Written by William P. Hoar on January 6, 2020
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Correction, Please!

It's the (Growing) Economy, Stupid

Item: *The cover story for* Time *magazine's double issue dated December 2-9, 2019, entitled (online) "How America's Elites Lost Their Grip," charges that the nation's top "1% behaved badly" of late, then decides that behavior has "helped bring about a reckoning with capitalism." Examples cited include "late sexual predator and maybe tycoon" Jeffrey Epstein and how "wealth and privilege" fueled the "college-bribery scandal."*

The Time *piece sees, with clear delight, "the possibility that this age of capital, in which money was the ultimate organizing principle of American life, could actually end."*

From such presuppositions comes this conclusion: "The choice facing Americans is whether we want to be a society organ-ized around money's thirsts, a playground for the whims of billionaires, or whether we wish to be a democracy. The second Gilded Age will end at some point."

The article's author believes that democracy will bring about "an era defined culturally by renewed public purpose and politically by the restoration of the state in areas where people are too powerless to solve problems of their own — defined by the use of shared institutions to solve shared problems."

Item: *The cover story of the London-based* Economist *dated October 26 touts "Elizabeth Warren's many plans" that "would reshape American capitalism." Using as a premise the inflated worries about the "long-term shift toward inequality," the magazine lauds many (though not all) of her proposals. These include "a nationalised health-care plan proposed by Mr Sanders which Ms Warren endorses"; Warren's "Stop Wall Street Looting Act," which would put "private equity" "at risk"; and her threatened breaking up of large companies and potential "unwinding" of mergers that were previously allowed by federal regulators.*

Warren, the Economist *notes, "is not just seeking to change the rules for business. She also sees a big role for government in making America competitive: a role built on industrial policy and protectionism. A new uber-agency called the Department of Economic Development would be charged with creating American jobs."*

Item: *On November 1 — amid the then-latest official reports showing the United States to be enjoying the strongest labor market in half a century; rising revisions beyond already good jobs totals; an unemployment rate for African-Americans dropping to a record low; and average hourly earnings picking up — House Speaker Nancy Pelosi (D-Calif.) appeared distraught: "The October jobs report offers further evidence that the Republicans' disastrous special interest agenda is hollowing out the middle class while enriching the wealthy and well-connected. Clearly, the GOP Tax Scam has left our* *country with nothing but broken promises and an underperforming economy."*

Correction: It is said that a wise man (or woman) reflects before he (or she) speaks; a fool speaks and reflects on what he (or she) has uttered. There shouldn't be much argument about where Pelosi fits. Meanwhile, the major Democratic presidential candidates and allied members of Congress are *preying* on American capitalism and sabotaging the marketplace — doing their utmost to transform our economy into one completely dominated by the central government.

This is what the left-wingers oppose: According to the Labor Department, U.S. nonfarm employers added 266,000 new workers in November; that total was more than double the pace of hiring the previous month and almost 50-percent higher than had been forecast by economists. Unemployment matched a 50-year low of 3.5 percent, and wages were up 3.1 percent from a year earlier. The University of Michigan's gauge of consumer sentiment also rose.

Other reports, from the Census Bureau, found real median family income up 1.2 percent from 2017 to 2018 and real median earnings up 3.4 percent. At the same time, the number of full-time, year-round workers increased by 2.3 million and the poverty rate dropped, with 1.4 million people officially leaving poverty.

Encouraging numbers continue. Of course, the economy isn't perfect. It never is. Naturally, to balance the good news nationally, the *New York Times* for November 1 spent more than 1,600 words ("What Recovery? Life on the Edge") and multiple photos profiling one individual unable to find a steady, full-time job. You can count on the Left to emphasize any economic warts or perceived weaknesses (more on that below).

The public isn't blind. The economy was a key reason behind two relatively recent winning presidential races. Bill Clinton's campaign message stressed "It's the economy, stupid," while Ronald Reagan's successful effort asked voters, "Are you better off than you were four years ago?" When that question was asked by a recent *Economist*/YouGov poll, here was the result (among registered voters): 50 percent said yes and only 32 percent said no (17 percent were not sure).

Leading Democrats, meanwhile, talk one way and act another. Despite empty Democratic rhetoric about inequality, "higher taxes, hyper-regulation and income redistribution resulted in more inequality during the Obama Presidency," the *Wall Street Journal's* editors observed this fall. Misrepresenting Trump's actions, Warren and Sanders, among others, maintain that U.S. workers barely share in the gains of today's economy. Bernie even charges that there has been a "massive transfer of wealth from the middle class to the top one percent."

However, as pointed out by economic commentator Steve Moore, of late "the biggest percentage gains in wages have been going to people in the lowest 20 percent of income." And, as the *Wall Street Journal* reported in early December, "Wages are growing faster for rank-and-file workers than some in higher pay brackets."

Nevertheless, Trump's potential opponents want to turn the economy upside down. This past summer it was noted in RealClear Politics that the House Judiciary Committee had hired "a scholar popular for promoting government-forced corporate breakups." Antitrust action is in the wind — just waiting for Elizabeth Warren or others of such ilk. Warren promises to be a trust-buster — even as she tries to build a monopoly herself.

John McGinnis, a law professor at Northwestern, has this to say about the former Harvard law professor: On the one hand, he writes, Warren campaigns

as a relentless opponent of monopoly and a proponent of vigorous antitrust enforcement. She wants to break up big tech, restrain big banks and try to reduce market concentration throughout the economy. On the other hand, she wants to erect an unshakable monopoly in one of the largest sectors of the economy: health care. Ms. Warren plans to ultimately make private medical insurance illegal and favors a government monopoly to replace their competition.

