



Written by [Patrick Krey](#) on March 16, 2009

## Obama & Sanford Spar Over Stimulus Funds

The governor [recently told \*The New American\*](#) that "we're going to go through the stimulus legislation with a fine-tooth comb in looking at what makes sense and what doesn't make sense, and we're going to come out with where we are on that. It will be examined philosophically and practically, and we're not through with our deliberation on that. I can unequivocally say we will not be accepting all the money." The governor finished his deliberation by late last week and the decision was not an unequivocal non-acceptance of all the money. Instead the Governor released a statement announcing Sanford would actually accept *all of the funds* if he could use a portion of the federal aid to pay off some of South Carolina's state debt.



Although Sanford's proposal was not the type of rejection that some had anticipated, the mainstream media, fellow politicians, and the Democratic National Committee (DNC) reacted as if it was. Maryland Governor Martin O'Malley (D) decried Sanford's stance as "fringe." U.S. House Majority Whip Jim Clyburn, South Carolina's highest-ranking Democrat in Washington, reacted with outrage at the governor's alleged "rejection" and brought racial politics into the debate. The Associated Press reported:

Clyburn has lambasted Sanford and other governors who said they may not take some of the stimulus money, calling such a move a "slap in the face of African-Americans."

This isn't the first time Clyburn has brought a racial dynamic into the stimulus debate. When Governor Sanford correctly acknowledged that the increase in the money supply required to create the stimulus funds would have a devaluing effect on the U.S. currency while also pointing to Zimbabwe's runaway inflation under Robert Mugabe, Clyburn [claimed](#) that Sanford was "playing the race card ... why would he compare this country to Zimbabwe? Is he comparing this president to Mugabe? What is this about? It's very strange to me."

While Clyburn seems confused with the comparison, people familiar with the true cause of inflation are not. The famous Austrian economist [Ludwig von Mises](#) explained the concept of inflation quite clearly when he wrote: "What people today call inflation is not inflation, i.e., the increase in the quantity of money and money substitutes, but the general rise in commodity prices and wage rates which is the inevitable consequence of inflation." That is, when the government creates money out of thin air to fund vast new expenditures like President Obama's recent stimulus or President Bush's similar bailout from last fall, the result is an overall decrease in the purchasing power of the U.S. dollar. Perhaps if Clyburn understood this basic concept, he wouldn't find the Zimbabwe comparison so strange. Zimbabwe's



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money is now virtually worthless because the government overproduced it.

The DNC also reacted quickly to Sanford's response by running ads in South Carolina which [claimed](#) that "Gov. Sanford is playing politics instead of doing what's right, turning down millions in recovery act funds, putting politics ahead of health care, jobs and schools." While it might be true that Sanford is playing politics with an eye toward a possible 2012 presidential run, couldn't the same be said for President Obama? [The New American recently posed](#) a related question regarding Obama's record spending: "Could President Obama be playing a similar game with his stimulus funds? Buying future votes by aggressively intervening into the economy without regard for post reelection consequences?"

Peter Schiff, an economic commentator, echoed these sentiments when he [recently opined](#) that instead of allowing the economic deleveraging to happen now, Obama is more interested in creating an illusion of prosperity to assist with his reelection chances.

However, by postponing these adjustments we merely assure an even more painful transition in the future, especially for the average Americans whose interests our new president claims to champion. But by then Obama will have his coveted second term.

The DNC ad also makes a similar mistake often repeated by politicians looking to gain favor with the voter: that government spending "creates" jobs and services without a downside. This notion ignores the fact that government-created jobs and services come about at the expense of private-sector jobs and services. Economist Henry Hazlitt explained this in his famous book [Economics in One Lesson](#):

Therefore, for every public job created by [government spending] a private job has been destroyed somewhere else. We can see the men employed [by government spending]. We can watch them at work. The employment argument of the government spenders becomes vivid, and probably for most people convincing. But there are other things that we do not see, because, alas, they have never been permitted to come into existence. They are the jobs destroyed by the [government spending]. *All that has happened, at best, is that there has been a diversion of jobs because of the project.* [Emphasis added.]

Questionable economics of the DNC's ad aside, Governor Sanford has asked the president to stop running it. In a statement to the president, Sanford wrote: "I don't think this approach of targeting ads against anyone who sees an issue a little differently represents the kind of so-called 'change' many people were voting for in November. In his inaugural, President Obama proclaimed 'an end to the petty grievances and false promises, the recriminations and worn-out dogmas, that for far too long have strangled our politics.' It's in that spirit that I'd respectfully ask him to end this ad, as it shatters the idea of change he so well articulated this fall — and to ask his Democratic National Committee to put an end to this mudslinging and get back to an honest debate about the future of our country."

On the very same day, President Obama responded to Sanford's request to use the stimulus money differently than directed from Washington. *USA Today* reports:

White House budget director Peter Orszag told the Republican governor in a letter that federal law does not allow the president to make an exception for how the cash is used.

This reaction from the Obama administration most likely means that Governor Sanford will end up



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rejecting a portion of the stimulus which amounts to about 25 percent of the total. The spat between Sanford and Obama highlights our media's love affair with presidential power and the concept of a centrally planned economy. Both of those concepts could not be further removed from the original vision of our Founding Fathers. While Sanford's proposed "rejection" might not be as drastic as it has been made out to be, his criticism of Obama's stimulus has been a much needed voice of reason in a political arena overrun with statism and unconstitutional government power. The governor's office recently [summed up](#) the dangers posed by Obama's plan in a press release.

Governor Sanford has opposed the federal stimulus package because he doesn't believe we should spend money we don't have, because we shouldn't pass on a substantial bill for today's government services on to future generations, and because the massive run-up in government spending could devalue the American dollar.

To read The New American's recent interview with Governor Mark Sanford, [click here](#).

*Photo: South Carolina's Governor's Office*



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