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The Reagan Test

By James Freeman

When did President Ronald Reagan realize that his policy mixture of deregulation and tax cuts was increasing American prosperity in the 1980s? "I could tell our economic program was working when they stopped calling it Reaganomics," he used to say with a chuckle. By this standard our current President is off to a promising start.

Today the Federal Reserve Bank of Atlanta slightly raised its estimate for economic growth in the fourth quarter of 2017 to 3.4%. Last week the New York Fed estimated an even more robust 3.9%. The first official reading on the final three months of last year won't arrive until January 26. But if either of the regional Fed estimates is correct, the U.S. economy has grown at more than 3% for three straight quarters for the first time since George W. Bush was President.

Naturally, Barack Obama deserves the credit, at least according to Mr. Obama and various media observers. Newsweek reported in December:

The American economy's success comes down to environmental policies put in place during the Obama administration, said former President Barack Obama during a speech Tuesday as he jokingly thanked himself.

Obama pointed out that after his administration took steps to cut carbon emissions and signed on to the Paris climate accord "we saw the U.S. economy grow consistently."

"We saw the longest streak of job creation in American history by far," Obama said during his speech at the North American Climate Summit in Chicago. "A streak that still continues by the way. 'Thanks, Obama.'"

A week later, a Washington Post "Fact Checker" opined that "Trump's economy owes largely to trends started in the Obama era."

This week brings an Associated Press story that is perhaps the most aggressive yet in lauding Mr. Obama for America's rising prosperity in the period since he left office. "Trump Claims Credit For What Is Still Mostly Obama's Economy," argues the AP headline. Here's how the news service makes its case:

President Donald Trump relentlessly congratulates himself for the healthy state of the U.S. economy, with its steady growth, low unemployment, busier factories and confident consumers.

But in the year since Trump's inauguration, most analysts tend to agree on this: The economy remains essentially the same sturdy one he inherited from Barack Obama.
Growth has picked up, but it's not yet clear if it can sustain a faster expansion. Hiring and wage growth actually slowed slightly from Obama's last year in office. Consumers and businesses are much more optimistic, but their spending has yet to move meaningfully higher.

For the record, what the AP refers to as the "sturdy" economy that Mr. Trump "inherited from Barack Obama" grew at an anemic 1.2% in the first quarter, when Mr. Obama bequeathed it to Mr. Trump.

This column thinks it's still too early to declare that Mr. Trump's economic program is working. But based on the Reagan standard it appears so far to be a smashing success. Not only are the President's critics *not* calling it Trumponomics; many of them insist on calling it *Obamanomics*. After almost a year in office it has to be gratifying for Mr. Trump that his predecessor is now making the macroeconomic policy equivalent of his infamous and inaccurate claim: "You didn't build that."

Still, the economy has only shown a faster rate of growth for perhaps nine months. Reagan's policies allowed Americans to create "seven fat years," as the Journal's late editor Bob Bartley noted. Americans have enjoyed a thriving start to the Trump era as the President has reduced federal regulations and enacted pro-growth tax cuts. So far, so Reagan. But now the President is threatening to proceed with an anti-growth, anti-Reagan agenda of limited immigration and heavily managed trade.

As Ronald Brownstein notes in the The Atlantic, the proposal from Republican Senators Tom Cotton and David Perdue would not simply re-allocate opportunities to enter the United States, it would sharply reduce them:

> ...by trumpeting high-skilled immigration, Trump, Cotton, and Perdue are also obscuring the most significant impact of their proposal: a 50 percent cut in legal immigration. Within that smaller pool of immigrants, high-skilled workers could very well comprise a larger share than they do now. But if that shift were to happen, it would only be because immigration levels would fall even faster for those who are lower-skilled.

Particularly anti-growth and anti-Reagan is the notion that we don't benefit when we welcome people with limited skills from poor countries. By all means do careful vetting to block terrorists, but hungry new Americans building families here have always been among our greatest resources. "Immigrants most likely to have entered the U.S. with a family visa have much higher earnings growth rates," says Stuart Anderson of the **National Foundation for American Policy**. "This happens because immigrants without a ready-made niche in the U.S. labor market often can't immediately use all of their skills. But they have great incentive to use both formal classes and other means to gain U.S. skills. Their earnings grow from their new skills and from the ways their new skills often allow them to better use their country-of-origin skills."

In his great first year of limiting federal regulation, President Trump has wisely observed that when red tape is cut, it becomes beautiful. New red tape at the border would be just as ugly as it is in the rest of the country.

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