



Written by [William P. Hoar](#) on August 4, 2009

Stimulus Scam Redux?

Item: President Barack Obama, reported the Bloomberg news agency for July 11, “said his \$787 billion stimulus bill ‘has worked as intended’ as he pushed back against Republican criticism that his recovery program has failed to rescue the economy.”

In his weekly radio and Web address, the president said the stimulus measure “was not designed to work in four months — it was designed to work over two years.”

Item: A Wall Street Journal article dated July 6, entitled “Calls Grow to Increase Stimulus Spending,” reported:



Vice President Joe Biden said the Obama administration “misread how bad the economy was” and didn’t foresee unemployment levels nearing double digits, in comments likely to intensify calls for the administration to do more to counter job losses. Some economists are pressing the White House to enact a second round of stimulus spending or find some other way to avert a prolonged job and wage slump. But the White House is in a tough spot. Officials want to give the \$787 billion stimulus package passed in February time to work — only 10% of the spending is out the door so far....

The gloomy job picture threatens any economic recovery. The unemployment rate hit 9.5% last month, figures released last week show, and many now expect it to stay high for a long time, eventually reaching double digits. At the same time, wage growth is slumping. People facing unemployment or wage cuts are less able or willing to spend the money needed to stimulate the economy.

Correction: The notion that the government can spend the nation’s ailing economy into prosperity by subsidizing pork-barrel projects is at best foolish. For those Americans who may not recognize the foolishness straight-away, some politicians continually reaffirm the idea that public policy is being made by fools.

The vice president, who has been dubbed the “sheriff” of the stimulus plan by the president, on the one hand claims the White House didn’t know how bad the economy really was when they were ramming that profligate measure through Congress, while on the other hand alleges that the administration’s immense spending solution is already working by producing many jobs.

Recently, Biden traveled to the Virginia district of a congressional critic to assert: “I say, ‘Don’t let your opposition to the Recovery Act blind you to the results. Come see what I see.’ Look, workers rehired, factories reopened, cops on the street, teachers in the classroom, progress toward getting our economy back on the move.”

In late May, after 100 days in office, President Obama also boasted that “we are already seeing results.” He called his spending orgy “the most sweeping economic recovery act in history — a plan designed to save jobs, create new ones and put money in people’s pockets” — as if the money hadn’t been taken out of the taxpayers’ pockets in the first place.



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The administration can't seem to get its scripts straight. When the White House was arm-twisting lawmakers and scaring the public to get the so-called stimulus measure approved, we were told speed was of the essence. Don't even take time to read the bill, just do something. Said the new president: "If we do not act, a bad situation will become dramatically worse. Crisis could turn into catastrophe for families and businesses across the country." Sure it might be a lot of money, but we were promised that each \$1.00 in "stimulus" spending was supposed to lead to \$1.50 of growth.

Christina Romer, head of the President's Council of Economic Advisers, all but threatened on February 4: "If we fail to act, we are likely to lose millions more jobs and the unemployment rate could reach double digits."

Quick relief for unemployment was possible, we were assured. Lawrence Summers, director of the National Economic Council, vowed to CNN: "You'll see the effects begin almost immediately."

Never mind. That was then. Now, having rushed through the emergency measure, it turns out that 10 percent unemployment is just around the corner — just what was threatened if the bill didn't pass. The White House is also trying to rewrite history to make excuses about why the job situation has deteriorated. However, regardless of its current claims, the administration did have the latest figures at its disposal when it predicted unemployment would be 8.1 percent in 2009 and drop to 7.9 percent next year. That prediction was made almost two weeks after the stimulus legislation passed.

The panacea hasn't succeeded. As summarized by Mortimer Zuckerman, chairman and editor-in-chief of *U.S. News & World Report*: "The Bureau of Labor Statistics preliminary estimate for job losses for June is 467,000, which means 7.2 million people have lost their jobs since the start of the recession. The cumulative job losses over the last six months have been greater than for any other half year period since World War II, including the military demobilization after the war. The job losses are also now equal to the net job gains over the previous nine years, making this the only recession since the Great Depression to wipe out all job growth from the previous expansion."

