

Wanted: Credible Centrist Political Leaders

WASHINGTON – Recently, a Democratic party elected leader of national renown argued in a public forum that in order to regain lost momentum and credibility with the American voters the Democrats have to redefine themselves as the party of economic growth and inclusiveness.

Common sense messages

At a national event focused on the future of U.S. small businesses, a Republican national leader claimed that America's greatness rests on its foundations as an opportunity society in which people can advance because of a rules based system that recognizes and rewards merit.

John Hickenlooper, the Governor of Colorado, a successful state chief executive, stated that through collaboration between Republican and Democrats we can find workable compromises on the future of the US health care system, and other national priorities.

Well, what do I make of all this? Very simple. These statements made by credible centrists in both parties raise the hope that it may be possible, even in this incredibly poisoned political climate, to rally millions of Americans, hopefully a majority, around the basic ideas of an optimistic country in which policy-makers promote economic growth, while upward mobility is based on genuine merit; and nobody is excluded or kept from advancing because of social class, gender, race, or anything else. In fact, the opposite –equal opportunity for all- is embraced by all.

And this must include quality education, the best foundation of future success in life, available to everyone; while bridges are built across every divide, and doors are wide open

to all who are willing to make an effort.

It is an old idea

This idea of America as a level playing field and fair rules used to be a shared vision embraced by most. Indeed, it was the belief that America offered genuine opportunity that attracted millions of immigrants who wanted to create in America a better life for themselves. It is about time to re-propose this vision in a manner that can be shared by today's Americans –Democrats and Republicans.

Indeed, who could object to public policies that promote economic growth, social advancement based on merit, while all citizens have genuine access to quality education, careers and consequently a good seat at the table?

Lost hope

Of course, the last few years have told us an entirely different story. It is a story of lost hope, deep disappointment, and resentment. A story of popular distrust in the honesty and abilities of most elected leaders. A story of exaggerated promises not kept.

This has created an emotional anti-government rebellion on the right, (*"Washington is a rotten place"*), and the triumph of policy agendas on the left which advocate economic and social re-balancing achieved through redistribution by taking (ill-gotten gains) from the few ultra rich and giving to the rest of society. All this will be wisely designed and orchestrated by government, through taxation and subsidies.

Despondent America

The outcome of all this is not pretty. The unexpected outcome of the November 2016 presidential elections is evidence of the widespread feeling of deep despair. Indeed, according to millions who voted for Donald Trump, "the system" failed

–period. Its failure is so deep that it is not worth salvaging. In fact, it should be dismantled. In fact, millions of Americans voted for Trump mostly because he is not a professional politician. Therefore he is untarnished by Washington's rot and well equipped to "*clean the stables*", "*drain the swamp*" and all by himself –with his power and superior intelligence– transform America.

Paradoxically, notwithstanding continuous economic growth and much lower unemployment since the end of the Great Recession in 2010, rightly or wrongly millions of Americans who used to be part of a self-confident middle class now are and feel poorer, left behind and alienated. At the same time, millions of young people feel hopeless facing a world of diminished opportunities, while laboring under the crushing weight of absurdly large student debts.

There is a way out

That said, I sense that there is a way out of this. Difficult, yes; but not impossible. Yes, America needs house cleaning. It needs fresh faces not tainted by the old ways of doing business.

The unimaginative political elites still populating Washington, DC have survived by over promising everything to everybody, while pretending to pay for all the goodies they offered to various (of course deserving) constituencies, knowing full well that the only way to finance all this public largess (unaffordable entitlements) was and is to borrow more and more, this way getting the country deeper and deeper into debt.

Sadly, the Washington elites have no real economic growth strategy, while their policies aimed at buying votes through entitlements funded by public money and more and more borrowing are driving America towards the abyss of insolvency.

Credible people who will tell the truth

Most Americans have common sense. However, they need credible new leaders who will tell the unvarnished truth about the dangers of systemic and growing fiscal imbalances, (i.e. we have to agree on a sensible plan to reform all major federal entitlement programs, by far our biggest fiscal problem), while pointing the only way to get out of this ditch: economic policies (think tax reform and smart deregulation affecting business activities) that will promote a more robust economic growth in a genuinely open and inclusive society. An inclusive society in which elected leaders are committed to destroying all artificial barriers to entry, while opening new avenues of opportunity to all.

(President Donald Trump, a new leader who is not carrying the baggage of the distrusted establishment politicians, could lead the way in shaping a new American political conversation. As his presidency is just getting started, it is impossible to say whether he will engage in this effort or not. We should all hope that he will. This would benefit the country and him).

Impossible?

Well, in the end all this “back to basics” idea founded on the values of openness, fairness and merit sounds too lofty, in fact unrealistic. Yes, this is an appeal to an admittedly mythologized idea of an America *“where anything is possible as long as you work hard and play by the rules”* which (truth be told) never fully existed in the way many refer to it.

And then there is the huge problem of yanking benefits away from millions (deserving or undeserving, it does not matter) who got used to getting them. *“Come on...get real. Nobody gets elected by promising less, let alone by promising to cut existing benefits. And we in Washington just do not know how to deliver stronger economic growth. We only know how to distribute subsidies”*.

The way ahead

And yet, if we do not want to see America follow Europe on the path leading to historic decline, it is imperative to make real progress on these two related fronts:

1) restore fiscal sanity by reforming all the major entitlement programs

2) genuinely and forcefully promote economic growth and real opportunity for all

The alternative is political chaos, the de-legitimization of our institutions, and rapid economic decline.

Some elected leaders of both parties know this. I just hope that their common sense message will be heard, understood and embraced.

First Comes Growth Then New Jobs

WASHINGTON – Every day I walk by a giant banner hanging from the U.S. Chamber of Commerce imposing building in Washington, DC., located near the White House. The banner says: “*Jobs & Growth*”. On the face of it, nothing wrong with this statement. Of course we all want to have more jobs and more growth. if both things happen, we shall all be better off as a nation.

Jobs and Growth

So, we all agree. Still, the way in which the proposition is phrased reveals a profound error which, I believe has been purposely introduced in this “Jobs & Growth” slogan purely for

political reasons.

