have strived to "starve the beast" by cutting taxes dramatically to deprive the government of the necessary funds to implement the "progressive" programs. The recession and deficit/debt crisis has brought this conflict to a head.

The conflict I have described is complex, and election rhetoric makes it difficult for voters to know exactly what the facts are, either the strategic goals of the parties, or the arguments they make to support their campaign. One way to weed the wheat from the chaff is to use some analytical model that gets to the heart of the debate. I suggested a simple yardstick to put the contrast between the candidates in focus: the proposed amount, as a percentage of the GDP, which would go to the Federal government to fund its programs. The figures I gave in my introduction to the course have been slightly changed as Romney has adjusted his ill-defined budget, which now calls for a *limit* of 20% of GDP to be allocated to the Federal Government. However, Romney will not give specifics, and I am unable to use his "Five Point Plan" in any meaningful way. He asks us to trust him as a successful business man. If any of you want to get more details on Romney's plan, go to the Center on Budget and Priorities, a non-partisan source.

The "Ryan Budget," which was once endorsed by Romney, has evolved over time, as described by Ezra Klein in the 10/13/12 Post. A detailed description of this evolution from 2008 to 2012, can be found in a three-page matrix at *Committee for a Responsible Federal Budget*. The version endorsed by Romney, passed by the House, called for a limit of 18% for the Federal Government. Ryan's plan for the

out years calls for that to be reduced to 15% in around 30 years. Since those figures vary and Romney changes as he goes along, I do not have a firm figure.

The current budget is consuming 24% of GDP, but this is an aberration due to the stimulus policies designed to get us out of the depression. The percentage of GDP spent by the Federal Government for the past thirty years has run about 21%. Looking at the policies favored by the Democrats, I would guess 23% of GDP would be necessary to fund their concept of the role of government. As we shall see, this includes a bigger government role for education, energy, etc.

As I cited in my Introduction to the course, the Simpson/Bowles Commission recommended 21% of GDP and the Rivlin/Dominici Group recommended 23%. Even in Washington dollars, those are stark differences in views of the role of government; a difference of \$800B between the extremes. The comments made by the two candidates in the debate a week ago reflect the two different concepts of government. Romney wants to reduce the size of government, especially the Federal Government.

I have followed the debates and rhetoric on the campaign to see if I can decipher what, exactly, the Ryan Plan envisions. What does it mean for Medicare and Social Security, the flagship programs of the “progressive” movement? Ryan apparently goofed in his answer to the moderator when he said he would make Social Security voluntary. This is a replay of Bush I’s failed attempt in his second term to privatize Social Security. As I understand it, the Romney staff was aghast at this breach of “staying on message,” but I believe it reveals their long-term strategic goal to undo the New Deal and Great Society. When Ryan spoke at Georgetown University, he was rebuked by some of the faculty for the extremity of his budget. Nineteen faculty members wrote him to say that his ideology has been shaped more by Ayn Rand than Catholic Doctrine.

Personally, I believe the Georgetown faculty members are correct. As to whether Romney endorses the Ryan ideology, one cannot be sure. In the absence of specifics, based on his taped comment at Boca Raton and other policy statements, I’ve concluded he in fact shares Ryan’s ideology, which is a form of Social Darwinism. In an earlier reading I distributed by David Brooks, *The Conservative Mind*, Brooks concludes:

In the polarized political conflict with liberalism, shrinking government has become the organizing conservative principle. Economic conservatives have the money and the institutions. They have taken control. Traditional conservatism has gone into eclipse. These days, speakers at Republican gatherings almost always use the language of market conservatism — getting government off our backs, enhancing economic freedom. Even Mitt Romney, who subscribes to a

faith that knows a lot about social capital, relies exclusively on the language of market conservatism.

Compare this ideology with that expressed in the article, *Our Divided Political Heart*, (Distributed earlier) which is a summary of a book by E.J. Dionne. Dionne argues for the Obama policies.

So as to not confuse you, I will wait until next Monday to send specific readings for session 6, Economic Policies, 22 October. I will try and keep them short by providing articles that summarize the budgets, but I invite you to go to the sources I indicated above if you want to really delve into the details.

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