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Economic Policy? More Listen to Conservatives

By **SEWELL CHAN**

WASHINGTON — Republican economists are back in vogue.

The Republican takeover of the House has energized scholars and researchers whose views on taxes, regulation and the proper scope of government fell out of favor after Democrats swept control of Congress in 2006 and took the White House two years later.

At the libertarian [Cato Institute](#), a daylong conference this month on the [Federal Reserve's](#) monetary policy drew a standing-room-only crowd. Scholars at the conservative Hoover Institution at [Stanford University](#) are suddenly in demand by journalists and Congressional aides.

And just days after midterm elections delivered what [President Obama](#) called a shellacking for his party, the free-market-oriented [American Enterprise Institute](#), a major source of policy ideas for Republicans, organized a half-day discussion on scaling back the health care overhaul, cutting spending and reducing the size of government.

The heightened activity by conservative economists is hardly a victory parade. With Democrats in control of the Senate and the White House, legislative proposals from House Republicans could turn out to be symbolic irritants to Mr. Obama instead of serious policy options.

But the change in the intellectual mood appears to be substantial and could sway the debate on issues, including trade and [financial regulation](#), that do not always fall along neat partisan lines.

“Even if the next two years do not result in legislative compromises on taxes or entitlement reform or other issues, we will see a vigorous and open debate in Congress about economic policy — a huge change from the Obama administration’s closed-minded and self-righteous approach,” said Phillip L. Swagel, who was assistant [Treasury](#) secretary for economic policy from 2006 to 2009 under President [George W. Bush](#).

Representative [John A. Boehner](#) of Ohio, who is in line to be speaker of the House, has assembled a kitchen cabinet of economic advisers who have served as a sounding board over the last few months. Core members of the group include:

¶Allan H. Meltzer, a professor at [Carnegie Mellon University](#) and the leading historian of the Fed,

who has sharply criticized the central bank's conduct of monetary policy under its chairman, Ben S. Bernanke;

¶[Douglas Holtz-Eakin](#), a former director of the [Congressional Budget Office](#) who sits on the commission that is investigating the causes of the 2008 [financial crisis](#) and is due to deliver its report in January;

¶[Lawrence B. Lindsey](#), a former Fed governor who worked in the Bush White House and helped devise the 2001 and 2003 tax cuts, major provisions of which will expire at the end of this year unless they are extended by Congress;

¶[Kevin A. Hassett](#), a tax policy expert and former Fed researcher who directs economic policy studies at the American Enterprise Institute and, like Mr. Holtz-Eakin, advised Senator [John McCain](#), Republican of Arizona, during his run for the presidency in 2008; and

¶[Donald B. Marron Jr.](#), who directs the nonpartisan Tax Policy Center, a joint venture of the Urban Institute and the [Brookings Institution](#), and was an adviser to Mr. Bush.

But for all the credentials of those advisers, Mr. Boehner has not put forward many specifics of the Republican economic agenda.

Indeed, the "Pledge to America," the policy document that House Republicans released in September, was criticized for its vagueness; it largely avoided specific proposals that might anger voters.

It called for a ban on tax increases, a tax deduction for small businesses and a reduction in government regulations. However, its proposals for paring the budget deficit — canceling unspent stimulus funds, ending government control of the mortgage companies [Fannie Mae](#) and [Freddie Mac](#), capping new discretionary spending and rooting out wasteful programs — are hardly sufficient to get the nation onto a fiscally sustainable path, as a number of nonpartisan analyses have pointed out.

"I don't see a comprehensive statement of Republican policy," said Murray L. Weidenbaum, who was chairman of the [White House Council of Economic Advisers](#) during the first two years of the Reagan administration. "I've read the agenda. The artwork's the best part of it. My favorite part is the cowboy on his horse, twirling his lariat." (The photo takes up Page 19 of the [48-page document](#).)

Similarly, Mr. Hassett said the "Pledge to America" did not contain enough details on spending cuts. He also said that Republicans should focus their efforts on overhauling the tax system — including lowering corporate tax rates — rather than trying to preserve all the [Bush-era tax cuts](#).

"The Bush tax cuts have become a black hole that has attracted, with deep gravitational force, all of

the debate about taxation,” he said. “The tax code needs to be fixed, and we need to stop obsessing over where it was yesterday.”

Where the economists and the lawmakers are in broad agreement is their emphasis on cutting taxes and regulation to spur growth, rather than pursuing additional spending along the lines of the Obama administration’s stimulus effort, a target of Republican attacks.

“I think the stimulus didn’t work, not because it was too small but because it was imprudently designed,” Mr. Hassett said.

Mr. Meltzer called for fiscal retrenchment, not expansion.

“It’s clear that there has to be a budget reduction, that it should be comprehensive and that it should involve the [Medicare](#) and [Medicaid](#) programs,” Mr. Meltzer said. “I also think that the biggest single thing the administration and the Congress could do to get the economy back stronger would be to put a moratorium on new regulations.”

Mr. Meltzer said he believed that uncertainty over taxes and regulations was the greatest factor holding back business investment. The United States Chamber of Commerce, the business lobby that spent heavily to defeat Democrats in the midterm elections, has repeatedly made the same argument.

Tony Fratto, who was a spokesman for the Treasury Department and the Bush White House and is now a strategist focused on economic and regulatory matters, said Republican lawmakers were seeking practical advice.

Their situation is not comparable to that of the Republicans who took control of Congress in 1994 “in either emotions or expectations,” he said.

“They’re just much more realistic and pragmatic,” he said. “House Republicans can fight a rhetorical battle here — lay out markers and bills on their side — but they’re under no illusion that what they get through the House will get through the Senate and pass muster with the White House.”