

Advising the Candidates

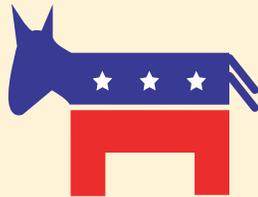
Who advises the 2008 presidential candidates on economic policy?

BY ROBERT D. NOVAK

This lineup pretty well freezes the current outlook for both Republicans and Democrats without a sign now of a daring new outlook for any candidate (such as in 1980, when Jack Kemp and his

adviser Jude Wanniski brought Ronald Reagan to the supply-side table). Nevertheless, the nature of the advisers introduces nuances in the economic platforms of the candidates. Here's the lay of the land:

Democrats

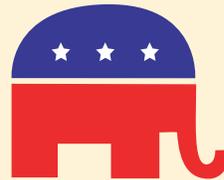


Hillary Clinton: An all-star team of her husband's economic counselors during his presidency, augmented by a couple of former Congressional leaders favoring higher taxes and protectionism.

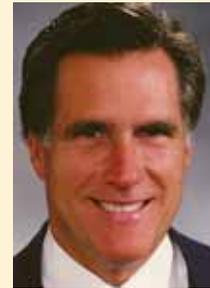
Barack Obama: Academic economists, not familiar names on the national scene, who are left of center but are more original and not as conventionally liberal as Clinton's advisers.



John Edwards: A multi-millionaire former cable executive gives populist advice to the multi-millionaire trial lawyer who follows the populist line.



Republicans

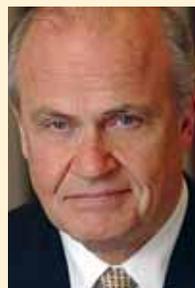
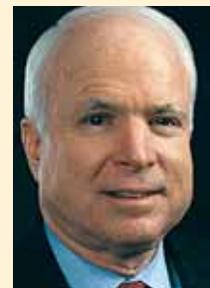


Mitt Romney: Assembled well-known team, mainly supply-siders who include architects of George W. Bush's tax cuts and a former Congressional lieutenant of Jack Kemp.



Rudy Giuliani: Conservative, supply-side economists maneuvered the former Republican heretic back into the acceptable GOP fold.

John McCain: A father of the supply-side tax movement and a close George W. Bush ally have helped change his former anti-tax cut stance.



Fred Thompson: Brought on the chief economic adviser in Bush's 2000 campaign who was booted from his administration for dispensing too much truth.



**SENATOR
HILLARY
RODHAM
CLINTON OF
NEW YORK (D)**

In 1992 at age 34, a former aide to New York Governor Mario Cuomo named **Gene Sperling** climbed above better-known economic savants around presidential candidate Bill Clinton to draft his campaign economic plan. He rose to the Cabinet-level post of National Economic Director in the Clinton Administration and now is the key economic adviser to Senator Clinton's campaign. He is currently a senior fellow at the left-wing Center for American Progress (while also serving on the Council for Foreign Relations staff).

Also providing economic advice is financier **Roger C. Altman**, a charter member FOB ("Friend of Bill"), who served as President Clinton's Deputy Secretary of the Treasury. He advised Senator John Kerry in his 2004 campaign and might have been Treasury Secretary in a Kerry Administration. Altman, chairman and co-CEO of Evercore Partners investment bankers, serves on the board (with **Robert Rubin**) of the Brookings Institution's Hamilton Project, which pours out health care and tax proposals. Former Treasury Secretary **Rubin**, chairman of Citigroup's executive committee, also advises Mrs. Clinton. Rounding out her economic advisory team are two big-name alumni of Congress: former House Majority Leader **Dick Gephardt** and former Senate Majority Leader **Tom Daschle**.

Sperling emerged from obscurity during the 1992 campaign as principal architect of Bill Clinton's eco-



Gene Sperling



Roger Altman



Robert Rubin

omic plan. It featured a soak-the-rich tax increase that passed the Senate and House by one vote in each chamber, followed by Republican victories in the next three Congressional elections. Sperling is prescribing the same medicine for 2009, and the other Clinton advisers agree—as does the Senator herself. "You raise taxes on the wealthiest Americans to create tax relief for the less wealthy," she said this year.

There is similar agreement among Clinton and all her advisers to oppose any basic reform in Social Security. The Senator has called President Bush's proposal for personal accounts a "risky scheme" that "would undermine the promise of Social Security."