Let me explain. Of course we want "Jobs and Growth". But in the real world the two elements are sequenced exactly in reverse order. First you have economic growth, and then, because of additional demand and additional capital becoming available thanks to higher growth, companies can create more jobs.

First growth and then Jobs

In the real economy, real jobs do not just happen because someone wants to. In the real economy new jobs are justified by new demand usually tied to an expanding economy, i.e. *the new jobs come along because of higher growth.*

But the U.S. Chamber of Commerce, (whose motto is, by the way, "The Spirit of Enterprise" and not "The Spirit of Jobs Creation"), chose to put "Jobs" first on its gigantic banner, even though this is illogical and untrue. And why did they do this? Because this is the politically correct phrasing.

In our distorted world the social benefits of higher growth –new jobs– have to come first, before growth itself. And so, "jobs creation" becomes a political imperative, somehow disconnected from the economic fundamentals –new growth– that should instead be at the foundation of new jobs.

Politically correct

And so the U.S. Chamber of Commerce, this bastion of free market capitalism and rugged enterprise, has now joined the herd of the politically correct who have to tell you that their primary policy goal is of course to have better social outcomes –more jobs– irrespective of the economic fundamentals.

In the USSR everybody had a job

Well, unless we all forgot, in the good old Soviet Union there

was full employment. Everybody had a job. Officially in the old Workers' Paradise there was zero unemployment. And yet, as we all know, things did not go so well under Communist Party mandated full employment. And this was because most jobs were fake, unproductive jobs. Yes, you can create jobs. But, unless they are tied to real demand for more high quality products and services, they will add nothing to the economy, while salaries paid to unproductive workers will waste scarce resources.

Government jobs in Saudi Arabia

In our time, we have the example of Saudi Arabia, an oil rich country in which almost the entire population has a government job or subsidy. Most of these "workers" do practically nothing. But it is politically expedient for the Saudi government to burn cash (derived from its gigantic oil revenue) paying salaries for fake jobs. This is viewed as a way to keep the population reasonably happy, and therefore quiet.

Governments create fake jobs

Despite the gigantic failures of all socialist systems, in western societies politicians and interest groups routinely try to get on the good side of voters by proclaiming that before anything else they are committed to better social outcomes: i.e more jobs, whatever the underlying economic fundamentals.

And, in many cases, if the private sector fails to deliver this socially desirable outcome, the government will step in, creating fake (subsidized government) jobs that will make at least some people happy. Needless to say, unproductive jobs are a drain on society's resources. But who cares anyway? the goal is to create more employment, making more people happy.

Much to my surprise, a quick internet search proved that this U.S. Chamber political correctness about jobs first, growth

later is by no means an isolated phenomenon. Variations on the “Jobs & Growth”, with “Jobs” always placed first, are common place.

Deliberate efforts to place jobs ahead of growth

Interestingly enough, a major EU Commission initiative was promoted under the banner of “*Jobs, Growth and Investment*”. Think of that: *Jobs* come first, while *Investments* come last. Really? Is this how things happen in the real world?

However, the second line of the title reversed the sequencing to its proper order. Indeed, the second line, said “*Stimulating investments for the purpose of jobs creation*”. So, the first line (in big, bold letters) is the crowd pleaser: “*Jobs for everybody, folks! That’s what we are going to deliver*”. So jobs first then growth and then investments.

Mercifully, the language in the smaller print of the second line recreates the proper sequencing: first you need investments, investments lead to higher growth, and, yes, higher growth leads to more jobs. So, in the same headline two mutually exclusive propositions. This is the EU way to make everybody happy, I guess.

Interestingly enough, the World Bank convened a high level meeting to determine which comes first, jobs or growth. And I thought that the place was run by sophisticated economists. Well, in that meeting it was observed that, especially in emerging countries, quite often more growth does not create more jobs. And this is true.

Sometimes growth does not create jobs

Indeed, when I was working in Mozambique, many years ago, there was the case of a brand new large investment that led to the construction of Mozal, a state of the art aluminum smelter. For poor Mozambique this seemed a big deal. A new large smelter. Except that this large investment created

practically no new jobs for a horribly poor country with massive unemployment. Which is to say that higher growth does not necessarily lead to more jobs, especially in poorer countries.

Still, while this is true, in most cases new “real” jobs are the result of higher growth. I fail to see how it can be possible to create more sustainable jobs without new growth. Who will create these new jobs not tied to increased demand? Where will the money necessary to pay salaries come from? How would a for profit private enterprise justify paying for new jobs divorced from real demand? jobs that cost money without producing any real value?

Political jobs

It cannot be that hard to come to the conclusion that jobs untied to objective economic circumstances are essentially political jobs. Therefore they are a gimmick. And if we want this gimmick to be the economic new policy, I cannot see how this can be a good thing.

Still, the large interest groups, including bastions of capitalism such as the US Chamber of Commerce, have to say the “right political thing”, even though it is both false and misleading. However, in so doing, they help perpetuate a state of intellectual confusion among the general public.

Give me a job, now

Of course, if you are not an economist and you are told by supposedly smart people that it is perfectly possible to have jobs first and growth later, then you will demand that politicians will make jobs happen, now.

And if they don't, they will be punished at the next election. And this is how populism undermines capitalism, the only system that –with all its shortcomings– over time can deliver both: growth and jobs.

Can Clinton Unify Left And Center Against Trump?

WASHINGTON – Hillary Clinton’s performance at the Democratic National convention in Philadelphia was “mission impossible”. Now the anointed presidential candidate of a Democratic Party that has once more moved decidedly to the left, Clinton needs to patch together the centrist base and the noisy far left Sanders’ crowds.

A progressive and a centrist

Clinton’s objective was to reintroduce herself to America as a progressive, (wink to Sanders’ people), but also as a reliable, pragmatic unifier (wink to the center, and hopefully some Republicans), who can get things done.

Still, too many conflicting messages were packed in her speech: continuity with the Obama policies which she called very successful; and at the same time a strong indictment of injustice, enduring racism, and widening inequality in America, all of which apparently did not diminish during the 8 long Obama years.

