

Pro-Growth Rhetoric for Anti-Growth Policies

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Introduction

Conservative, libertarian, and business sources frequently use pro-growth rhetoric to promote anti-growth policies. Growth is generally a good thing. The global economy will need to grow by ten to fifteen times to raise the standard of living of everyone on the planet to the level of the United States or Europe even with the adoption of various proposed conservation measures. Growth is popular with most voters for this reason. As the old saying goes, "A rising tide lifts all boats." In recent years, at least, conservative, libertarian, and business sources have used pro-growth rhetoric to promote anti-growth policies.

A particularly extreme example is the Iraq war. In their defense, most libertarians opposed the Iraq war from the start. This is a case where conservative and business sources, notably the neoconservative movement, used pro-growth rhetoric to promote a disastrous anti-growth policy. Libertarians did not. In their defense, some conservative and business sources did not support the Iraq war. Many did, especially the neoconservatives and their allies.

The invasion or liberation of Iraq was widely promoted by Bush Administration officials, editorials in the *Wall Street Journal*, and other conservative and business sources as a war that would pay for itself. Not only was it claimed that Iraq's oil could be used to finance the war,

but that Iraq was producing significantly less oil than it could. Once the United States took over Iraq, oil production would increase by millions of barrels per day. There were numerous claims that the "geological potential" of the Iraqi oil deposits was greater than the Iraqi oil production under Saddam Hussein. In fact, claims of this type continue to this day in articles on the Iraq war. It was claimed that the invasion would both pay for itself and immediately result in cheaper oil.

Of course, the opposite occurred. The invasion reportedly knocked out Iraq's oil production for years. Only recently is it claimed that the Iraqi oil production is nearing its old output under Saddam. The invasion has cost the United States at least \$500 billion. Oil and gasoline prices soared to the detriment of most Americans other than a small number of oil companies that curiously reported record profits.

The paradox is that an anti-growth policy that reduced global oil production and undoubtedly harmed most businesses and conservatives in the United States was sold through extreme pro-growth rhetoric: *The war will pay for itself. The war will make oil cheaper.*

The use of pro-growth rhetoric to promote anti-growth policies has become a common feature of conservative, libertarian, and business political activism. Who is against growth? Both the Internet/Telecom bubble of the 1990's and the housing bubble of the current decade were promoted with extreme pro-growth rhetoric: The bubbles represented real economic growth and sound fundamentals. People who lost money, even their life's savings, in dubious investments such as Global Crossing, WorldCom, and so forth were convinced that they were investing in genuine revolutionary technological advances that were dramatically boosting productivity and forming a so-called "New Economy".

In much the same way, home owners who bought into the housing bubble were convinced that they were participating in sound economic growth. They were not speculating. They were part of an "ownership society" in which new financial innovations such as mortgage-backed securities enabled more people than ever to safely afford homes. Many people were convinced to borrow money for building projects to improve their homes and increase the value of their homes, again in the belief that they were participating in real economic growth.

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One can find entertaining extreme examples of the promotion of the housing bubble economy on the Internet, for example in the form of brief heated debates between Peter Schiff (it's a bubble) and conservative supply-side guru Arthur Laffer, between Peter Schiff and Ben Stein (obviously Ben Stein is not as extreme as Arthur Laffer), and many other examples of this by many conservative, libertarian, and business sources. There is, of course, former US Senator Phil Gramm's notorious "nation of whiners" comment in the summer of 2008. *Everything is great. What are people complaining about? What a bunch of whiners!* The common conservative, libertarian, and business line until September 2008 was that the housing bubble wasn't a bubble. The economy was sound. Everything was great and growing and prosperous.

In the fight against foreclosure mitigation plans such as FDIC chairman Sheila Bair's proposals, Dean Baker's proposals, and other plans that usually involve loan principal reductions for mortgages taken out during the height of the boom, conservative, libertarian, and business sources have suddenly discovered a terrible speculative housing bubble driven by reckless often poor minority homeowners who knew full well that the sound fundamentals touted by Phil Gramm and Senator McCain did not exist. In this new conservative, libertarian, and business view, there are few who bought houses at the peak of the bubble in the mistaken belief that house prices would not drop because the house prices represented sound economic fundamentals and real growth. These awful people facing foreclosure are certainly not people who sincerely believed the claims of sound economic fundamentals from conservative, libertarian, and business sources, the National Association of Realtors, many economists, and other pro-bubble sources.

Of course, channeling trillions of dollars into speculative asset bubbles not supported by genuine economic growth is an extreme anti-growth policy. It is akin to eating one's seed corn as the old saying goes. These policies have benefited a small number of financial speculators and investment banks. Money that should be invested in factories, research and development, and other activities essential to the long term growth of the economy is diverted into the hands of short-sighted financiers and short-term consumption of luxury goods. The paradox is that these anti-growth policies are promoted in the name of growth, investment, and long-term thinking.

As the global economy declines, conservative, libertarian, and business sources are both promoting some policies such as tax cuts for the

wealthy and businesses and opposing other policies by invoking “growth”, “investment”, and “long-term thinking”. For example, businesses will supposedly take money from tax cuts and invest it in factories, research and development, and other pro-growth activities, thus stimulating and rebuilding the economy. The dismal track record of conservative, libertarian, and business “growth” promoters over the last twenty or more years should lead all Americans – liberal or conservative, rich or poor, Republican or Democrat, purple or polka-dot – to view these claims skeptically and take a long hard look at the fine print. Another speculative asset bubble in the name of “growth” would be a disaster. A global thermonuclear war, *Iraq 2.0*, in the name of “growth” could wipe out the human race. Let’s look hard before we leap.

About the Author

John F. McGowan, Ph.D. is a software developer, research scientist, and consultant. He works primarily in the area of complex algorithms that embody advanced mathematical and logical concepts, including speech recognition and video compression technologies. He has many years of experience developing software in Visual Basic, C++, and many other programming languages and environments. He has a Ph.D. in Physics from the University of Illinois at Urbana-Champaign and a B.S. in Physics from the California Institute of Technology (Caltech). He can be reached at jmcgowan11@earthlink.net.

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