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The Economic Elephant At the GOP Debate
Editorial by Michael Gerson
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In the recent Republican debate on economic policy, the candidates collectively set out to reestablish themselves as the "daddy party." Americans "live beyond our means" through "outrageous, wasteful spending" and "waste and pork-barrel spending," "spending the money of future generations" while we are "going broke" and "bankrupting the next generation" with our "spending out of control." All of us, apparently, have come in past curfew, bleary with binge profligacy, and need to be grounded -- not just the keys of the car taken away, but the tires flattened.

This lecture comes at a time when federal deficits have been declining and the size of government as a percentage of the economy is smaller than under Ronald Reagan. Some daddies are difficult to please. All through the debate I had a fantasy that Jack Kemp would suddenly appear on the stage, bubbling with talk of growth and opportunity, and lead a revolt against responsibility, or at least against dourness.

The main candidates took the expected Republican positions in the expected terminology on nearly every economic topic. They support "free and fair trade," believe China must begin "playing by the rules" and want "a freer, fairer, simpler tax code."

The news of the day was mainly political. With a strong performance and a laid-back charm, Fred Thompson won the debate -- but he did not dominate. All of the top-tier candidates seem credible. It is easy to imagine Thompson winning South Carolina. Mitt Romney has considerable support in Iowa and New Hampshire, and enough personal wealth to supplement his campaign and stay in the race until the end. John McCain is perfectly capable of staging his own surge.

And the strength of the now-augmented field, it turns out, is probably good news for Rudy Giuliani. "Three or four strong candidates is what he hopes for," says one Republican insider. "He loses the nomination if a single conservative alternative emerges. But in a three- or four-way race, he can take winner-take-all primaries with 35 percent of the vote."

Watching the debate, I found myself searching for the unexpected, which came only briefly from the two most interesting Republicans in the race. McCain interjected that climate change is "real and is taking place." And Mike Huckabee interrupted all the talk of government spending by calling attention to Americans "who handle the bags and make the beds at our hotels and serve the food; many of them are having to work two jobs." He predicted that labor unions would "come back in roaring form" because of economic inequities.

The most disturbing moment of the evening proved that Huckabee was pretty much alone in his concern. Giuliani went out of his way to criticize Hillary Clinton's "baby bonds" plan, which would subsidize savings accounts for poor children, beginning at birth. No arguments were offered against the proposal -- just that Clinton was looking for "endless ways to spend."

But it would have been useful for Republicans to confront a large economic fact during their economic debate. Though the disparities in earnings between whites and minorities have narrowed over the years, the disparities of wealth remain dramatic. The median net worth of white and Asian Americans in 2004 was about \$143,000. The median net worth of African Americans was about \$20,000. The racial divide in America is widest when it comes to assets. And the problem is broader. About 40 percent of American families don't have enough assets to live above the poverty line after three months if a job is lost.

Creative Democrats and Republicans have been working on this problem for years, proposing matched savings through Individual Development Accounts, or plans that begin accounts at birth

and expand through compound interest. Republican Sen. Jeff Sessions has proposed "Plus Accounts" that would stake all American children \$1,000, eventually require employer and employee contributions when young people enter the workforce, and lock up savings for retirement.

Assets cause people to plan for the future. Savings accounts teach financial skills. And because savings and ownership build community and responsibility, encouraging them should be an obvious conservative cause.

Instead, during the Republican debate, the idea was dismissed in a partisan attack line, and the audience applauded. This reveals a party that is not effectively speaking to people who handle the bags and make the beds and serve the food -- and who live so close to the edge that one shock can leave them in bankruptcy and ruin.