So, her speech gave good marks to Obama’s progressive agenda, and at the same time bad marks to Obama’s America for being so far behind in implementing a true progressive agenda, this way causing misery and suffering among the under privileged. A clear contradiction here. Is she proposing continuity or disruption?

Appeal to the middle

At the same time, Clinton wanted to appeal to middle of the

road Republicans truly worried about the possibility of a Trump victory. However, she also had to shore up her now left leaning Democratic Party base by endorsing the essence, if not the details, of the Bernie Sanders far left economic agenda.

Something for everybody

So here are the ingredients of this political and policy stew: Clinton is the candidate who stands for continuity and disruption. She is with both the far left and the center, and may be some conservatives. And, mind you, this convoluted message is coming from an aged, quintessentially establishment, professional politician with extremely high negatives. Many voters will simply not buy this catch all “agenda”.

Stronger Together?

Supposedly, the magic glue that would unite all these diverse and in fact mutually exclusive themes is the “Stronger Together” slogan adopted by the Clinton campaign. In her acceptance speech Clinton tried to paint a picture of how her administration would operate. She would get everybody to work together—congressional Democrats and Republicans, disgruntled Republicans longing for centrist policies, and Bernie Sanders’ “revolutionaries” who want radical economic and societal transformation.

Nice idea, may be inspiring for some; but hardly the articulation of a clear and compelling policy program.

A leftist agenda

In fact, her speech was rich in anecdotes and vignettes but thin on policy details. To the extent that there were any, they show a Democratic Party that has moved to the left, in fact the far left. Indeed, Hillary Clinton now looks very much like a female George McGovern leading a leftists party that may have lost its connection with America’s more centrist

middle.

In her speech, there was absolutely nothing about reducing the national debt, the need to have common sense entitlement reform, or enacting pro-business tax reform. So, nothing on fiscal responsibility and measures leading to the promotion of higher economic growth.

On the contrary, plenty on more money for an expanded Social Security system, free college for everybody, and higher taxes for the rich to pay for all this. Lace that with full legalization of illegal immigrants and syrupy stuff about "Love Trumps Hate" and you get a Europe-style Socialist-lite agenda big on income redistribution, economic equality, fiscally irresponsible and instinctively pacifist.

This is quite frankly the Sanders agenda.

Just tactics?

Was Clinton just paying lip service to the themes loved by the party left in her speech simply because she had no choice? The truth may be that she had to endorse the Sanders agenda, because she did not want to be heckled by his supporters who filled the convention venue, and because she fully realizes that she is now the presidential candidate of a Democratic Party where socialist leaning ideas have become core beliefs.

Tough road ahead

While Clinton will get the usual "post-convention bump" in the upcoming polls, for the moment Trump, notwithstanding his boisterous style and open disunity within his own party, is doing quite well in the polls.

Unpredictable Trump

No matter what he said about dumping NATO allies who do not spend enough on defense and inviting Russia to disclose hacked Clinton e-mails, Trump is surprisingly competitive in all the

critical swing states. Is this a reflection of his strength, or a clear sign that Clinton is even more unpopular than we thought? Probably the latter.

Will Tim Kaine Help Hillary Clinton Get Elected?

WASHINGTON – Hillary Clinton, about to be nominated presidential candidate for the Democratic Party, just veered back to the political center. By picking moderate Tim Kaine, Senator from Virginia and former Governor of the State, as her choice for Vice President Hillary Clinton wants to reassure middle America –independent voters in particular. No, a Hillary Clinton administration will not be hostage to the far left of Senators Bernie Sanders and Elizabeth Warren. Senator Kaine, her pick for VP, is a solid centrist.

Experience

But there is more. Kaine is also an experienced public servant. He served as Mayor of Richmond, later on Lieutenant Governor, then Governor of Virginia, and now Senator from the state. (By the way, Virginia is a very important state that the Democrats *must win* in order to get Clinton into the White House).

When it comes to policy positions, Kaine could not be more different from Vermont Senator Bernie Sanders, the self-declared Socialist who turned out to be a formidable challenger for Clinton during the primaries.

Most fundamentally, based on this resume, Kaine knows a great deal about government. Therefore, here is the larger, reassuring message to America coming from the Clinton campaign: the Clinton-Kaine ticket will be about experience, reliability, good judgement, and proven ability to govern: *"Don't be crazy, America. Do not allow a mercurial and totally inexperienced Trump into the White House. The Clinton-Kaine ticket offers you a far better choice: steady hands on the wheel"*.

Kaine will speak in Spanish to Latino voters

Besides, Kaine speaks fluent Spanish, a significant asset. (As a young man he served as a volunteer in Honduras). It will be a huge advantage for Clinton to have a running mate who can speak in Spanish to increasingly important Latino voters. Indeed, given the changed U.S. demographics, it is clear that it is almost impossible to get elected president of the United States without getting a majority, or at least a significant minority of the Latino population.

(With his harsh anti-immigrant rhetoric and promises to build a wall on the southern border with Mexico, Donald Trump has managed to burn all the bridges with this significant and growing Latino constituency).

Sanders endorsed Clinton

We know that Senator Bernie Sanders recently endorsed Hillary Clinton. This gesture from Clinton's feisty (and surprisingly popular) primaries opponent, albeit a little late, was expected. But will this endorsement from the chief representative of the party left recreate real, as opposed to cosmetic, party unity? Many Sanders supporters clearly do not

like Clinton, and they will like even less her choice of (boring?) centrist Kaine as her running mate.

Problems on the left

Down the line this may be a serious problem when it comes to real party unity and the ability to get all Democrats, whatever their ideological leanings, to really show up and vote for Clinton on election day in November. The problem for Clinton is that at least some hard-core Sanders supporters –those who really believed the old Vermont Senator when he was calling himself leader of a revolutionary movement aimed at radically transforming American politics– will not follow their leader's endorsement of Hillary Clinton, the quintessential establishment politician who in their eyes symbolizes corruption and collusion with Wall Street.

Sanders' supporters will not like Kaine as VP

And now, with Clinton signaling a move back to the center with the selection of Kaine as VP candidate, it is possible that many of these leftists Democratic voters who wanted Sanders to be the party nominee may stay home, come November. Indeed, various polls indicate that may be up to 1/3 of those enthusiasts for radical change who voted for Sanders in the primaries will not vote for Clinton in the general election. These polls of course are only indicative. Election Day is still a few months away. A lot can change between now and November.