Just where Clinton is going on international trade is less clear. Sperling and Rubin helped craft her husband's free trade record in the White House. But they

Sperling and Rubin may be overridden by Gephardt's aggressively protectionist stance.

may be overridden by Gephardt's aggressively protectionist stance, dating back to his first run for president in 1988. Clinton's voting record in the Senate has been mainly protectionist, as is her rhetoric calling for "trade agreements with enforceable labor and environmental standards." Most indicative is her call for "a little timeout" before new trade agreements are signed—a clear protectionist signal. While she voted to give China most-favored-nation status, she later supported punishment of Beijing for "currency manipulation."

Clinton voted for Sarbanes-Oxley financial regulation in 2002 and since then has uttered no criticism of its impact. Altman, presumably her lead adviser on this issue, has declared he does not trace the "greater sensitivity" by corporate management to Sarbanes-Oxley.

Clinton takes the full liberal line on energy issues: Against oil and natural gas drilling in Alaska and the outer continental shelf, for the Kyoto Protocol on global warming, and for higher taxes on oil companies.



Richard Gephardt



Tom Daschle



SENATOR BARACK OBAMA OF ILLINOIS (D)

As the non-Washington candidate running out of Washington, he relies on young academics beyond the Beltway. They are left-of-center but markedly less predictably and dogmatically liberal than Clinton's advisers.

Heading the team is **Austan D. Goolsbee**, 37, a University of Chicago economics professor (and *New York Times* monthly columnist) specializing in describing the "new economy." Obama's other key academic advisers are both on the Harvard faculty: **Jeffrey Liebman**, 39, and **David Cutler**, 41. They are backed by **Karen Kornbluh**, the policy chief in Obama's Senate office, and two Clinton Administration alumni:



Austan Goolsbee



Jeffrey Liebman



David Cutler



Karen Kornbluh



Dan Tarullo



Michael Froman

Georgetown Professor **Daniel Tarullo** and **Michael Froman** of Citigroup.

Despite Goolsbee's reputation as an innovative tax expert with centrist views, Obama's position on an upper-bracket tax increase is indistinguishable from Clinton's. Cutler is responsible for the candidate's market-oriented proposals on health care.

Liebman, a pensions expert, is author of a Social Security reform plan that includes individual retirement accounts. But Obama himself does not sound at all different from the other Democrats in opposing Bush's personal accounts: "Relying on the magic of the marketplace is a tempting idea, elegant in its simplicity. But it won't work."

Tarullo may be responsible for not going the full protectionist route. "We shouldn't kid ourselves into believing that voting against trade agreements will stop globalization," Obama has said, while then voting against them. He has not matched Clinton's labor-courting call for a pause in trade agreements but joined her in voting against Chinese "currency manipulation."

Obama is opposed to feasible expansion of energy sources and supports carbon caps and higher CAFE standards, saying: "I'll put in place a low-carbon fuel standard that will take fifty million cars worth of pollution off the road." An Obama proposal, devised by Kornbluh, would help automakers with their burden of health care for retired workers in return for fuel-efficient cars.



FORMER SENATOR JOHN EDWARDS OF NORTH CAROLINA (D)

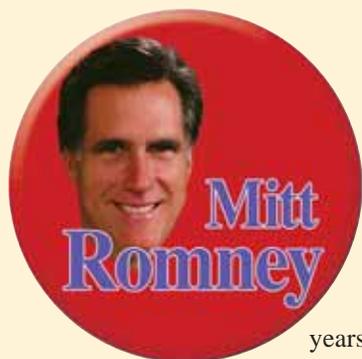
His chief economic adviser is **Leo Hindery**, who headed TCI cable before it was absorbed by AT&T. Naming a corporate executive to head the economic team is unusual for any presidential team but extraordinary for the self-professed populist candidate.

Edwards not only joins Clinton and Obama in wanting to roll back the Bush tax cuts but also would raise the current 15 percent capital gains rate to 28 percent (compared to the 20 percent pre-Bush level). However, he has put forward as his own proposal the Hamilton Project's tax simplification scheme to excuse some 50 million Americans from filing tax returns (a plan devised by Obama adviser Goolsbee).

Whether or not Hindery is influential, Edwards takes the left-wing position on all issues. Edwards is most severe on energy, opposing nuclear power as well as oil and gas drilling and advocating severe reductions in greenhouse emissions. But he has moderated his rhetoric on trade, asserting that labor and environmental standards should not be used "as a ruse to create a protectionist barrier."



