IDEAS

Why No One Wants to Talk About the Booming Economy

Democrats don't want to help Republicans, and Republicans don't want to sound like Keynesians.

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BRYAN WOOLSTON / REUTERS

Here are some facts about the American economy:

- Jobs have grown for 106 consecutive months, the longest streak on record.

- At 121 months, this is the longest bull market in American history.
- The unemployment rate has been at 4 percent or less for 16 consecutive months, the longest such streak in 50 years.
- Inequality remains a crucial problem, but wages are now growing the fastest among the lowest-wage industries, thanks to state-by-state increases in the minimum wage and the effects of low unemployment.
- The University of Michigan's consumer-sentiment index, which peaked at 112 in 1999, has hovered above 90 for more than four years, something that hasn't happened since the 1990s.
- Latino unemployment has fallen to its lowest rate on record.
- Black unemployment, too, has fallen to its lowest rate on record, and, as the investor and Bloomberg columnist Conor Sen points out, the unemployment rate for black teenagers, which peaked at 48.9 percent in 2010, has plunged to yet another record low in 2019.

To list these facts is not to claim "Mission accomplished" in labor or racial equality, but rather to mark history, because—despite some evidence of a recent slowdown—economic history is being made. By all accounts, this has been a strong recovery. A *historically* strong recovery.

But you're not going to hear either party say much about why.

For Democrats, the reason is pretty simple: Partisans are loath to cheer economic growth for fear of implicitly praising the president. There is far more political advantage in focusing on the (very real!) persistent dark spots of the economy, whether it's high medical and child-care costs, the burdens of student debt, racial and gender disparities, or the socioeconomic indignity of low-wage and no-wage service-sector work.

For the GOP, the situation is slightly more complicated. Both the White House and congressional Republicans claim full credit for the economy all the time—a dubious argument, which elides the role Barack Obama's administration played in setting the economy on its trajectory. Yet Republicans don't like to admit the biggest policy-based reason *why* the economy surged in 2018 and into 2019, which is this: President Donald Trump secured the very stimulus that Republicans spent years denying President Obama.

Throughout his term, Obama tried repeatedly to get Republicans to sign on to additional spending and tax cuts for the middle and lower classes, which would have increased the deficit. The GOP repeatedly refused to go along with this, arguing that higher deficits were philosophically unacceptable and financially ruinous. In 2016, with the economy slowing down, the Obama administration again proposed a moderate stimulus plan that would have targeted infrastructure, but congressional Republicans refused to budge.

But under Trump, something odd has happened: The GOP has presided over the largest two-year deficit increase in American history, outside of a recession. The party has paired higher spending with a massive corporate tax cut, which sweetened a long-term marginal-rate cut on corporate income with a short-term tax benefit for households.

Thanks to this infusion of deficit-financed stimulus, job growth and GDP accelerated throughout 2018, and both continue to grow steadily today, despite the wobbliness of global markets and the president's imbecilic decision to wage a trade war against the world's second-biggest economy.

The upshot is that neither side has much to gain from speaking frankly about the economy: Partisan Democrats are unlikely to praise its accomplishments, lest they undercut their 2020 nominee; and conservative Republicans are unlikely to explain its basis, lest they sound like hypocrites—or, even worse, *closet Keynesians*. They'll talk about the tax cut while ignoring the indisputable fact that they jump-started the economy with the very stimulus tools they decried as unacceptable under Obama—even as millions of families struggled with unemployment.

Fiscal policy—that is, how a government taxes and spends—is crucially important to the lives of typical workers. It helps determine how many people can get work, what they're paid, and what they can afford with their income. Nearly 100 years ago, John Maynard Keynes argued that fighting through a demand-constrained economy with deficit-financed stimulus is necessary and prudent. The Trump tax cut helped the economy in precisely this way: Government spending went up, federal tax rates went down, deficits rose, households spent the cash, and growth accelerated.

There is no question that the Trump deficits are an unprecedented live experiment with sky-high deficits in a non-recession and non-war economy. Permanent trillion-dollar shortfalls would be an economic gamble. But this is a strange and nervous period in economic history, with the entire developed world experiencing pitifully low inflation, low interest rates, and chilly growth, despite years of dovish monetary policy. It may simply be the case that old-fashioned fears of high deficit spending are no longer appropriate for a global landscape with more aging, automation, and other economic factors that may permanently constrain inflation.

But that's all speculation. Here's what we know for sure: The Trump tax cut, despite its extremely poor long-term design, clearly helped the economy in the short run. And neither side will talk honestly about why. This should be a triumphant moment for Keynesianism and its defenders, who were right about the benefits of spending "beyond our means." They should proclaim their victory from the rooftops. By staying quiet, they may find it harder to defend themselves when a Democrat becomes president and Republicans suddenly rediscover the sanctity of balanced budgets.

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