

GOP Economic Policy as an Exercise in Grief Management: Denial, Anger & Rush Limbaugh

The leaders of the Republican Party, reeling from their painful string of defeats, seem stuck in two of the classic stages of grief, denial and anger. This week, Rush Limbaugh replaced Bobby Jindal as the leading and most colorful example. Limbaugh may seem like too easy a target, since talk radio always tends toward hyperbole. Nonetheless, the essence of the message from the presumptively addled Mr. Limbaugh is that Americans would be better off if the president's economy program failed. Even if their homes slip into foreclosure and their kids have to drop out of college, American families would at least escape the degradations of "socialism" or, as another popular conservative pundit put it, "left fascism" (that's from the hard-right blogger and historian, Ron Radosh).

The rhetorical excesses of talk radio and the web would hardly be noteworthy, if the same strain of non-thinking didn't also dominate the Republican Party's current economic positions. Let's set the stage: of the three natural sources of demand in a market economy, consumers have stopped spending, businesses have stopped investing, and exports have fallen off the proverbial cliff. That leaves government stimulus as the only possible source of new demand to at least slow the accelerating downward momentum of the economy and most of the people in it. Perhaps the best explanation, then, for why every Republican in the House and all but three GOP senators voted "no!" on the President's stimulus is, well, denial and anger.

To be sure, economic ideology almost certainly plays a role here, too, on top of their denial (about the consequences) and anger (about no longer calling the shots). This came through vividly at a conference I attended earlier this week for the National Chamber Foundation. My panel was asked to talk about whether the administration's plans foreshadowed a permanent change in the relationship between the public and private sectors. Set aside the fact that the leaders of the central private institutions in this drama, big finance, have begged Washington to amend that relationship long enough to preserve their jobs and the assets of their bond holders.

At the panel, a well-turned-out executive from a major private equity company (and former Bush Treasury official) laid out what once could have been the reasonable conservative position -- stimulus weighted to tax cuts, a banking rescue that avoids taking over anybody (or dictating anybody's compensation), and tax-based measures to reduce foreclosures. As a matter of economics, he got his targets right, even if his approaches are weaker than those favored by the Administration. But at least his response suggested that he wants the economy to recover, regardless of who gets the credit.

Not so from the other member of the panel, Brian Westbury, who on top of being an economist with a Midwestern financial advisory is also the economics editor of the American Spectator and a frequent writer for the Wall Street Journal. He provided an economic-cum-ideological gloss for the denial and anger expressed by the flamboyantly-frustrated Mr. Limbaugh. Westbury's prescription was no stimulus, no banking rescue and no program for foreclosures. The only constructive government action he could imagine was to jettison current "mark-to-market" rules. Those rules say that the balance sheets of banks and public companies have to reflect the actual

market value of their assets and liabilities. So, for example, when a mortgage-backed security goes bust, you have to write down its value while preserving the liability of the money borrowed to purchase it and still owed.

In this view, none of what seems so important to the rest of us -- collapsing demand, investment and trade, huge job losses, rising bankruptcies -- matters for government policy. The only thing Washington should do here is to change how the financial losses from these events are reported. This isn't economics; it's a prescription that follows from a hard-edged ideological view that government can do nothing of value for an economy, regardless of conditions.

Unhappily, this cramped understanding isn't limited to the pages of the American Spectator and the Wall Street Journal op-ed page. Bobby Jindal put the Republican Party on record for much the same view in his awkward response to the President's address to Congress. He even cited the colossal inadequacies of the Bush Administration's response to Katrina as proof that the private sector is always the best answer to any problem or catastrophe -- even if it's under water at the time.

I honestly can't believe that they're really so dull-witted. A better explanation for Jindal and Limbaugh, along with commentators like Westbury and Radosh, is that they're still grappling with the grief of losing the support of the American people -- and the power that came with it. They're stuck in denial and anger. And that's a very bad position from which to consider the best policies for a nation and world economy in crisis.