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Bipartisan “Stimulus” Nonsense **by Sheldon Richman**

The cynicism and shallowness of politics have been abundantly on display throughout the debate over the “stimulus” bill.

The Democrats insult the intelligence of the American people by peddling the following sophistry: Republicans were big spenders when they controlled the government. Republican criticism of Democrats for being big spenders is hypocrisy. Therefore, arguments against big government spending are invalid.

This fallacy is more common than it should be. The problem with hypocrisy is not that what the hypocrite says is necessarily wrong, but that he does not practice what he preaches. What he says must be judged independently. It may be right or wrong, but we cannot tell by the fact that he does not follow his own advice.

It is no counterargument against the Republicans to say, “You did it, too.” That’s a childish response, but children need time to learn logic. We should expect more from grown Democrats.

In fact there are many good arguments against trying to stimulate the economy through government spending. Frédéric Bastiat, the 19th-century French economist, summed them up well with his fable of the broken window. A young boy throws a rock through a shop window, and as the townspeople lament the shopkeeper’s sad fortune, someone finds a silver lining. The shopkeeper’s spending on a new window will stimulate the local economy because his money will pass from hand to hand in a burst of commercial activity.

The fallacy becomes obvious if we try to extend the “logic” and propose to really stimulate the economy by smashing all the windows in town. What the optimist in the story forgot is that if the window had not been broken, the shopkeeper would have used his money some other way in order to increase his welfare. Now he has to spend the money just to restore his condition to what it was before the window was broken. He, and therefore the community overall, are poorer, not richer, but the losses are unseen while the glassmaker’s gain is obvious.

The lesson for the current situation is that if the government were not about to borrow close to \$800 billion, that money would be available for private investment to create jobs and

improve living standards. But since we can't see what we would have gotten for that money — just as the townspeople couldn't see what the shopkeeper would have done with his money — those forgone benefits are not counted as losses. But they are real losses. In effect, we have traded consumer-oriented investment for politically motivated projects. It's a bad deal.

The Republicans have been no better in the debate. With rare exceptions, they have all conceded that the government must stimulate the economy. But they would rather do it through tax cuts than through spending. The fallacy here is subtle. As a rule, cutting taxes — leaving money in the hands of the people who earn it — ought to stimulate economic activity. Taxes are productivity killers. But what the Republicans ignore is the budget deficit. If you cut taxes without cutting spending, you simply increase the government's borrowing. So while the politicians would seem to be leaving money in the private sector, they would also be taking an equivalent amount away through their borrowing. Where's the gain?

Alas, a "stimulus" bill will pass because politics is perverse. At Barack Obama's town meeting in Fort Myers, Florida, people in the audience stood up and directly told the president of the United States they were hurting because of the recession. He listened sympathetically and eloquently explained how he will help them. It was all captured on television.

It takes some understanding of economics — which most people lack — to comprehend what's wrong with that picture. Those people are victims of the state's misguided interventionist economic policies — after all, the central government has been the steward of the U.S. economy for generations. Yet Obama, the latest chief executive of this economy-wrecking organization, stood before them as their salvation. The news media reinforced that narrative at every step.

This is why it is so difficult for economic sense to make headway.

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