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

The cynicism and shallowness of politics were abundantly displayed throughout the debate over the “stimulus” bill.

The Obama administration and its allies in Congress see themselves as champions of democracy, yet the process by which the bill was rammed through Congress flouted the democratic spirit. The final bill was nearly 1,100 pages, but members of Congress had little chance to read it. They were promised 48 hours, but did not get even that much time. Not one could claim to know all that was in the bill. Advocates described it as a fundamental restructuring of government’s approach to the economy. That would seem to require ample time for debate and deliberation, but it was not to be. President Obama and his supporters repeatedly urged speedy passage, saying that with the economy tanking and unemployment rising, the country did not have the luxury of time. Skeptics wondered what they had to fear from a close examination.

Even supporters of the alleged stimulus should be appalled by this procedure. When the bill passed, Obama was praised for his leadership, but New York University economist Mario Rizzo at the time pointed out reasons for concern. “On the one hand, ‘we’ are being asked to make important decisions,” he wrote on the blog ThinkMarkets.

On the other hand, the debate, examination, evaluation vital to representative democracy were short-circuited. Very little time was allocated to Congressional debate after the bill was produced. The president obviously did not read it. He was too busy running around the country trying to drum up public support. Members of the House and Senate had very little opportunity to read its 650 to 1400 pages (depending on which version of the bill was considered). May I suggest that most would be incompetent to do so?

As Rizzo noted, this dubious procedure gives credence to what F.A. Hayek anticipated in *The Road to Serfdom*. Hayek maintained that despite the assertions of democratic socialists,

economic planning and democracy are incompatible. Even if everyone favors having a central economic plan, no group — for example, a legislature — will unanimously favor *the same* plan. In a world of scarcity, choices have to be made. The chance of perfect agreement on all the tradeoffs is zero. Thus the potential for endless debate is great. Yet there can't be both endless debate and planning. Sooner or later the legislative process will be denounced and the advocates of planning will call for “strong leadership” to break the logjam.

We saw similar agitation in the debate over the “stimulus” bill. Rizzo writes,

[The] casual dismissal of the “niceties” of democratic deliberation is blind to something really important. Emergency large-scale government direction of resources produces demands for a leader — an executive with plenary powers in fact (if not in law). It has been the excuse for extreme centralization of power in many contexts over history. Carl Bernstein and others call it “leadership.” Ludwig von Mises and many others called it the Furrer Principle (*Führerprinzip*). To be sure, there are important differences in context between the United States today and Nazi Germany or Fascist Italy. Yet it would be extraordinarily foolish not to see the tendencies at work and to think we Americans will be saved by our heritage.

Rizzo made another equally important point:

[There] is a fundamental issue of political morality at stake. We are being asked to tolerate, cooperate, and obey the stimulus *law*. If the State wishes to have moral authority it should not abuse it in this way. If we do not know *what* we are, through our representatives, approving, how have *we* given consent?

This flagrant assault on the principle of representation should concern anyone who sees danger in political elitism. The hypocrisy couldn't have been more obvious. When the Bush administration rushed through the USA PATRIOT Act after 9/11, so-called progressives were properly alarmed. But when the “stimulus” bill was before Congress, “progressives” favored immediate action. Opponents were branded obstructionists motivated purely by politics. Maybe so. But so what?

Politics, economics, and hypocrisy

The Democrats insulted 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.

A moment's thought reveals the fallacy. 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 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 borrowing nearly \$800 billion, that money would be available for private investment, which would 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 nonetheless. In effect, we have traded consumer-oriented investment for politically motivated projects. It's a bad deal. (The Keynesian argument that labor and inputs will remain idle indefinitely unless the government spends is without merit. See Henry Hazlitt's book *The Failure of the "New" Economics*.)

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 prefer to do it through tax cuts rather than 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 taxes are cut but spending is maintained, the government must borrow to make up the difference. So while the politicians would seem to be leaving money in the private sector, they would also be taking an equivalent amount out through borrowing. Moreover, since the Federal Reserve will monetize the debt through inflation, the malignant effects will run deep. It is true that cutting marginal tax rates increases the reward for production, but there is no reason that such tax cuts should "pay for

themselves,” and even if they do, advocates of scaling back government should not applaud increases in tax revenue.

In the end the “stimulus” bill passed because politics is perverse. At Barack Obama’s town meeting to promote the bill in Fort Myers, Fla., 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 econo-my-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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