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THE MORNING AFTER IN WASHINGTON: YOU WANT IT? YOU GOT IT

The Republicans took control of the House of Representatives in yesterday's election and made progress but fell short of a majority in the Senate. The GOP, in other words, now has co-responsibility for the economy. Deciding if this is a political boon, or the equivalent of walking into a business cycle trap, will take time to assess. Meanwhile, this much is clear: the sluggish economy is no less sluggish now that the Republicans have a formal stake in the macro outcome. The only question is how the new party in power will influence policy in Washington and what that will mean, if anything, for the labor market, GDP, government debt levels, and all the rest.

It's debatable if the Democrats could have done better over the past two years, when the party held the presidency and both chambers of Congress. It's hard to solve an economic crisis that gave us the worst recession in 80 years. Clearly, a rising share of the American public thinks there's a better way, and there always is. Finding it within the realities of Washington's politics is something else.

One of the Republican planks is that Washington has been too quick to embrace fiscal deficits to juice the economy. Spending cuts, as a result, are the new game in town now that Republicans are overseeing the purse strings in the House.

The newly elevated Republicans should "get serious about spending cuts," [advises](#) David Boaz, the Cato Institute's executive vice president. "Annual federal spending rose by a trillion dollars under President George W. Bush—before the gusher of spending when the financial crisis hit. Bush became the biggest spender since President Lyndon B. Johnson funded the Great Society and the Vietnam War." Boaz goes on to assert that

Victorious Republicans must demonstrate to voters that they're serious—finally—about more freedom and less government. They destroyed the Reaganite Republican brand during the Bush years. It's harder to rebuild a brand than to destroy it. But the backlash against the Barack Obama- Harry Reid- Nancy Pelosi big-government agenda has given them another chance.

A chance for glory... or failure. Yes, it's easy to talk about pursuing rectitude. The problem is that it requires spending cuts, tax increases or both. That may work well in firing up the electorate in a time of swelling deficits before the election. But when it comes time to dive into the details, it's no party. Nor is it clear that deficit slashing is a short cut to higher economic growth in the near term.

What is obvious is that making headway on reducing red ink will require hard choices that will do little to ingratiate the Republicans with the electorate in the short run. Yes, there are long-term benefits—maybe, depending on the details of how the cuts are implemented. But it's not clear that you can mint a political advantage out of the process by the time the 2012 elections roll around. Economics, in other words, is destined to be infected with politics in the next two years. Same old, same old.

Regardless, the electorate says it wants lower deficits. Reuters [reports](#) that more than 90% of Americans last month said they want new Congress to lower the deficit. And just to keep things interesting, the Republicans have to come up with a plan for minimizing the red ink that also satisfies the Democrat in the White House and his counterparts in the Senate.

The first skirmish in this political/economic debate will be the so-called Bush tax cuts that are due to expire at the end of this year. The White House wants to extend the cuts for families earning less than \$250,000 while the Republicans want to keep the tax cuts for everyone. But here's the problem, according to a recent [report](#) from the Congressional Research Service:

Allowing the Bush tax cuts to expire as scheduled will somewhat improve the fiscal condition, but could stifle the economic recovery. At the other extreme, permanently extending all of the Bush tax cuts would not undercut the economic recovery, but would worsen the longer-term fiscal outlook and possibly signal a lack of progress in dealing with the long-term fiscal situation.

Damned if you do, damned if you don't. Politics as usual? Maybe, except that the economic stakes are higher, perhaps a lot higher. Meanwhile, there's nobody left to blame. Sink or swim, the Republicans and Democrats are now on the hook together. That, at least, is one change you can count on in Washington over the next two years. The Democrats, for better or worse, are no longer a solo act and the Republicans aren't on the outside looking in.

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