Still, for the moment, Sanders' endorsement is a plus for Clinton. It formally ended the political rift that had become quite bitter during the Democratic primaries. It unifies the party, creating a perception of strength in numbers. However, now that she pocketed Sanders' endorsement, and hopefully the support of many of his leftist followers, Clinton is moving back to the center, as the Kaine choice for VP indicates. How will this Clinton center-to-left-and-back-to-center dance look

to the Sanders people? Probably not very appealing.

Trump's unity problems

That said, while the recent Sanders-Clinton unity announcement may look very uninspiring to some hard-core Sanders supporters, (they truly believed they had joined an anti-system political revolution that they know will never be carried on by Clinton), Republican nominee Donald Trump does not even have fake unity behind him, as the GOP Convention in Cleveland demonstrated.

Party notables did not show up

Indeed, many Republican Party national leaders did not even attend. That includes John McCain, and Mitt Romney, the party nominees in 2008 and 2012. Most notably, Ohio Governor John Kasich, a Trump opponent during the GOP primaries, did not show up. Imagine that. The Republican Governor of Ohio not showing up for the event, held in his own state of Ohio, that led to the nomination of the Republican presidential contender. And forget about the Bush Clan and many other notables.

The only one who showed up is arch-enemy Ted Cruz. But Cruz had no intention to be conciliatory. In his speech at the Convention he failed to endorse Trump, thus telling everybody that the political rift is still wide open.

No real unity

Trump is now the candidate. However, as the Cleveland "non shows" indicate, he is not leading a unified party. Which is to say that, if the authenticity of the Democrats unity is questionable, the Republicans show deep, wide open rifts.

Combine this with the lack of a real Trump campaign field organization, especially in critical swing states, and it becomes clear how Clinton may indeed prevail in November.

Clinton is a weak candidate, but stronger than Trump

While Clinton is a weak candidate, (just like Trump's, her negatives are also very high), all told she is in a much better position to win in November than Trump is.

She will probably lose some disaffected young and leftist Democrats in November. However, she can count on the powerful support of all the labor unions and of their significant grass-roots organizations. She will have women, Blacks, Latinos and more young voters in her camp.

On the other side of the divide, Trump is also likely to lose many Republicans. And there are more Democrats than Republicans.

In order to win the general election, Trump would have to surprise everybody by getting most of his GOP base behind him and most of the independents, the unaffiliated American voters whose support is generally decisive in presidential contests.

To get elected you need a broad base

Clinton's decision to pick Tim Kaine as VP is a clear move aimed at increasing the ticket's appeal among moderates (this may include some centrist Republicans who really detest Trump) and independents. If Kaine proves to be an effective campaigner, especially with critical Latino voters, really hard to see a path to victory for Trump.

Trump's support is really strong among older, white, mostly male voters without a college education. The trouble is that this group is no longer the majority in America. Great to have their enthusiastic backing. But it is simply not enough to get elected president.

Orlando Shooting Strengthens Trump's Position On Muslims

WASHINGTON – In a U.S. presidential campaign that is and will be dominated by emotional slogans and over simplified narratives, the horrible Orlando shooting (50 people killed, 53 injured) by the son of Afghan immigrants will be used by Donald Trump as clear evidence that his tough anti-Muslim and anti-immigrants positions are the only way to protect American lives from the supreme existential threat of Islamic terrorism.

Muslim killer?

This killing rampage (the worst in U.S. history) planned and executed by Omar Mateen, 29, will be used as a powerful argument to severely restrict immigration, ban refugees from the Middle East, place a hold on all would be visitors/immigrants of Muslim faith, and redouble U.S. military efforts against ISIL in Iraq and Syria.

This sounds absurd. However horrible, this is only one episode, orchestrated it seems by just one person. No, America is not facing armies of domestic Islamic terrorists. But in this political climate, for almost half of America, this is not over reaction. This sounds logical and rational. And you can bet that this is the argument that will be made. And you can also bet that Donald Trump will lead this charge, with the clear expectation that his anti-Muslim policies will help him get to the White House.

We are at war

Here is the “truth” according to the Trump/anti-immigrant

camp. As we all know, a large part of the Muslim world is at war with us. We are the innocent targets and victims. The violent acts perpetrated on U.S. soil against Americans by Muslims, including Muslims born in the U.S. who became radicals as young adults, is evidence that we are facing a mortal danger and that the U.S. Government (led as we know by weak and incompetent Democrats who simply do not want to acknowledge that Islamic Terrorism declared war on us) is not doing enough to protect the American people against a mounting terror threat.

To those who argue that these scattered violent episodes –however gruesome– do not constitute evidence of a massive, ongoing campaign to kill Americans, the anti-immigrants reply forcefully that this is just the beginning. They “know” that there are hundreds, possibly thousands of would-be terrorists warming up and getting ready to unleash their vicious attacks against innocent Americans.

We need to protect ourselves

As I said, this is a presidential campaign that is and will be dominated by over simplifications and raw emotions. Forget about balanced and nuanced positions. If most Americans buy the idea that “the terrorists are already among us and are ready to kill us all” and that for this very reason we need drastic measures to protect our lives, then Donald Trump gains a powerful edge in this unfolding race for the White House.

He is the Tough Guy who will have the courage to take the drastic steps that will finally get us protection from this looming terror threat. He will do his very best to paint Hillary Clinton and the entire Democratic establishment as weak on terrorism and national defense and therefore unfit to govern America.

We need a determined leader

And the Tough Guy will propose tough responses. If this

includes undertaking measures that may infringe on the civil rights of law-abiding, innocent Muslims who have nothing to do with terror plots, so be it. Better safe than sorry. They are Muslims, and therefore by definition suspects. The priority here is to protect Americans.

Voice of reason?

Hillary Clinton will try to be the balanced voice of reason. But this presidential campaign has nothing to do with reason. And fear of terrorism is the quintessential emotional issue. It is mostly about fear of unknown dangers that are easily magnified by those who want you to believe that this is the number one existential threat confronting all of us.