The underlying situation, pointed out Zuckerman, is even worse, when considering other factors including those Americans forced into part-time work and those who have stopped looking for jobs who don't officially count as being unemployed. Of course, this measure wasn't really about jobs. "The Recovery Act was a single piece of legislation but it included thousands of funding schemes for tens of thousands of projects, and those programs are stuck in the bureaucracy as the government releases the funds with typical inefficiency."

The money in the stimulus bill, said the president, would "go directly ... to generating three to four million new jobs." (The Obama White House's usual formulation in such matters is to refer to jobs that would be "created or saved" — because there is no way to measure that properly.) As might be imagined, what generally happens in such cases is that jobs somehow "created" by the government are make-work.

In New Hampshire, for example, it turns out that more than \$400 million in federal stimulus money has resulted, as of July, in a grand total of 50 jobs, 34 of them full-time (albeit temporary ones) due to expire in 2011. According to the (Manchester) *Union Leader*, these include five people working for the Office of Economic Stimulus. When the OES gets a director in N.H., he will draw a salary of up to \$110,000. That's nice work if you can get it — for him, if not for the taxpayers.

Even liberal ABC News had to shake its figurative head over the stimulus funds spent in desolate Whitetail, Montana, where the border post on the Canadian frontier experiences fewer than two



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passenger cars per day and only two to three trucks a month, according to the Bureau of Transportation. The outpost is getting a whopping \$15 million from federal stimulus funds for an upgrade.

Does anyone really believe it would be economically healthy or wise for the country to repeat this with a second “stimulus”?

In any event, the government doesn’t really create anything; instead, it takes and redistributes the wealth of taxpayers — intervening, distorting, and turning potential economic corrections into recessions and depressions. Because the government is already in hock, it is largely borrowing the funds. Yet, as Sheldon Richman of the Future of Freedom Foundation puts it, such “borrowed money obviously is already in the economy, and the lenders would have been willing to lend it to finance productive private ventures had the government not borrowed it instead. There can be no net stimulus if government is simply re-allocating capital.”

The government is certainly capable of making matters worse on the unemployment front. In July, for example, Washington was responsible for hurting the most vulnerable potential workers in the country by essentially mandating a higher unemployment rate. The method of doing this was disguised as way to help those with low incomes — requiring an increase in the minimum wage. Economist David Neumark of the University of California at Irvine estimates that forcing up those labor costs — making it harder for young and unskilled would-be workers to find or keep a job — will kill about 300,000 jobs for teenagers and young adults.

There are other jobs that the government is actively sabotaging — such as those in the energy industry. About year ago, as noted by Representative Doc Hastings (R-Wash.) in mid-July:

President Bush issued an executive order lifting the ban on offshore oil and natural gas drilling on the Outer Continental Shelf (OCS) and opened the door for new energy production and the creation of millions of new energy jobs in our country. But today, a de facto ban remains in place only because the Obama Administration has actively blocked the new 5-year leasing program which would open areas for offshore exploration and development.

The Administration’s decision has prevented Americans from enjoying 1.2 million new, well-paying jobs annually across the country and \$70 billion in additional wages each year.... And it also prevents the federal government from receiving over \$2.2 trillion in total tax receipts....

In addition to obstructing the creation of future American energy jobs, the Administration is also eliminating current energy jobs. On February 4th, the Interior Department withdrew areas offered for 77 oil and gas leases in Utah that thousands of Utah citizens were depending on for employment.

Stirring up more regulations is no magic potion either, as proven time and again throughout history. Ancient Roman Emperor Diocletian, in 301 A.D., regulated industries and set controls to a fare-thee-well — mandating the death penalty for anyone selling above a long and detailed list. That led to merchants holding back their wares. Then penalties had to be imposed against hoarding. Going out of business to avoid the long arm of the edict also became illegal since the emperor decreed that each man had to work at his father’s occupation. There was a death penalty for violating that too.

While such enforcement powers no doubt make modern regulators at the Federal Trade Commission jealous, it was a disaster for the older empire — which failed to “stimulate” the economy through the dole or public-works projects or (in general) the reallocation of wealth.



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But we don't seem to learn from history. The radical elitists of the political class would prefer to come to the rescue with someone else's money. Yours. Or, as Stimulus Sheriff Joe Biden explained to a dubious AARP meeting not long ago, "We have to go spend money to keep from going bankrupt."

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