



The Daily Dish

Things You Will Not Hear in the SOTU

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This evening President Biden will deliver the annual State of the Union (SOTU) speech. What you will almost certainly hear is a self-congratulatory laundry list of windmill-slaying policies ranging from eliminating [junk fees](#), to [price fixing](#), to [illegally forgiving student loans](#). Far more important, however, are the things that ought to be on the president's teleprompter but almost certainly won't be. Here are three.

1) The federal budget outlook is simply dangerous, harming inflation-fighting in the near term and undercutting growth and national security over the longer term. It can only be effectively dealt with by addressing the growth rates of Social Security and Medicare.

Every president in the 21st century has misled the American public by pretending the budget outlook is hunky dory. It is not and the future is worse. At present, running larger deficits makes the inflation-fighting job of the Federal Reserve harder; spending restraint is a must. In the near term, debt relative to gross domestic product (GDP) will reach historic highs and interest costs will exceed the size of the Pentagon budget. There is [no way](#) to meaningfully improve these fiscal dynamics by simply raising taxes. It is imperative that reforms reduce the growth rate of Social Security and Medicare, both as a means to make those crucial components of the social safety net financially sustainable, and to reduce the overall red ink in the budget. It is dangerous, irresponsible politics to promise to not touch either program.

2) The pace of economic growth is too slow. Hastening the pace requires a strategy that recognizes the central role of the private sector.

There is so much attention paid to quarter-to-quarter growth that the public is not getting the bigger picture: GDP per capita is growing a full percentage point slower in the 21st century than in the 20th century, with [dramatic implications](#): \$19,000 less per capita in real

GDP and \$1.3 trillion less in revenue each year. No government program will reverse this decline. What is needed is an acknowledgment that getting better growth relies on keeping taxes on saving, investment, and innovation as low as possible; controlling the growth of regulatory costs (which are \$450 billion already in Biden's tenure, with a [promise](#) of \$250 billion more in the first quarter of 2024); and strong incentives for innovation such as the protection of intellectual property rights.

3) It was a [mistake](#) to adopt Trump-style international economic policy and I pledge to eliminate tariffs, forswear protectionist industrial policy, and work with our allies to restore adherence to international rules.

The Biden Administration's adherence to the Trump tariffs is baffling. A recent IMF working [paper](#) finds "mostly adverse consequences of protectionism, in aggregate and across sectors and regions. Tariff shocks are more important than trade policy uncertainty shocks. Tariff shocks depress trade, investment, and output persistently." Also, "Historically, NAFTA/WTO raised output by 1-3% for twenty years. Undoing the 2018/19 [Trump tariff] measures would raise output by 4% over three years."

Moreover, President Biden has kept trade barriers in place, walled-off European competition through domestic-content policies in clean energy and elsewhere, and surprised allies with tighter restrictions on Chinese access to American technology. In addition, the Biden Administration has left untouched the broken World Trade Organization and done little to buttress the rules-based international trading system.

Enjoy the speech.