Those who support Donald Trump believe that in this hour of supreme danger only a New Leader, not tainted by the corrupt ways of Washington, DC, will create a new era of security, self-confidence, prosperity and eventually regained national prestige.

Are these the feelings of the majority of Americans? In a few months we shall find out.

Regulations Kill Enterprise

WASHINGTON – Jim Tankersley reports in The Washington Post, (May 23, 2016), that *“The recovery from the Great Recession has seen a nationwide slowdown in the creation of new businesses, or start-ups. What growth has occurred has been largely confined to a handful of large and innovative areas, including Silicon Valley in California, New York City and parts of Texas, according to a new analysis of Census Bureau data by the Economic Innovation Group, a bipartisan*

research and advocacy organization.”

Death of the U.S. small company

Holman W. Jenkins writes in The Wall Street Journal (*Trump for Blow-Upper in Chief?*, May 21-22, 2016) that the Kauffman Foundation noted that there is a marked “*decline in small business entrepreneurship*” in America. Jenkins also cites a Brookings Institution report pointing out that business closures now exceed business starts in the U.S.

Well, what could be the reasons behind this rather ominous trend in what used to be the land of private enterprise? May be the cause of all this is in another fact cited by Jenkins in his WSJ piece. According to the Competitive Enterprise Institute, last year Congress passed 114 laws. But it issued 3,410 new regulations. These amounted to 80,260 pages in the Federal Registry, close to a historic record.

Regulations suffocate small enterprises

So, here is my simple theory. Whatever its intentions, the Obama administration in its effort to regulate and restrict almost every economic or commercial activity is slowly strangling U.S. enterprises, especially small and medium-sized companies that simply lack the resources to ensure compliance with this myriad of confusing federal rules. Please, do keep in mind that these companies are the true engines of the U.S. economy. These are the innovators and the jobs creators.

Killing capitalism

So, here is the thing. You do not need a proletarian or a social-democratic (Bernie Sanders-style) revolution to kill capitalism. A death by a thousands cuts inflicted by federal regulators will do just fine. It seems that government bureaucrats are quite capable of destroying capitalism on their own.

And so the most successful economic system ever devised in human history will wither and die not because of a popular uprising staged by the angry masses, but because of the suffocation caused by an avalanche of regulations that make it almost impossible for small businesses to stay viable and grow.

Public Assistance Is A Curse

WASHINGTON – *“Continued dependence upon relief induces a spiritual and moral disintegration fundamentally destructive to the national fiber. To dole out relief in this way is to administer a narcotic, a subtle destroyer of the human spirit”.*

Aid is bad for you

This is a pretty accurate description of the long-term (unintended, we hope) consequences of well intentioned, government-funded economic welfare programs. Indeed, if all you do is to give aid for free, and with no time limit to needy people, you end up making them perpetual dependents.

Like it or not, by allowing disadvantaged people to get by without any personal effort, you kill their motivation to do their best to help themselves. Yes, if this is the substance of public assistance programs, relief becomes indeed a *“narcotic, a subtle destroyer of the human spirit”*.

Who said it?

Well, agree or disagree, it is interesting to find out who said this. An easy answer would be Ronald Reagan, the somewhat

romantic champion of unfettered free market capitalism, the high priest of celebrated American values centered on self-reliance, and indomitable “do-it-yourself” spirit.

According to Reagan, Americans do not want aid. No, they want freedom; so that they can take care of themselves, relying on their own efforts.

FDR warning

But no. It was not Ronald Reagan who said this. Actually, it was President Franklin Delano Roosevelt. And he said this in 1935, when millions of impoverished Americans were still dealing with the devastating consequences of the Great Depression.

What? FDR, the Father of the New Deal, and of the beginnings of the U.S. Welfare State said that relief was a “narcotic“?

Yes, he did. Which is to say that in a more enlightened era, even those who created new public assistance programs in order to deal with emergency situations, understood that those programs should be limited in size and scope.

But already long ago we forgot FDR’s warnings. Now nowadays anybody aspiring to elected office will promise more and larger programs, for ever larger constituencies. And yes, whatever may be said officially, all voters are led to believe that the benefits will never stop. In fact, now the recipients assert that they are entitled to receiving them. Welfare and relief somehow have become new civil rights.

Bad policies inspired by political goals

And so politicians administer free benefits/narcotics, even though many of them know full well that these benefits are “destroyers of the human spirit”. In fact, this may be the main reason why they spread them around so lavishly. Giving away all sorts of free goodies may help them at election time.

("If you re-elect me, there will be more programs, just for you").

However, because of these ill-advised policies the fabric of the American society will be progressively eroded. Large armies of people relying on some form of welfare cannot be expected to be productive citizens eager to face challenges.

More of the same

Yes, after decades of experimentation with ill-advised welfare programs which induce dependence, by now we should know that ***"continued dependence upon relief induces a spiritual and moral disintegration fundamentally destructive to the national fiber. To dole out relief in this way is to administer a narcotic, a subtle destroyer of the human spirit"***. Yes, all politicians should know this. And yet they continue promoting these policies and remedies.

I guess trying to get elected is a much more important goal than promoting the public good.

Unhappy Americans Look for Culprits

WASHINGTON – The most visible impact of *"The Great Stagnation"*, (the title of Tyler Cowen's book provides a good definition for this uninspiring economic era), is that many Western societies, including America, have lost whatever confidence they had in the ability of elected representatives to deliver steady economic growth, and therefore more prosperity. Hence a peculiar mix of revulsion and cynicism towards the *"political establishment that failed"*, and at the

same time completely unrealistic confidence –almost blind faith– in would-be new, non traditional leaders who promise cost-free, total transformation –first and foremost the overnight rebirth of slow-moving economies.

Politicians do not deliver the prosperity they promised

Regarding popular sentiments in the U.S., just look at the stunning outcome of a recent NBC/Wall Street Journal poll. Only 24% of all American polled indicated that the country is moving in the right direction, while 70% believe that we are headed the wrong way.

