

How Obama's last stimulus bill became a comedy of errors

By [Jim Powell](#) 6:31 PM 09/19/2011

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Now that President Obama is on the campaign trail, touting another big stimulus bill, it's worth recalling how the last one became not just a costly failure but a comedy of errors.

In 2009, his \$825 billion extravaganza, touted as an emergency measure, targeted sectors of the [economy with the lowest unemployment rates](#) — namely, government employees (2.3 percent unemployed), in particular those in schooling and health care (3.8 percent unemployed). By contrast, unemployment rates in manufacturing and construction were 8.3 percent and 15.2 percent respectively.

Obama's stimulus provided the *least help to states hardest-hit by the recession*. For example, according to The New York Times, one of his most important supporters, “Businesses in Michigan, whose 15.2 percent [unemployment rate](#) was the highest in the nation, reported creating or saving about 400 jobs. Businesses in Nevada, which had the next-highest unemployment rate, reported 159. And businesses in Rhode Island, which had the third-highest unemployment rate, 12.8 percent, reported the fewest jobs: just six.” Meager though these numbers were, in October 2009 Obama's top economist Christina Romer testified before Congress that the effects of the stimulus bill were leveling off.

Moreover, the government was embarrassingly slow about getting money out the door, and many economists believe it didn't stimulate anything. Six months after the stimulus bill became law, less than 20 percent of the money had been spent, and the Obama administration claimed it had funded about 30,000 jobs — not much compared with the approximately 10 million people who were unemployed.

The Associated Press reviewed some of the stimulus contracts and reported that the administration's claim of 30,000 jobs was exaggerated by about 5,000. White House sources said the administration was working to correct errors. Then, according to The [New York Times](#), Obama administration officials released new information that purported to show the stimulus had “saved or created” 640,239 jobs, of which 325,000 — more than half — were held by members of teachers' unions.

Officials suggested that because these people had money to spend, they supported hundreds of thousands more jobs — maybe a million jobs altogether. But what the Obama administration did was ask government agencies to estimate how many jobs were “saved or created” by stimulus programs they were responsible for. Naturally, agencies

had an incentive to inflate the numbers, since they would be more able to compete for future appropriations if they could claim that they created a lot of jobs. None of these numbers were verified. New York City officials claimed that stimulus money saved thousands of teaching jobs, but Mayor Michael Bloomberg was negotiating a contract to prevent [teacher](#) layoffs and thereby avoid a politically disruptive teachers' union strike in the run-up to his re-election campaign, so it would be hard to credit stimulus money with those jobs.

The Boston Globe reported that, "While Massachusetts recipients of federal stimulus money collectively report 12,374 jobs saved or created, our review shows that number is wildly exaggerated. Organizations that received stimulus money miscounted jobs, filed erroneous figures, or claimed jobs for work that has not yet started."

On another occasion, after having [claimed](#) that Obama's stimulus "created or saved" some 60,000 jobs, the administration acknowledged that the number was bogus — arising from "unrealistic data." The General Services Administration reportedly spent \$84 million developing the official Recovery.gov website that announced jobs saved or created in non-existent congressional districts, like Arizona's 15th (that state has only eight congressional districts) or North Dakota's 99th (that state has only one congressional district) — 440 non-existent congressional districts altogether. Ed Pound, the communications director of the Recovery Accountability & Transparency Board, said simply, "We report what the recipients submit to us."

Even if one were to accept the original claims that a million jobs were "saved or created," the total amount of stimulus money spent was about \$160 billion, which would mean each job cost [taxpayers](#) \$160,000! In fact, when all the undocumented claims are discarded, the cost per government job is likely to be closer to what Cato Institute economist Alan Reynolds has estimated: \$646,000. In some cases, the cost went much higher, as when nearly \$6 million was spent to save just three jobs at Burson-Marsteller, a public relations firm headed by Hillary Clinton's former pollster Mark Penn. Cost per job saved: \$2 million.

One should keep in mind, of course, that stimulus money doesn't come out of thin air. It comes from taxpayers. As a result of taxes needed to pay for stimulus, consumers have less money for spending, and [employers](#) have less money for hiring. Jobs created by stimulus are cancelled out when jobs are destroyed by taxation.

From the very beginning, Obama's stimulus extravaganza was doomed to become a comedy of errors. Politicians don't begin to have the kind of reliable, detailed information needed to run our vastly complex, fast-changing economy. Nor do politicians have incentives to make good business decisions. Moreover, it's no secret that people aren't as careful when they're spending other people's money as they are when they're spending their own money. That Obama would again try to promote stimulus makes clear that his big-government ideology, progressivism, is intellectually broke.