

The triumph of fiscal hypocrisy

By Paul Krugman

February 6, 2020 – *The New York Times*

Donald Trump's re-election campaign will be centered around claims that he has done great things for the economy. And let's be honest: The U.S. economy is running pretty hot these days. Growth in G.D.P. and employment has been good, though not spectacular; the unemployment rate is near a historic low.

There are some shadows in the picture. Economic gains have been lopsided, with a large increase in corporate profits that mainly reflects giant tax breaks, while workers haven't seen comparable gains (and gains for lower-wage workers have been driven in part by minimum-wage increases in blue states). The huge gains in health insurance coverage under President Barack Obama have stalled or gone into reverse, and there has been a sharp increase in the number of Americans who report delaying medical treatment because of costs.

Still, it is indeed a strong economy. But if we ask what lies behind that strength, the main answer is an explosion in the federal budget deficit, which exceeded \$1 trillion last year. And the story of how that happened has deeply disturbing implications for the future of U.S. politics.

Let's go back for a minute to early 2009, when the economy was imploding and desperately needed help in the form of deficit spending. The Obama administration did indeed propose a significant stimulus plan — but it was much too small relative to the size of the problem, largely because the administration wanted to win bipartisan support and wasn't willing to use reconciliation to bypass the filibuster.

This isn't hindsight. In January 2009 I was practically tearing my hair out over the inadequacy of the stimulus, and warned of a scenario in which “the plan limits the rise in

unemployment, but things are still pretty bad, with the rate peaking at something like 9 percent and coming down only slowly. And then Mitch McConnell says, ‘See, government spending doesn't work.’” That is, of course, exactly what happened.

Then, in 2010, Republicans took control of the House and were in a position to force Obama into years of spending cuts that exerted a significant drag on economic growth. This drag wasn't enough to prevent a sustained economic recovery, but the recovery could and should have been much faster. There was no economic reason we shouldn't have returned to full employment by, say, 2013; instead, largely thanks to fiscal austerity, the average unemployment rate that year was still above 7 percent.

Now, Republicans claimed that they were demanding spending cuts because they were deeply concerned about budget deficits. And the news media, I'm sorry to say, both bought into the narrative that deficits were our most important problem — abandoning the usual conventions of reportorial neutrality — and took G.O.P. claims of fiscal probity at face value.

By the way, whatever happened to the deficit scolds who were so prominent during the Obama years? They're oddly quiet now.

Anyway, it was always obvious to anyone who really paid attention that people like Paul Ryan were fiscal hypocrites, who would suddenly lose all interest in deficits as soon as a Republican occupied the White House. And that's what they did.

As I said, the budget deficit has exploded past \$1 trillion under Trump, up from less than \$600 billion in Obama's last year. Most of that rise can be attributed to Trump's policies, mainly a

tax cut rammed through Congress using exactly the hyperpartisan tactics Obama balked at in 2009.

In a way, the surprising thing about Trump's deficitpalooza is that it hasn't boosted the economy even more, a shortfall that can be attributed to bad design. After all, the corporate tax cuts that were the biggest driver of rising deficits did nothing to increase business investment, which has actually declined over the past year.

And while the Obama stimulus included significant investments in the future, helping in particular to jump-start revolutionary progress in green energy, Trump has never delivered a penny on his promise to rebuild America's infrastructure.

Still, Trump's deficits have given the economy — and Trump's political fortunes — a lift in the short term. And that fact should bother you, a lot.

Put it this way: Republicans used the pretense that they cared about fiscal responsibility to engage in de facto economic sabotage as long as a Democrat was in the White House. Then they abandoned the pretense and opened up the spending taps as soon as one of their own was in power. And far from paying a price for their duplicity, they are being politically rewarded.

The implications for party strategy are stark: Maximum cynicism is the best policy. Obstruct, disrupt, and hurt the economy as much as you can, deploying whatever hypocritical excuses you think the media will buy, when the other party holds the presidency. Then abandon all concerns for the future and buy votes once you're back in control.

For whatever reason, Democrats haven't been willing or able to behave that cynically. Republicans, however, have. And if Trump is re-elected, that asymmetric cynicism will be the main reason.