Beyond McGinnis' observations, Warren also wants to push the corporate tax rate up to 35 percent (as do Sanders and South Bend mayor Pete Buttigieg). Those increased taxes would — according to a study by Erica York for the Tax Foundation — leave 413,000 Americans without work. The study also concludes such a move would reduce the long-run level of output by 2.1 percent and wages by 1.8 percent.

Candidates Joe Biden, Warren, and others, as noted by the *Washington Free Beacon*, have also pledged to reverse Trump's 2017 tax cuts and to "hike corporate tax rates to as high as 35 percent to fund expensive government programs. Such policies will discourage corporate investment, thereby limiting growth in wages, employment, and productivity, according to an analysis from the Tax Foundation."

While it's difficult to accurately predict long-term effects, the Tax Foundation has also estimated that the Trump-backed Tax Cuts and Jobs Act will increase long-run GDP by 1.7 percent, create 339,000 jobs, and raise wages by 1.5 percent.

Then there is the proposed major hike in the federal minimum wage, which would help some and hurt many. It is favored by Elizabeth Warren, among others. A bill to increase the minimum wage was passed in the summer of 2019, largely pushed by the Democrats in the House (though it didn't make it through the GOP-led Senate). As explained by Trey Kovacs, a labor policy analyst with the Competitive Enterprise Institute, this is a "poor anti-poverty tool, no matter how well-intentioned." He cited a recent Congressional Budget Office report showing that the consequences of a $15 minimum wage would be millions of workers losing their jobs and families taking home less income. As Kovacs noted:

Rather than help unskilled and inexperienced workers, a $15 minimum wage will cut off the first rung of the career ladder for many. By raising the minimum wage, businesses will choose to hire more productive employees. This leaves less productive workers — the target of minimum wage policies — out of a job and deprived of the opportunity to gain the skills necessary to get higher paid employment.

The CBO report, entitled "The Effects on Employment and Family Income of Increasing the Federal Minimum Wage," also found that a hike in the minimum wage would over time even reduce the nation's output and "reduce business income and raise prices as higher labor costs were absorbed by business owners and then passed on to consumers."

The late economist Murray Rothbard, a free-market advocate of the Austrian school, was typically more direct in his criticism on this topic, calling a minimum wage "compulsory unemployment." The law in such a case, as Rothbard wrote in 1988, just says: "It is illegal, and therefore criminal, for anyone to hire anyone else below the level of X dollars an hour." The minimum-wage law, he stressed, "provides no jobs; it only outlaws them; and outlawed jobs are the inevitable result." This, remember, is what the Democrats are vowing to do if they take over Congress and the White House.

Meanwhile, the mainstream media is doing its worst to pan or downplay the nation's economy under Trump. Some are unabashedly rooting for a recession. (The most egregious example may be that of Bill Maher, a comedian/political commentator/television host who has admitted, "I'm hoping for it [a recession] because I think one way you get rid of Trump is to crash the economy. So please, bring on the recession.")

Here are some mainstream pieces talking down the economy (as collected by the Media Research Center's "Newsbusters"): From the *New York Times*, "How the Recession of 2020 Could Happen"; from CNBC, "Is there a recession coming? Keep an eye on these key indicators"; and, from Vox, "Why everybody's worried about a recession again" and "Recessions, and the fear that another one is just around the corner, explained."

Examples of media slanting and distortion — as long as they reflect poorly on Trump — are legion. Here's a couple more from Clifford Thies, a professor of economics and finance at Shenandoah University, writing for the Heartland Institute. This past fall, he commented about a survey of business economists that had just found that "only 4 percent said they expected a recession to begin by the end of the year." But, as the professor commented, that is not

what the fake news reported. The *Washington Post*, for example, headlined "3 out of 4 economists predict a U.S. recession by 2021." The fact that very few economists expect a recession in the near term was buried in articles or not reported at all.

The forecast of an imminent and even a disastrous recession has been continually pushed by the fake news since Trump's election. The day after that election, Paul Krugman, writing for the *New York Times*, said, Al Gore-like, "we are very probably looking at a global recession, with no end in sight." Yet here we are with an economy that has been growing continuously for the longest period in history."

Of course it is true that expansions don't last forever. And stock markets can go both down and up. But such ideological critics are like pessimists who burn their bridges before they get to them. And if their wishes could burn down *our* bridges, many would be part of the arson lobby.

You can still find good news in some quarters. As noted not long ago by Americans for Tax Reform, there are "157 million Americans in the workforce and the labor force participation rate is at 63.3 percent, a stark contrast to the 40-year lows seen under the Obama administration."

These days, as noted by CBS News on November 27, some researchers have come up with a new metric (the Job Quality Index, or JQI) that purports to show that "more and more jobs … offer inadequate pay." Their metric plucks the suitable numerators and denominators to prove that there is "a growing number of low-paying jobs relative to employment with above-average pay." The JQI "will be updated and released on the same day the Bureau of Labor Statistics releases monthly jobs figures," said CBS News, citing one of its creators.

This phenomenon has reportedly been ongoing for three decades. Isn't it fortunate that the measurement was invented during the Trump years?

Truth seems to be so valuable that many people economize when using it.

— William P. Hoar

Photo Credit: AP Images

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