



Written by [Gary Benoit](#) on January 15, 2009

Stimulus Price Tag Continues to Rise

The latest version reportedly combines \$275 billion in tax cuts with \$550 billion of new government spending, but this figure too is likely to change. For one thing, Senate Democrats intend to add provisions reforming Alternative Minimum Tax regulations, which, according to the AP, will boost the cost of the measure to near \$900 billion dollars.



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While middle-class Americans may rejoice in the prospect of a \$500 per worker tax credit and other possible tax cuts (from a Democratic White House and Congress, no less), the proposed legislation provides for no corresponding cuts in government. Quite the contrary: the latest version of the stimulus bill contemplates spending \$100 billion in education subsidies, \$90 billion to help the states pay for healthcare for the poor, and countless other goodies yet to be revealed.

By the time this latest misnamed "stimulus package" becomes law, the likely cost will be closer to a trillion dollars, and that doesn't factor in the additional \$350 billion dollars of the last stimulus package that Congress has not yet released for spending. Nor does it reckon with the trillion-dollar stimulus for the states being pushed by several governors from states facing huge deficits of their own. Obama officials have already indicated an interest in that proposal, which would provide the states with hundreds of billions more for make-work projects like road construction and repair, and would help cover the cost of state-level welfare programs, among other things.

All of which begs the question: how much stimulus is enough? Since the recession began, we've seen more than a trillion dollars allocated to various bailouts, a tax rebate, and a \$700 billion stimulus bill, none of which has had the slightest effect on the economic and financial implosion. Defenders of this sort of interventionism are claiming that, absent any sort of government activity, the economy would already have melted down altogether. But the truth, as we have taken pains to point out for months, is that government interventionism is making things far worse, prolonging and deepening a recession by preventing bad investments from being liquidated. Insolvent companies are being kept afloat and misallocated investments are being perpetuated. And instead of attacking the root cause of the problem — government that is too big and too expensive — the bailouts and stimulus packages are only compounding it.

The only things the federal government can do to truly stimulate the economy is to restore the sanity and productivity of truly free markets, which we have not enjoyed in the United States since before the



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Great Depression, and cut government spending. But that is the one step that Obama and his allies in Congress are no more likely to take than were their predecessors.



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