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## Democrats Worried about Gingrich

As global leaders prepare to meet in Davos, Larry Summers writes in the [Washington Post today](#) that increasing demand and certainty should be the top economic priority, particularly because this is the best way to reduce government deficits. In other words, the demand-siders coalescing in Switzerland will be focusing on ways to reignite economic growth.

This shift in focus is the consequence of three things: 1) the failure of the massive Keynesian stimulus bills in 2009, 2) the failure of austrian policy to resolve the European sovereign debt crisis, and 3) most importantly, the U.S. presidential election, which will pit President Obama's demand-side model against a Republican model that is becoming increasingly pro-growth due to the recent surge by Newt Gingrich.

Certainly, the economic model of the U.S. President in 2013 will have a major influence around the world on how to deal with the global malaise. As a result, demand-siders and Democrats, tied to Obama, are fighting for their political lives. Their emerging economic strategy is to emphasize more stimulus or 'shovel-ready projects', and some tax cuts for lower and middle-class Americans while raising taxes on the wealthiest.

Romney has been stumbling in recent weeks because he continues to be identified as a Republican-In-Name-Only (RINO) and refuses to improve his economic plan. At the same time, Gingrich is surging because he has highlighted his hard money position, which is the perfect complement to his across-the-board tax cuts. His call for a Gold Commission was, without a doubt, the primary reason for his come-from-behind victory in South Carolina. If Gingrich sticks with his emphasis on low taxes and hard money, he will win the nomination.

To be sure, the conventional notion that Romney is the biggest threat to Obama is wrong. Gingrich is the biggest threat.

As we think about the political marketplace and debate a few steps in advance, a Gingrich nomination would likely cause demand-siders and Democrats to pursue another strategy because their 'growth plan' wouldn't grow the economy and it will not win over the electorate.

Look for them to attack Gingrich as a budget-balancing austrian. In so doing, they'll be trying to bait Gingrich into explaining how he would cut the deficit and defending why many government programs must be cut. Republican austrianism is usually a major political loser. But given Gingrich's experience in 1995-1996, we expect that he'll keep

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the focus on growth as the best means to shrink the deficit. Even Larry Summers would agree with that.

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