



Written by [William P. Hoar](#) on March 15, 2010

## Stimulus Spawns More Debt and Govt Jobs

Item: An Associated Press story dated February 17 reported: "Vice President Joe Biden asserted in an interview Wednesday that taxpayers have 'gotten their money's worth' out of the \$787 billion stimulus program that Congress passed during the depths of the recession...."

*"He argued that money invested in both private and public-sector initiatives has saved as many as 2 million jobs, and said, "I don't think they realize it." Biden said the program, now a year old, was designed to be implemented in two stages, saying, "we've only been halfway through the act."*



**Item:** Writing in the New York Times for January 29, columnist Paul Krugman bemoaned that "our political system doesn't seem capable of doing what's necessary." On jobs, he maintained, "it's now clear that the Obama stimulus wasn't nearly big enough.... Either way, the point is that the boost from the stimulus will start to fade out in around six months, yet we're still facing years of mass unemployment."

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**Item:** Terry Moran on ABC's This Week show on February 21 pointed out that members of the Obama administration had "fanned out across the country" to boast how "the stimulus worked," and yet President Obama "sounded a little frustrated that people don't get it," that people "don't understand there were tax cuts and things like that." ... The ABC reporter questioned his guests, asking, "Do you think there needs to be another stimulus, federal stimulus, like this? Is \$15 billion enough" for another "jobs" bill?

**Correction:** The Obama administration has indeed proven that its stimulus package, passed by an acquiescent Democrat-led Congress, was successful — in a couple of respects. After spending \$862 billion (revised upwards by the Congressional Budget Office from \$787 billion), the effort actually did stimulate more public debt and government jobs.

That was not, of course, what was promised. Indeed, what the administration did say is that if the so-called stimulus were not passed, unemployment just might jump to nine percent. When the bill did pass, that rate actually went beyond 10 percent.

So the bar of expectations was then lowered. The next fall-back argument about why this was all so necessary involved making up numbers about jobs supposedly "created or saved," using methodology so bogus that it eventually became a national laughingstock. As a result, polls indicate that only about six percent of Americans believe the first stimulus created jobs. Accordingly, the administration decided to push a second stimulus, but not to employ that term.

Now, one might ask, why if the first stimulus was such a great and glorious boon to the economy was a second one needed?



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While the Vice President has indicated that “we’ve only been halfway through the act,” other estimates are that only about a third of the “stimulus” was delivered by the one-year anniversary of its passage. Says Biden: “The job-creating portions are really loaded in the second half.” The taxpayers, like donkeys pulling a wagon, never quite get to the carrot held in front of them.



The first part of the stimulus must have been directed at acquiring more debt — because the United States now owes about \$1.6 trillion more than it did the year before. Presumably, the administration just forgot to tell us that would be the result beforehand.

On the other hand, if the first huge stimulus didn’t work, why should we believe that a second smaller piece of legislation will do the job? Biden says we are getting our “money’s worth.” In truth, it’s because we swallowed such lines before that our money isn’t worth all that much: One dollar when Biden was born had about the same buying power as \$13.93 this year.

Yes, following the stimulus passage, there have been some jobs created, largely in spite of the government’s supposed aid. There are also 153,000 more federal civilian employees on the payroll this fiscal year, bringing that number to 1.43 million. The average federal employee, it should be noted, gets pay and benefits more than double that of the average worker in the private sector.

Government spending does not occur in a vacuum, but rather at the expense of the private sector. If you think all of this stimulating never has to be paid for, ask the taxpayers in bankrupt Greece — where government spending is now about 54 percent of the GDP, and Greeks have taken to the streets to protest cutback attempts.

Once government spending starts for a program, it’s hard to stop. In the United States, state officials will scream if the so-called emergency monies don’t continue flowing from Washington. *The Wall Street Journal* has detailed how so much of the stimulus spending was just transferred to government jobs and services, noting:

State officials already are warning that job cuts could be in the offing in 2011 once the stimulus money runs out.

Of the \$179 billion in stimulus funds paid out last year, \$112 billion has gone out in the form of large checks to state governments to plug holes in school, Medicaid and unemployment-benefits budgets, or to increase funding for established programs, such as food stamps....

An additional \$700 million was spent on administration, and about \$47 billion has left Washington in transfer payments, such as \$250 checks for Social Security recipients. Social spending totaling \$70 billion is also in the pipeline already.

Even the vaunted “tax cuts” in the stimulus bill, referred to by ABC apologist newsman Terry Moran above, are less than meets the eye. Some of those alleged cuts are really just a redistribution of wealth. Others are a cash-flow ruse. As Representative Ron Paul (R-Texas) has observed: “Outrageously, the



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administration claims that they did “cut taxes” by reducing withholding, and that they have stimulated the private economy by increasing the amount of money in every worker’s paycheck. What they fail to mention is they did not change the total amount of taxes due. This means that all that money not withheld from paychecks will add up to a big unpleasant surprise when returns are filed this year.”

This is what happens when you give politicians a free hand: They go for your wallet. Looking back after a year, Harvard economist Robert Barro examined the evidence of what the stimulus has produced. In summary, he found that, “viewed over five years, the fiscal stimulus package is a way to get an extra \$600 billion of public spending at the cost of \$900 billion in private expenditure. This is a bad deal.”

The President is still trying to claim that expenditures of nearly \$900 billion pulled the United States back from the brink of catastrophe — when the truth is that the spending tsunami made matters worse.

Alan Reynolds, author of *Income and Wealth*, pointed out in *Investor’s Business Daily* that only \$200 billion (23 percent) of the “fiscal stimulus” was actually spent in 2009 — prompting him to ask how that could possibly have had anything to do with the 5.7 percent rise in fourth-quarter GDP, for which the administration was claiming credit. Of course this White House is wont to claim that the stimulus caused all manner of good things, stopping just short of patting itself on the back for each sunrise. The stimulus, wrote Reynolds, was launched

last year amid grandiose promises of “shovel ready” make-work projects. In reality, as the CBO explains, “five programs accounted for more than 80% of the outlays from ARRA in 2009: Medicaid, unemployment compensation, Social Security ... grants to state and local governments ... and student aid.” ...

In 2010, as in 2009, the ARRA [American Recovery and Reinvestment Act] is mainly a stimulus to government. Shovel-ready or not, highway programs will get only \$10 billion of the borrowed booty, about 2%. “Nearly half of the outlays resulting from ARRA in 2010,” says the CBO, “will be for programs administered by Health and Human Services or the Department of Education.”

From the CBO figures, it appears that 39% to 44% of the \$862 billion will be for increased transfer payments, including refundable tax credits (checks to people who don’t pay taxes).

From his own analysis and research, Reynolds concludes that the stimulus *added* about two percentage points to the U.S. unemployment rate.

Economic laws have not been repealed: A country still cannot spend itself to prosperity. To believe otherwise is to be out of touch with reality. Unfortunately, the reality is that the spending explosion did create even larger government and more expensive debt.



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