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Long-term cost is steep

By TAD DEHAVEN
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As we approach the six-month mark since passage of the president's $787 billion economic "stimulus" package, there is no shortage of pundits and analysts on both sides of the divide alleging success or failure. Some say that without the stimulus the economy would be even worse, while others suggest the opposite: increased government spending is inhibiting a recovery.

It's certainly too early to claim success. About 90 percent of the package hasn't been spent yet. Most of the money that has went to state governments to bail out health and education programs.

The size of the U.S. economy is about $14 trillion. So it would be a specious claim to suggest that the $80 billion spent thus far is fostering the green shoots of an economic turnaround, unless perhaps your idea of economic growth is keeping state bureaucrats employed.

Unfortunately for proponents of government spending as a panacea, there can be no "success" without failure. The reason is simple: the government can't spend money without taxing it out of the economy first, or issuing debt, which begets future taxes. When the government taxes something, the result is less of that something. One of the chief rationales politicians give for raising taxes on cigarettes is that it'll result in less smoking. Why would the result be any different for taxes on economic productivity?

In other words, the government can spend billions of dollars "creating" jobs -- technically a success -- but the cost of those jobs in terms of reduced economic productivity is a failure. And that failure equals lost jobs or jobs not created that otherwise would have been in the absence of the taxes the government needed to "create" those jobs in the first place. Of course, politicians go to great lengths to makes sure the news outlets report on the examples of the jobs they allegedly "create" while conveniently pointing to job losses as a justification for further government spending.

So the question ultimately boils down to this: Is the government or the private sector the best vehicle for creating jobs and fostering economic growth? The previous century seems to have answered that question given that the great centrally planned economies of the period are now resting on the ash heap of history.

As President Barack Obama inadvertently admitted last week, "UPS and FedEx are doing just fine . . . It's the post office that's always having problems."

The Bush administration oversaw one of the most massive increases in federal spending in history. Yet here we are in the midst of the second recession since Bush took office, and a deep one at that. If government spending results in economic growth shouldn't the Bush years have been an economic boom?

The downside of the so-called "stimulus" package is yet to be felt. When all of the bailouts, stimulus and new spending plans are added together, there's a strong possibility the government's deficit for the current fiscal year could hit $2 trillion -- more money than Bill Clinton spent in his last year in office. Thus, in the name of politically expedient short-term "stimulus," future generations of taxpayers are likely to be handed a mountain of debt to finance. Who then will "create" the jobs?

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Additional Facts

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