

Joe “Not Stimulating Enough” Biden

On July 18 Vice President Joe Biden appeared on ABC’s *This Week*, where he said the \$787 billion stimulus bill (which has since expanded to \$862 billion) would have been even bigger had they not had to scale it back to gain the support of the three Republicans who voted for it. Biden’s statement is utter nonsense. The original stimulus proposal from the Obama administration stated, “We have assumed a package just slightly over the \$775 billion currently under discussion.” In February 2009 Obama said, “...broadly speaking the [stimulus] package is the right size. It is the right scope. It has the right priorities to create 3-4 million jobs and to do it in a way that lays the groundwork for long term growth.” In other words, Obama got the amount he wanted.

Biden was merely laying the political groundwork for excuses for the administration’s failure to create jobs: *“It wasn’t our fault! The Republicans wouldn’t let us spend more!”* In truth, the Republicans have rarely and barely stopped the Democrats from doing anything they wanted to do. But the administration knows there is no recovery, that it has not “created or saved” more than a handful of jobs (let alone 3.5 million), that the housing industry has not recovered, that inflation is on the way, that any improvement in the stock market has mostly been the result of inflation, that it has intentionally misstated inflation figures, and that a record number of Democrats are going to be given their walking papers on November 2.

So Obama, Pelosi, and Reid have to blame someone for their failures, and Biden’s job on Sunday was to define the campaign between now and election day: *“It would have been a lot worse without us Democrats at the helm, and it could have been a lot better without the Republican ‘party of NO’ fighting us every step of the way.”*

The inherent contradiction in the Democrats’ “we need more stimulus spending” argument, however, is that if the private economy needs an injection of cash in order for it to improve, then raising taxes—by allowing the Bush tax cuts to expire at the beginning of 2011 and by introducing ObamaCare taxes and other taxes—will offset that spending by removing that cash. If the amount of additional federal spending equals the amount of the tax increases, there is no need to do either; and if one is larger, then the difference between the two could simply be spent (or taxed), with the opposing tax (or spending) dispensed with.

Increasing federal spending by, for example, \$500 billion and increasing taxes by the same \$500 billion amount is merely removing money from one American pocket and placing it in another; it will not improve the economy. (In fact, it will make it worse because the cost of administering the pocket-picking process is also removed from the economy.)

If the goal is injecting cash into the economy it also makes no sense to increase spending by \$500 billion and increase taxes by \$400 billion—it would be simpler to simply increase spending by \$100 billion and leave taxes unchanged.

Similarly, it makes no sense to increase spending by \$400 billion and increase taxes by \$500 billion—it would be simpler to simply increase taxes by \$100 billion and enact no spending programs. And that would certainly not inject cash into the economy; it would remove \$100 billion.

In fact, the entire “stimulus spending” argument is flawed, because it assumes that the government knows best how to spend other people’s money. As almost everyone is aware, the government is incredibly wasteful and inefficient when it comes to doing anything. By nature it cannot spend money more wisely than the taxpayers from whom that money has been confiscated. *The Wall Street Journal* notes, “The University of Chicago’s Harald Uhlig estimates \$3.40 of lost output for every dollar of government spending.” Using that estimate, the \$862 billion in federal stimulus spending cost the economy \$2.93 trillion in private investment and expenditures. Which would have created more jobs: \$862 billion passed out by Obama or \$2.93 trillion spent by individuals and businesses? And it is clear that much of Obama’s stimulus spending was not to create jobs, but to return political favors.

Of course, the goal of the Democrats is neither improving the economy nor creating jobs. Their goal is increasing government control over the economy and making more Americans dependent on government. If improving the economy were their goal, they would be dramatically reducing federal spending and cutting taxes.

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