THE POST
NEWSPAPER
of Galveston County

Let’s compare presidential campaigners’ policies

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July 9, 2016

There is such a great number of partisan authors who tell you whose fiscal policies are the best and many make valid points. However, one lesson we take from history is that there are viable elements in both political ideologies.

Rather than solely judging candidates in any election based on rhetoric, voters should also critically look at the policies they offer to achieve a more realistic image of the future. Tax plans and economic proposals are excellent places to begin this quest.

With this in mind and with the Republican and Democratic parties’ national conventions about to select their nominees for this year’s presidential election, I invite Post readers to consider and compare the economic platforms of their respective presumptive nominees, Donald Trump and Hillary Clinton.

Many times, policies offer greater insight than a candidate’s words in the context of a political race. While Donald Trump suggests tax cuts as well as addressing our trade deficit, Hillary Clinton’s focus is on a more active federal role in emerging industries and personal financial security.

History proves there are advantages and disadvantages in both. Republicans have many times created a context that allows for bubbles through deregulation and a simultaneous increase in available capital, which burdens the masses.

Democrats have many times passed too-far-reaching regulations and policies that have no real effect other than to create stagnation. As noted by CR Cambridge in The Economist, John Maynard Keynes – whose theories became referred to as Keynesian economics – subscribed to the belief that economic policies need to be relevant and therefore must change based on the economy’s needs. To that point, both candidates’ proposals have elements of merit in them. (1)

In analyzing their plans, one should ask whose economic policies will reach the largest percentage of Americans. Perhaps this will be a decision on either the lesser evil or the greater good, depending on your political beliefs.

The president is not the sole factor and one should consider the powerful role congress plays in tax plans and federal budgets in conjunction with the executive branch's own submitted proposals, as well as the potential veto of bills.

No one can predict a definitive outcome for the future and there are countless more factors then the humble few referenced in my assessments. Yet, at times, being aware of the issues is a greater asset than forming an early conclusion.

I therefore try to raise questions from a non-partisan and objective standpoint. The quest for knowledge is the true message here. The federalist papers demonstrate what it was to be a student of political theory, offering us in-depth understanding and view of our founding fathers' political experimentation.

The fact that these pragmatic individuals continuously questioned the political structure lends itself well to the suggestion that we should all follow suit. Therefore, let us critically analyze the candidates' economic policies, not only the words in their speeches.

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Trump: Will his tax cuts reach the masses?

Republican candidate Donald Trump's proposal includes a reduction of income taxes across the wide spectrum of earners.

He likens it to president Ronald Reagan's economic policies of the 1980s, although we should remember that it is not identical in terms of tax-policy changes throughout Reagan's administration.

As well as large and significant decreases, the leading recipients of which in those years were high earners, also present were tax increases. Historians suggest it's the decreases that have been Reagan's legacy in the eyes of the public.

The corporate tax rate would be substantially lowered to 15 per cent under Trump's fiscal plan, while tax on long-term capital-gains earnings does not surpass 20 per cent. He is also promoting an end to corporate loopholes, such as corporate deferral. His prediction is that ending this loophole would potentially reduce – not eliminate, mind you – the incentive for corporations to own subsidiaries residing overseas. Under this plan, tax credits will continue for what is paid in foreign countries where profits are seen. (2)

The reduced interference in the national economy is meant to create the proper environment for it to thrive. The analogy would be that one does not grow a plant; one puts it in the ground and creates the proper environment for it to grow itself.

According to Alan Cole's work for Tax Foundation, Trump's proposal would culminate in an 11 per cent increase in gross domestic product, concluding that possibly 5.3 million more jobs would be available. (3)

Let us look at the effects of Reagan's policies for some indication of the vitality of Trump's plan. Illustrated by research analysts William Niskanen and Stephen Moore at Cato Institute, the nation's GDP rose to a higher percentage during Reagan's terms than during the administrations of his predecessor and successor. The unemployment rate consistently declined from the time the conservative president took office.

Yet, these statistics speak of relative success from wide scope, raising the question of how this approach affects the lower and middle socioeconomic classes, by far America's largest demographic. (4)

Reaching the masses should be the aim of any political leader. An article in The Fiscal Times questioning the potential of Trump's proposals quoted William Hoagland from Bipartisan Policy Center stating his "concern that such a tax plan if enacted would further increase tension and unrest over income distribution issues, while not specifically addressing lower income poverty issue".

Essentially, he was suggesting that a rejuvenation in the economy does not necessarily mean all groups take part in the success, a legitimate concern in the Democratic Party's view. (5)

We are well aware that Reagan's policies did not bring absolute prosperity or equality by any standards. The historical record shows that many businesses that did see upswings did not necessarily invest in workers or wage earners.

The topic of those who do not benefit from a growing economy raises the hope of regulation that addresses income inequality. Trump has said he would not raise the minimum wage. While many would argue it is counterproductive, I would suggest that reasonable increases work symbiotically with the proposals put forth.

Trump would not be the first Republican president to do so. Still, those who do not see wages reflecting market growth or the rising cost of living might continue to be a forgotten demographic. This illustrates the need for reasonable government intervention in welfare, healthcare costs and other services.

Despite Trump's assertion of an increase in tax revenue from growth in the economy, most analysts, including those at Tax Foundation, agree that it will not come close to offsetting the imbalance between what is taken in by the federal government and what it spends.

Trump has pledged not to try to use entitlement programs such as social security to compensate for the discrepancy. While this is not a new challenge, the deficit and national debt would undoubtedly need to be addressed. (6)

The greatest question remaining to be answered is what industries will grow the most and the demographics that will receive the greatest benefit under his plan.

Clinton: A miss for the middle class?

Democratic candidate Hillary Clinton promotes tax increases on the wealthy, raising income tax's top rate to 43.6 per cent and proposing the "Buffet tax", which is becoming widely known for setting 30 per cent as the lowest rate for those making over $1m a year.

Capital-gains earnings that are not considered long-term under Clinton's plan – those held for six years – will be taxed at higher rates for income earners who fall under the top tax bracket.

Tax Foundation analysis of these proposals suggests the national gross domestic product would decline by one per cent over several years.
Despite increased revenue, which is a relevant topic in discussion of the deficit and national debt, the forecast is a decline in wages by 0.8 per cent and in jobs by 311,000. While these numbers might not appear as devastating from a simple numerical value, one should consider the real human lives involved as well as any ripple effects. (7)

Clinton promises not to increase taxes on annual incomes of less than $250,000 and to improve social programs. Data from Tax Policy Center, cited by British newspaper The Observer, points to the fact that households surpassing $200,000 only consist of a mere four per cent of the population.

In that article, Michael Sainato questions whether Clinton truly understands who makes up the middle class based on those figures. Yet, she argues that social-security benefits should be expanded, especially for those in the poverty range.

One further aspect of the plan is to raise the limit on income that may be taxed for social security, a simple necessity as the population increases and gains longer life expectancy. (8)

With the current economy needing to be re-energized, Clinton's focus, including a national increase in minimum wage to $12 an hour, is on investing in industries and people, funneling money into what one might refer to as a modern economy.

Under the plan, funds as well as policies would be directed towards science, eco-friendly industries, infrastructure and higher education. For instance, the call for clean energy has been echoed for a long time, specifically among liberals, with little success in comparison with forecasts.

While the incentive for these new energy markets is not limited to only creating jobs and consumption, how do we balance true market demand with environmental needs? One does have to ask what amount of our federal dollars should be allocated to what industries. Nevertheless, spending is a bi-partisan issue in which political ideology will dictate where federal revenue is invested and to what extent. (9)