

Top 10



TOP 10 REASONS TO OPPOSE THE STIMULUS

By: Matt Kibbe

As with medicine, the first rule of law making should be first, do no harm. The “stimulus” bill fails this test spectacularly. Among so many other reasons to tell your U.S. Representative and Senators in Washington to oppose the stimulus, the Top 10 are:

1. The Stimulus Will Not Work

Our history is replete with examples of “stimulus” spending failing to move our economy toward prosperity—Bush just tried it, Ford tried it. Even Christina Romer, Obama’s Chair of the Council of Economic Advisers agrees. Romer wrote in a study, “Our estimates suggest that fiscal actions contributed only moderately to recoveries.” The New Deal didn’t end the [Great Depression](#) and Obama’s stimulus package [won’t end this recession](#). In fact, two UCLA economists [published a study](#) in 2004 finding FDR’s similar New Deal policies prolonged the Great Depression by seven years.

It fails because you don’t increase economic output by taking a dollar from one person and giving to another. The idea of “stimulus” spending falls for the “[broken window fallacy](#)”—the allure of what is seen versus [what is not seen](#). We will see the jobs created by the government spending. What we won’t see are the jobs lost because consumers have less money to spend because the government got the money its spending from us—the only place it can get money.

2. The Stimulus follows the same plan that ruined Japan’s economy

[Japan, after a dramatic market crash](#) and a drop in real estate prices responded with government spending not unlike what the US Congress is considering today. In fact, they had 10 stimulus bills between 1992 and 2000, spending billions on infrastructure construction, building bridges, roads, and airports as well as pouring money into biotech and telecommunications. While many countries enjoyed booming economies and falling unemployment during this time, Japan had a lost decade, seeing its unemployment more than double. They spent double the US level of GDP on infrastructure, and now have a lousy economy and have one of the highest national debts in the world.

After 10 stimulus packages, Japan has gone from having the [second biggest](#) economy in the world by a long shot, to being well behind [the new number two, China](#), and is close to falling behind India. We do not want to follow their lead.

Matt Kibbe is president of FreedomWorks Foundation, a grassroots education organization that believes in lower taxes, less government, and more freedom.



FreedomWorks Foundation

601 Pennsylvania Ave, NW · North Building, Suite 700 · Washington, DC 20004

Phone: (202) 783.3870 Fax: (202) 942.7649

www.FreedomWorks.org

3. The Stimulus is full of Wasteful Projects

While we were told the stimulus bill would focus on rebuilding America's infrastructure—mainly the roads and bridges—[only 5%](#) of [the current bill](#) goes to such projects. The rest of the bill goes to pet projects like:

- \$400,000,000.00 for researching sexually transmitted diseases
- \$200,000,000.00 to force the military to buy environmentally-friendly electric cars
- \$34,000,000.00 to renovate the Department of Commerce headquarters
- \$75,000,000.00 for a program to end smoking which, if successful will bankrupt the State Children's Health Program Democrats are about to pass (SCHIP) that is paid for by cigarette taxes
- \$650,000,000.00 for digital TV coupons
- \$50,000,000.00 for the National Endowment for the Arts

These programs are just the 2008 version of the "[midnight basketball](#)" program that derailed Bill Clinton's attempt to ram through a "stimulus" bill in 1992. Despite that bill failing, the economy quickly recovered and the economic boom of the 1990s began.

4. The Government Can't Afford the Stimulus

President Bush pushed the government deep into a \$1.2 trillion deficit this year, the third time he has set a record for biggest deficit ever, and President Obama's stimulus bill follows his lead, piling on more debt. The deficit in 2008 amounted to about 8 percent of GDP. The entire debt is about [35 percent](#) of GDP.

Even for those who do still believe in [Keynesianism](#), it is important to remember his theory didn't start with the government already over a trillion dollars in the hole, he was generally operating from balanced budgets.

5. We Can't afford the Stimulus

How much is \$825 billion? The [Heritage Foundation](#) has calculated that that comes to over \$10,000 per American family. To further put that in context, on average, families annually spend:

- \$2,230 on apparel and services
- \$3,595 on health care
- \$4,322 on food at home
- \$11,657 on shelter

6. The Stimulus is Bigger Than the Economic Output of Most Countries

If this bill were a country, it'd be [the 15th largest country](#) in world, ranking between Australia and Mexico. It is bigger than the economies of Saudi Arabia and Iran combined. In fact, the \$875 billion it calls for is more than all the cash in the United States.



7. Central Planning like the Stimulus Doesn't Work, Ask the USSR

If centrally planned government spending on a grand scale produced economic growth, the [Soviet Union would have won](#) the Cold War. If government spending on a grand scale produced economic growth we would be in the middle of the Bush Boom right now. It doesn't. Working, saving, and investing leads to economic output and increases in productivity lead to growth.

As economics professor [Steven Horwitz said](#), "The stimulus plans assume consumption is the source of growth. It is not. It is the consequence of said growth."

8. Remember the \$750 Billion Bailout from this Fall?

It was just a couple months ago when we were told if we would just quickly hand over \$750 billion to the [Treasury Secretary](#) to bailout his friends on Wall Street, he would make the economy all better. That didn't work, and neither will an additional \$825 billion.

9. This Money Doesn't Grow on Trees

And this has nothing to do with paper money being [made of cotton and linen](#). The only way the government gets money is through taxing, borrowing, or printing—that is, it has to take it out of the economy in order to put it back into the economy. If government borrows the money for the stimulus, then it will either have to print money later or raise taxes to pay it back. If it raises taxes to pay for the stimulus, it will, in effect, be robbing Peter to pay Paul – probably with interest. If it prints the money, inflation decreases the value of the dollar for every American – robbing Paul to pay Paul.

10. Economists do NOT Agree this is a Good Idea

No matter how many times supporters of the bill say it, economists do not all agree this bill is a good idea. In fact, hundreds of economists have come out against it, including Noble Laureates, who [signed a letter the Cato Institute ran](#) as a full page ad in several major newspapers opposing the stimulus. Still more economists [submitted statements](#) to the US House of Representatives opposing the stimulus proposal.

And this only scratches the surface, [there](#) are [so many](#) more [reasons](#) to [oppose](#) the stimulus.