The problem is that most people, looking for the causes of an anemic economy, now believe that their own personal economic misfortunes are almost entirely attributable to the errors and/or misbehavior of corrupt or incompetent political leaders.

Hence the delusional hope, in many cases absolute certainty, that if we finally “*throw all the rascals out*”, and replace them with genuine fresh talent, all will be well. Sadly, here we have a combination of bad diagnosis and delusional faith in an impossible cure.

Lack of innovation, constrained opportunities

As Tyler Cowen explains in his book referenced above, the developed world is going through a bad patch of slow growth due lack of innovation. This means that there are very few new economic opportunities created by new technologies.

In the meantime, most Western societies, the U.S. included, are suffering because of the negative consequences of globalization. With hundreds of millions of Asians willing to work for far less money, millions of steady manufacturing and services jobs held by so many Americans migrated to Asia. No chance that these jobs will be coming back. I mean not a chance. Which is to say that anybody who promises to “bring

our jobs back” is dreaming, or worse.

Who is guilty of all this?

Anyway, no matter what the real facts are, this is what millions of Americans believe. **Number one:** most U.S. voters have lost confidence in the political and policy-making process as we know it, mostly because “establishment politicians” are unable to deliver improved economic standards. **Number two:** large numbers of voters – large numbers; but not majorities– are willing to take a chance on untested would-be leaders (businessman Donald Trump on the right, and Senator Bernie Sanders on the left) because they are perceived to be “good outsiders”, not tainted by the corrupt Washington establishment; even though one should note that, just like the old establishment politicians, both Trump and Sanders also promise great things at almost no cost. In fact, these brand new would-be Chief Executives promise much bigger and better things.

So, here we have a really bad combination of disgust about what exists and childish fantasies about what the next happy chapter is going to be. It is clear that there would be no *number two* (escapist fantasies about great, flawless leaders), without *number one* (excessive pessimism about the current political establishment).

Loss of confidence

Number one is serious business. Millions of Americans are now convinced that this country is run by an insiders’ game rigged by the special interests who pay for the election of candidates. Once in office, these puppets do exactly as they are told by their paymasters. The accepted story is that the innocent American people are fooled by nice stories told at election time; and then they get just a few crumbs that fell from the table, because all the goodies go to the crooks who paid for the elections of their corrupt representatives.

Disgusted voters

While this is an exaggeration, there is unfortunately enough truth in this generalization, (think of the armies of Washington lobbyists, the “revolving door” always open for retired politicians who want to go into business, the PACs, the convenient tax exemptions), to generate and justify genuine disgust about the whole political process. And this is a real problem.

Let’s not forget that the peaceful self-perpetuation of the American Republic rests on the assumption that most people believe and will continue to believe that we have a legitimate, ethical system that operates in a transparent way, and that this system is run mostly by law-abiding office holders.

People feel cheated

This is not the case anymore. People feel cheated because politicians do not keep their promises. And there is some truth to this. Indeed, in order to get elected, most candidates for public office routinely promise that they will magically create millions of new jobs. But the honest truth is that elected officials at best can help create a more pro-business environment. No elected officials can create millions of jobs. Looking at our current predicament caused by aggressive Asian competition and lack of innovation, it should be clear that nobody can reverse new historic trends and major global shifts through legislation.

Politicians cannot fix this problem

No U.S. Senator, Governor or President can reverse the rise of Asia, with its hundreds of millions of low-cost workers who get millions of jobs outsourced from the U.S. simply because Asian workers are happy with much lower salaries, and therefore are more cost competitive. By the same token, no U.S. President can prevent automation from killing hundreds of

thousands of factory and now services jobs.

Promising the impossible is immoral. And yet all candidate do it, all the time. Voters believed those who in either party made the biggest promises. But now they do not believe them anymore, not because they understand the truth about "*The Great Stagnation*", an epochal change that cannot be controlled, let alone reversed by elected officials; but because they believe that these politicians are personally responsible for their plight.

The accepted narrative is that the masses suffer because most U.S. politicians are in the pockets of the greedy 1% who want to grab everything. Unfortunately, most Americans do not really understand the true dynamics of globalization.

Rigged game

Most voters no longer believe in the establishment because now they are convinced that America is a rigged insiders' game. According to the simplistic and yet generally accepted narrative, America is still very rich. The problem is that most of the wealth is stolen. Millions of Americans believe that Wall Street and major corporations are making huge gains by willfully sending jobs abroad, while all the cash goes to them, a tiny minority. Meanwhile, corrupt politicians paid by the special interests twist the system so that the greedy few will keep receiving even more, thanks to customized laws and tax provisions that favor the already ultra rich elites.

Throw everybody out

Contemplating this ghastly picture, the disgusted voters are not asking for reforms. No, they decided that the entire establishment needs to be junked. And so, in this most unusual presidential campaign, they turned their attention and hope to outsiders, with blind faith that, once elected, these new leaders will step forward and fix everything, quickly and painlessly.

The fact is that the outsiders, if anything, make even bigger and therefore far more preposterous promises. But millions of voters are willing to believe them, because they appear to be “sincere”. Since they are outsiders, they are not tainted by Wall Street money, PACs, Washington lobbyists, and the dirty business of buying and selling votes. So, they must be real saviors.

There are no saviors

Well, they cannot be. And this is has nothing to do with their intentions. It has to do with the limited reach of any public policy. As indicated above, we are going through a bad patch that is only in some measure the result of poorly designed laws and regulations.

Washington cannot make productive innovation happen by legislative or regulatory fiat. Washington can and should promote and support a pro-growth, pro-innovation, pro-business environment. But even assuming that we did this tomorrow, this would be no guarantee of success. Eventual success is about the drive and the ingenuity of smart people who will come up with new technologies, new products and new services. This is a highly desirable outcome; but it cannot be mandated by law.

Aspiring “Political Saviors” cannot and will not deliver prosperity just because they say they will. Unfortunately, this simple common sense message will not be listened to by people yearning for a panacea.

The old guard is out

At this point, the infatuation is on, and the focus is and will stay on those who promise miracle cures. Sadly the traditional political forces are too discredited. Whatever sensible message about establishing a healthy distinction between realistic and unrealistic expectations they may put forward, they will not be believed.

