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What Would a Kerry Presidency Mean For Florida's Economy?

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In its cover story for August 2nd, Business Week will write that "John Kerry overcame a ponderous campaign style to unite his party, helped Democrats shatter fund-raising records, and has pulled ahead of a wartime President despite a growing economy." So…what would a Kerry presidency mean for Florida's economy?

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Kerry proposes a set of programs designed to help workers and the middle class with healthcare, tuition relief, and incentives to reduce the offshoring of jobs. At its core Kerrynomics provides a $650 billion health insurance program and $200 billion in education spending. Kerry pays for this by rolling back the Bush tax cuts for families earning over $200,000 (about 3 percent of all taxpayers) and by raising taxes on dividends.

By redirecting money from the wealthy into human capital (e.g., healthcare and education), Kerrynomics predicts faster economic growth, and the prominent forecasting firm Economy.com agrees, projecting that the Kerry program would stimulate growth by about one-quarter percent per year. However, Economy.com also cautions that the stimulus peters out by 2009 and that the Kerry plan will not close the yawning federal budget deficit. Therefore, interest rates will rise under Kerry just like they are projected to do under Bush. Kerry's advisors disagree and believe that under Kerry the "pay-as-you-go" budgetary discipline that President Clinton got congress to agree to, and that President Bush abandoned, can be reinstated.

Regardless of who is right about this, in the near term interest rates are going to go up no matter who is elected. So where does that leave Florida over the next few years if Kerry is elected?

Faced with a hostile Republican-dominated congress, there will be much gridlock, but Kerry will probably succeed in raising some taxes and in reorienting spending toward human capital. Such a shift will be good for Florida's economy, because we have a very large percentage of our population without health insurance. Governor Bush's latest budget identified rising healthcare costs – for Medicaid – as the single fastest growing part of the budget and a clear and present danger (his words). Furthermore, higher spending on education would also benefit Florida.

The tradeoff of higher taxes on those earning $200,000 or more will have some effect on Florida, particularly on the wealthiest of our retirees, but the impact is likely to be muted and to be more than offset by the beneficial effects of higher spending on healthcare in particular. So on net Florida would benefit some from a Kerry presidency. Or at the very least our state would not be hurt by a Kerry presidency.

This is Hank Fishkind for 90.7 FM, WMFE News.

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