Economic Revitalization – Kennedy, Reagan, Obama?

It took some time in the second presidential debate Sunday to get to economics, given the focus on Trump's self-described "locker room talk," the accusations of sexual misconduct against Bill Clinton and Hillary Clinton's alleged enabling, Russian hacking and Vladimir Putin's purported favoring of a Trump presidency, and Mr. Trump's declaration that Mrs. Clinton could end up "in jail" for mishandling emails and classified information if he's elected.

Trump did manage in due course to squeeze in a brief comment about the low level of growth in the U.S. economy. "We have the slowest growth since 1929," he said. This fleeting remark was met by an attempted fast switch in topics with moderator Martha Raddatz of ABC News asserting that "We're moving to an audience question."

Trump succeeded in inserting a short follow-up: "Our country has the slowest growth and jobs are a disaster."

At another point in the debate, Trump introduced the sluggish growth rate of the economy. "We have no growth in this country," he said. "There's no growth. If China has a GDP growth of 7 percent, it's like a national catastrophe. We're down at 1 percent. And that's, like, no growth. And we're going lower, in my opinion. And a lot of it has to do with the fact that our taxes are so high, just about the highest in the world. And I'm bringing them down to one of the lower in the world. And I think it's so important — one of the most important things we can do. But she is raising everybody's taxes massively."

On this issue of the listlessness in U.S. economic growth, a report last October in *U.S. News & World Report* by economics reporter Andrew Soergel, "Which Presidents Have Been Best for the Economy," ranked the average GDP growth per quarter from 1953 through 2015 during the presidential terms of the eleven post-World War II presidents — Eisenhower, Kennedy, Johnson, Nixon, Ford, Carter, Reagan, Bush I, Clinton, Bush II, and Obama.

The lowest economic growth rate during this post-World War II period, 1.78 percent, occurred over Obama's term in office, January 2009 through October 2015, an era of multiple tax hikes and pervasive regulatory expansion.

The higher growth rate and more robust recovery during the Reagan years, in contrast, was propelled by pro-growth tax cuts and deregulation.

The difference in economic policies and subsequent growth outcomes between the Reagan and Obama approaches is demonstrated by the disparities in GDP expansion. The economic growth rate over the first 25 quarters during Reagan presidency was 34 percent versus 14 percent during the Obama presidency.

Similar to Reagan's supply-side approach for economic revitalization, President Kennedy's pro-growth program to "get this country moving again" consisted of tax cuts for business and lower marginal tax rates across-the-board on personal income — tax reductions aimed at boosting incentives for work, saving and investment.

The business tax cuts became law in 1962 and the tax reductions of personal income were enacted in 1964, a few months after the assassination.

The economic changes that anticipated and accompanied these tax cuts are among the most positive and long-lasting in the post-World War II period.

"The eight-year expansion from 1961 to 1969 saw growth of 48%, a third more in an eight-year period than in the sixteen years ending in 1960," reports *Forbes* contributor Brian Domitrovic. "Unemployment was stuck around 6% in the 1950s, and then settled below 4% in the 1960s. Thirteen million jobs were created in the 1960s, 7 million in the 1950s."

Additionally, federal revenues increased, with lower tax rates, by more than the rate of economic growth, rising by 55 percent in real (inflation-adjusted) terms in the seven years after 1961.

As a consequence, the two highest GDP growth rates among the eleven post-World War II administrations were during the presidency of Kennedy (5.5 percent) and the subsequent administration of Lyndon Johnson (5.07 percent).

Kennedy explained his economic perspective and recovery strategy in an address to the Economic Club of New York on December 14, 1962. "The final and best means of strengthening demand among consumers and business is to reduce the burden on private income and the deterrents to private initiative," Kennedy stated, maintaining that the nation's economic performance was held down by a tax system that "exerts too heavy a drag on growth" and "siphons out of the private economy too large a share of personal and business purchasing power," while simultaneously reducing "the financial incentives for personal effort, investment, and risk-taking."

Rather than relying on more government spending, Kennedy stressed that economic growth, job creation and overall recovery would most effectively be achieved by unleashing the private sector: "To increase demand and lift the economy, the federal government's most useful role is not to rush into a program of excessive increases in public expenditures, but to expand the incentives and opportunities for private expenditures."

Kennedy additionally and innovatively argued that there was no conflict between the objectives of tax reduction and decreased federal deficits: "Our true choice is not between tax reduction, on the one hand, and the avoidance of large federal deficits on the other. An economy hampered by restrictive tax rates will never produce enough revenues to balance our budget — just as it will never produce enough jobs or enough profits."

Budget deficits "are not caused by wild-eyed spenders but by slow economic growth and periodic recessions," he stated. "In short, it is a paradoxical truth that tax rates are too high today and tax revenues are too low and the soundest way to raise the revenues in the long run is to cut the rates now," he continued, employing supply-side economic reasoning. "And the reason is that only full employment can balance the budget, and tax reduction can pave the way to that employment."

The opposite approach to economic revitalization relies on larger government, higher taxes, more regulation, more entitlements, and more centrally-directed mandates to produce higher economic growth, more jobs and greater societal fairness.

The results of these two approaches? First and last. The highest post-World War II economic growth rate was during the presidency of Kennedy. In contrast, "the 2009-2015 recovery since the recession ended in June of 2009 has been the weakest in more than 50 years," reports *Forbes* economics contributor Stephen Moore. "The Joint Economic Committee's dreary conclusion tells the whole story of the era of Obamanomics — 'On economic growth the Obama recovery ranks dead last.'"

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