And why? Well, because for decades they have been in the business of making exaggerated promises they knew they could not keep. For a long time they got away with over promising, because the economy was still growing. But now it isn't anymore, and so nobody believes them. Hence the rise of the Saviors.

Angry American Voters Cannot Coalesce Around A Real National Leader

WASHINGTON – The American voters are angry and upset. They “feel” more than know that the country is losing ground. Many look at their own circumstances and see that they are not moving ahead in terms of disposable income and new opportunities. In fact, millions have been treading water, or lost ground.

The game is rigged

Right at this juncture, the same despondent and disgruntled Americans are told by aspiring national leaders that this is happening because a few clever scoundrels, domestic and foreign, rigged the game, (“Wall Street”, the 1%, “large corporations”, “big oil”, “China”, “Japan”, you name it). The wealthy and powerful and our dishonest international competitors get all the financial gains squeezed out of a not so hot US economy, while the vast majority of the American people is left with nothing.

Confused people, confused politics

All this –unhappy citizens and populist politicians promising quick and sweeping change– is coming together, (in a rather confused and disjointed way), in this election year.

The Republican Party, excluded from real power since it lost the White House in November 2008, decided that the best course of action was to tear itself apart.

There are some within the party who think that only a radical conservative revolution could save them, and the country. Motivated by this belief, they proceeded to attack all the “Establishment Republicans”, found guilty of having sold out. These are politicians willing to compromise with the other side, essentially traitors who need to be humiliated and defeated, so that the true orthodox principles can be restored.

But then there are many other Republicans who do not want to go back to first principles of pristine conservatism. They want something completely different. They want national leaders who are completely outside the existing parameters of professional politicians beholden to the “special interests’.

No more “Establishment Politicians”

The net result of this confused political upheaval is that the (once respected) experienced candidates for the GOP nomination have been wiped out, simply because they are “same old”.

In his quest for the Republican party nomination, early favorite Jeb Bush, (twice Governor of Florida, and a recognized national leader in education reform), hardly registered anywhere. Despite enormous financial backing, and despite spending much of it on hundreds of expensive TV ads, he failed –miserably. So, he is gone. And so are all the others.

Who’s left standing? Texas Senator Ted Cruz, a right-wing populist, (ostensibly a

“true conservative”), and Donald Trump, a wealthy celebrity TV personality, (he is the populist with no well-defined program, except for his promise to “change everything” in Washington in order to make “America Great”.)

Trump’s moment

The considerable (although not overwhelming) support Trump is getting represents the purest expression of a yearning for “something totally different”. Oddly enough, Trump’s main qualification for the highest office in the land, according to his supporters, is that he is a complete novice.

Indeed, the fact that he plainly admits that he does not know much about the complex policy implications of complicated issues is viewed by his supporters as refreshing. And they are not worried about electing to the highest office in the land someone who does not have governing experience. *“Trump is rich. He is very successful. Therefore, he must be clever. Of course, he will figure out some common sense solution for this and that, once he is in the White House.”*

This is where we are now

That said, here is the odd (provisional, as we are months away from the actual nominations, and then the elections) outcome of the generic anger vented by the Republican base. The old guard (Walker, Bush, Christie, Jindal, and Rubio) has been attacked and discredited by the “revolutionaries” and wiped out. They all abandoned their quest for the Republican nomination. (Ohio Governor John Kasich survives as a contender. But his chances of getting anywhere are very, very low).

No national leader

The yearning for total change promoted two potential candidates, Trump and Cruz. However, both of them have limited appeal beyond their grass-roots supporters.

In other words, this revolution produced mostly internal disruption and feisty factional leaders. There is no new Republican leader here with a good chance of getting real national support.

Disaster

And here is why this odd season most likely will spell political disaster for the Republicans. Trump is the most likely Republican nominee. However, this is not due to his ability to attract broad-based support from a variety of Republican constituencies, hopefully extending it later on to millions of independents who will vote in the November general elections. No, this is due to the fact that he has a strong, but limited base of support among the “insurrectionists”, while the other more “traditional” candidates have been abandoned by the base.

Trump’s support at 40% looks a lot more impressive when the number two contender gets 18% and number three, four and five (when they were still in the race) were way behind, in single digits. Trump has won most Republican primaries. But usually with strong pluralities, hardly ever with clear majorities.

This is important. The fact is that Trump, although clearly on top, is not an exceptionally strong candidate. In reality he looks stronger than he is because very few primaries voters were supporting the other candidates. Again, getting 40% or even 45% of Republican primaries voters is impressive; but it is not good enough to win a national election in November.

High negatives

But this is only half the story. The other half is that, while 40% to 45% of Republican primaries voters are definitely for Trump, the rest of the country finds Trump an unappealing (or worse) choice. Trump has an incredibly high unfavorable score. According to the most recent polls, about 63% of all voters (this includes Republicans, Democrats and Independents) do not

like him, while 30% like him. Many Republicans have stated that if Trump is the nominee they will not vote for him.

Trump will not get elected

So, here is the thing. Trump in the end may get the GOP nomination because a large plurality of Republican primaries voters supports him, while nobody else has emerged who looks like a plausible alternative, not even number two Ted Cruz.

However, the support Trump is getting represents less than half of the GOP base, and 1/3 or less of the national electorate. If these polls do not change, nominating Trump spells defeat for the Republicans in November.

The Democrats have their own problems

Yes, this would definitely be the case, if the Democrats would nominate a strong candidate. But guess what, they will not. In the Democratic Party we also see an insurrection against the establishment. But it played out differently.

The Republicans essentially “killed” the Establishment candidates and promoted populists like Trump and Cruz. The Democrats are still going with Hillary Clinton, their anointed “Establishment Candidate”; but many are having buyers remorse. Hence the rise of ultra-leftist Senator Bernie Sanders.

The surprising resilience of this most improbable challenger may be due to the fact that Clinton also has high negatives. She started with 40% and now she is at 54%. Not as bad as Trump. But not very promising either, for a national politician with a long CV, (former Senator and former Secretary of State), who wants to be President.