Leo Hindery



**FORMER
MASSACHUSETTS
GOVERNOR MITT
ROMNEY (R)**

Former Representative **Vin Weber**, who twenty-five years ago was Kemp's close ally (and now a Washington lobbyist), as head of Romney's domestic policy board coordinates policy recommendations to the candidate. The campaign's actual economic advisers have a strong flavor of George W. Bush's administration.

Cesar Conda, a longtime Congressional staffer who as Vice President Dick Cheney's domestic policy chief

was instrumental in devising the Bush tax cuts, has for the past two years promoted Romney's supply-side agenda. He has been joined by **R. Glenn Hubbard** and **N. Gregory Mankiw**, Bush's first two chairmen of the Council of Economic Advisers, as well as Bush advisers **John Cogan** (of Stanford's Hoover Institution) and **Brian Reardon**.

This gives Romney the most authentic supply-side brain trust of any Republican candidate (though Mankiw is suspect among purists for past criticism of Reagan tax cuts and his advisory role in the 2000 McCain campaign). Romney proposes making interest and capital gains tax-free for lower income brackets, advocates abolition of the estate tax, and has signed the Americans for Tax Reform (ATR) pledge not to raise taxes.

Conda has endorsed "progressive indexing" for Social Security, reducing payments for wealthy beneficiaries. Romney has not embraced that and has been cautious about venturing into this minefield, short of generally endorsing personal accounts with bipartisan support.

Mankiw is an ardent free trader, but that advice is not

needed to make Romney an all-out enemy of protectionism. Mankiw takes the counterintuitive position that the United States benefits economically from a lower rather than a higher Chinese yuan, and Romney has taken the position that China is an economic opportunity rather than a danger.



John Cogan



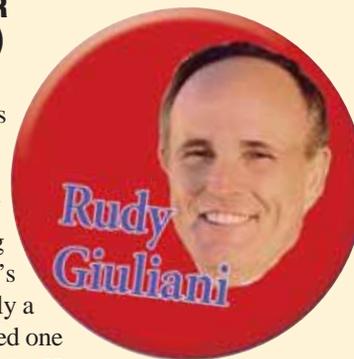
Brian Reardon

**FORMER
NEW YORK CITY MAYOR
RUDOLPH GIULIANI (R)**

His senior adviser is **Michael Boskin**, a Hoover Institution fellow who headed the Council of Economic Advisers during President George H.W. Bush's entire tenure. Boskin is basically a supply-sider who was considered one of the more conservative White House aides during the first Bush presidency. Giuliani also is supported and advised by two other prominent supply-siders: **David Malpass** (chief economist of Bear Stearns) and former presidential candidate **Steve Forbes**.

While Giuliani supports the Bush tax cuts and free trade, he has declined to sign the ATR tax pledge. Boskin has described Giuliani as advocating "substantial reform of the tax code" but opposed to a national sales tax.

Giuliani is less explicit on Social Security reform, asserting that "people should have some choice" about how their money is invested. Boskin's proposed Social Security reform contains only a small component devoted to personal accounts. As a New Yorker, Giuliani is clearer than most candidates in expressing concern about the impact of Sarbanes-Oxley, contending that "they overdid it."



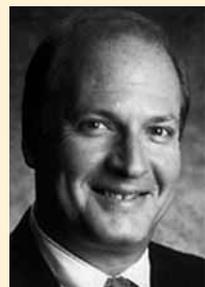
David Malpass



Michael Boskin



Steve Forbes



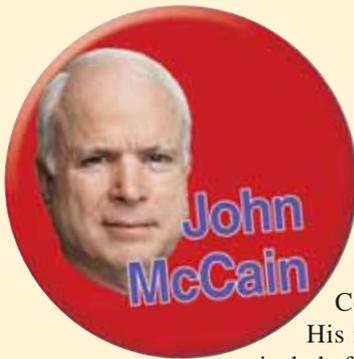
Vin Weber



Glenn Hubbard



Gregory Mankiw



SENATOR JOHN MCCAIN OF ARIZONA (R)

His principal economic policy chairman is **Douglas J. Holtz-Eakin**, former head of the Congressional Budget Office. His informal economic advisers include former Senator **Phil Gramm** of Texas, California investment banker **Gerald Parsky**, and economist **Arthur Laffer**, a founder of the supply-side movement.

Laffer's advice may have been most influential in contributing to a remarkable shift in McCain.

Laffer's advice may have been most influential in contributing to a remarkable shift in McCain from his opposition to across-the-board tax cuts during his 2000 campaign for president and his votes against the Bush 2001 and 2003 tax cuts. He now wants to make the Bush tax cuts permanent, conceding: "I may have changed some of my views."