In what is now a two candidates race, Clinton is definitely ahead and likely to finish ahead. But it is astonishing that Senator Bernie Sanders, until yesterday a complete nobody who promotes idiotic ideas about wealth redistribution and “free

everything” for the masses, has become a real challenger, with a massive national following and unsuspected fund-raising abilities.

Voting for a lunatic

Many Democrats go for Sanders as their way to show that they do not want Clinton, that is business as usual. They want someone entirely different. And, boy, is Sanders “different”. That he is.

However, the very notion that mature voters would vote for a left-wing lunatic who would destroy the American economy just to show that they are fed up with the Establishment represented by “Clinton Inc.” gives you pause.

Again, let me stress that Sanders’ chances of getting the Democratic Party nomination are really slim. Still, on a national basis, Democrat Sanders is getting millions of votes, while Republican Jeb Bush, an accomplished Governor with a real record, got almost nothing. But who is Sanders? What has he done? What following and national recognition did he have prior to these primaries? Notwithstanding years in national politics, practically zero.

Populists and lunatics

So, here is the thing. These days, populists (Trump) and lunatics (Sanders) are in. Experienced politicians, (granted some of them shopworn and fatigued), are out.

Just like what is happening in Europe, here in America voters are also upset and angry. They want immediate positive change (impossible in any democracy); and they are willing to vote for the clever (or unhinged) new aspiring leaders who promise it.

Dangerous immaturity

Whatever the outcome of this confused political year, one

thing is certain. The American society is not becoming more mature. Picking untested populists and “socialists” as the best people to run the most important country on earth is not a sign of maturity.

On the contrary, as these strange (frankly dangerous) political choices reveal, we are regressing into infantile temper tantrums, (“kick everybody out”), mitigated by foolish dreams of complete fixes magically carried out by super smart outsiders.

If this is the approach that most Americans these days have towards the political process, let me just say that emotions and childish dreams are a pretty lousy foundation for a functioning modern republic.

Americans Dream Of A Savior Who Will Fix All Problems

WASHINGTON – We Americans would like to think of ourselves as reasonably rational people who make choices on the basis of what makes sense. Well, may be so in some areas. But when it comes to the political process we are quite willing to enter a Fantasyland where normal categories and values do not apply.

The year of the Savior

For mysterious reasons, this is the year of the Savior. By luck or by design, a large chunk of “the people” have decided that Donald Trump is just that: “The Savior”. He will make everything right. And how can he do it? Because he is smart. Because he is successful. Because he is rich.

None of this has anything to do with the rational evaluation of anything. This is about Faith. Not in a religious sense. But his followers really believe that Trump has something akin to magic powers that will allow him to fix everything.

The Constitution does not allow a strong President

Never mind that the American Constitution is designed to prevent any President from fixing anything all by himself. We have a system founded on the principle of separation of powers. A President, even a popular President, cannot force Congress to pass laws, even when the Congress is led by his own party. In fact the powers of the US President are rather limited. (In contrast, the British Prime Minister is the unchallenged national leader of the party that won the elections, and the head of the executive. And he can count on the loyalty of a parliamentary majority which in almost all circumstances will obey his orders, and pass all the legislation he proposes).

He will fix everything

But none of this –the constitutional constraints on presidential freedom of action– matters. Trump is smart. And he is after all a “Great Negotiator”. Therefore, he has unlimited “Powers of Persuasion”. He knows how to get people to agree. As he put it, he will get all the relevant players in a room and he will get them to agree on what he wants done. And all will be well. Isn’t it wonderful?

What inconsistencies?

And what about major inconsistencies in his policies? What about his plan to cut taxes without cutting entitlement spending? No problem, argues an enchanted supporter on TV. This lady, a major national leader of the tea party movement, stated with a straight face that it is quite possible to cut federal taxes with no corresponding deep cuts in federal entitlements. For some reason this folly (far less revenue,

same or higher spending) will have no negative effect on deficits and on our growing national debt. There will be no deepening of our fiscal crisis.

Of course, this is absolute nonsense. As scores of experts have pointed out, Trump's numbers simply do not add up. But, hey, the lady on TV is happy. And she added that, of course, Trump will get top-notch subordinates and collaborators who will take care of all the details. After all he is so smart that he will figure out how to deal with the national debt without cutting benefits. Yes, this is the Trump version of "the free lunch". Except that this will be a free banquet, every day.

Fantasies and more fantasies

indeed. But this is only a dangerous fantasy. Most government spending in all Western countries these days goes to retirees and to pay for health care. The only way to have a major tax cut without causing a fiscal catastrophe is to convince millions of voters that we should drastically overhaul –and this means reduce– this massive social spending.

The problem is that reducing social spending is so difficult that nobody has done it. Ronald Reagan, the US president who embraced free market capitalism like a religion and whose campaign slogan was "get the government off the backs of the people", could not reform entitlement spending. In fact, with lower taxes and higher defense spending, he started the era of fiscal irresponsibility that resulted in perennial budget deficits that got progressively larger year after year, under different administrations. (There was only a brief counter trend under Bill Clinton. But it was way too short).

Of course you can have your cake and eat it too

But Trump declared that he can cut taxes while keeping current levels of social spending; and this will have no impact on our fiscal deficit. This is absolutely crazy.

Yes, except that for his supporters none of this matters. When politics becomes the secular equivalent of religion, choices are based on emotions and beliefs. The candidate says things that do not make any sense? Well, we just erase them, or rationalize them. "For sure, when he gets to be President, Trump will think of a great solution for this".

No rational evaluation

And so millions of Americans have checked any sensible rationality at the door. Right now they just want to be mesmerized. They want to be and stay in love. They want to believe that finally there is a Savior who will take care of all problems: lack of national pride, lack of jobs, negative balance of trade, terrorism, dangerous Muslims.

Self-Government is predicated on sensible citizens

Yes, this a dream. And a dangerous one. Effective Self-Government –this is what a strong Republic is founded on – is predicated on rational citizens who can be counted on to make reasonable choices most of the time. When we allow our very consequential political choices, like electing a President, to be based on dreams and fantasies, we are no longer rational people capable of managing self-government in a reasonably effective way.

We become a confused mob desperately seeking a leader. And this is not what a Republic is about.