He is a 100 percent free trader, and takes advice on this issue from Prof. **Teresa Beckham Gramm** of Rhodes College in Memphis. However, McCain marches to his own drummer and that sets



Doug Holtz-Eakin



Phil Gramm



Arthur Laffer



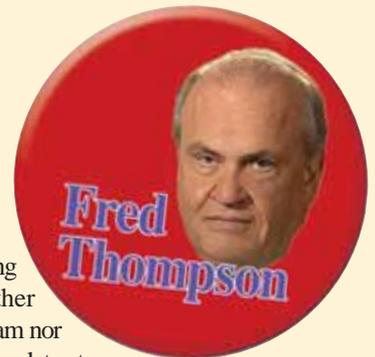
Teresa Beckham Gramm



Gerald Parsky

him in a direction different from the other candidates no matter what advisers say. He does not favor total repeal of the estate tax, opposes ANWR drilling, and supports caps on carbon emissions and higher CAFE standards. Also, he is the rare Senator who says he made a mistake voting for Sarbanes-Oxley.

FORMER SENATOR FRED THOMPSON OF TENNESSEE (R)



With his late-starting campaign, neither his economic team nor his economic agenda are complete at this writing. **Lawrence Lindsey**, the former Federal Reserve governor and national economic adviser for President George W. Bush, has been named chief economic adviser and is said to be working on a plan to reform the corporate and individual tax systems. Lindsey can be described as a prudent and cautious supply-sider. An early backer of Bush for president, he was shown the door when he publically admitted that the Iraq war would cost much more than predicted.



Larry Lindsey

Thompson voted for the 2001 Bush tax cut and has expressed sympathy with the idea of a national sales tax "as a good place to start" on reform. His Senate voting record was mostly free trade and he has asserted: "On globalization, we're not afraid of it. It works to our benefit." While Thompson is not on record on the Chinese currency question, Lindsey has proposed a compromise under which China would agree to moderately appreciate its currency.

"On globalization, we're not afraid of it. It works to our benefit."

2008 Policy Scorecard

INCOME TAXES

Clinton—Return tax rates to 2001 level.
 Obama—Return to 2001 level.
 Edwards—Return to 2001 but raise capital gains rate higher.
 Romney—Make Bush cuts permanent and further reform capital gains rate. Signed ATR pledge.
 Giuliani—Make Bush cuts permanent, but won't take ATR tax pledge.

OPPOSES NATIONAL SALES TAX

McCain—Supports Bush tax cuts, but against full estate tax repeal.
 Thompson—Make Bush tax cuts permanent. Consider national sales tax.

SOCIAL SECURITY REFORM

Clinton—No personal accounts.
 Obama—No personal accounts. Favors government-subsidized “Universal 401(k).”
 Edwards—No personal accounts. Favors matching accounts to workers on top of Social Security.
 Romney—Favors personal accounts without details.
 Giuliani—“People should have some choice.”
 McCain—Supports some form of personal accounts.
 Thompson—Supports personal accounts. Backed reduced inflationary adjustments.

TRADE

Clinton—Mostly protectionist with “a little timeout” for trade agreements.
 Obama—Votes against free trade but speaks in favor of it.
 Edwards—Mostly protectionist.
 Romney—Free trade.
 Giuliani—Free trade.
 McCain—Free trade.
 Thompson—Mostly free trade.

CHINESE CURRENCY

Clinton—Force lower yuan.
 Obama—Force lower yuan.
 Edwards—Force lower yuan.
 Romney—No public stance.
 Giuliani—No public stance.
 McCain—Voted against forcing lower yuan.
 Thompson—No public stance.

ANWR DRILLING

Clinton—Opposed.
 Obama—Opposed.
 Edwards—Opposed.
 Romney—Favors.
 Giuliani—Favors.
 McCain—Opposed.
 Thompson—Favors.

CAPS ON CARBON EMISSIONS

Clinton—Favors.
 Obama—Favors.
 Edwards—Favors.
 Romney—Opposed.

Giuliani—Opposed.
 McCain—Favors.
 Thompson—Opposed.

SARBANES-OXLEY

Clinton—Voted yes. No further position.
 Obama—No position.
 Edwards—Voted yes. No further position.
 Romney—Supports changes.
 Giuliani—Supports changes.
 McCain—Voted yes, but says was mistaken. Supports changes.
 Thompson—Voted yes. No further position.



Which way the yuan?

Surprisingly, the Republicans largely offer no position.