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Jobs growth reignites debate over massive new spending

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To spend or not to spend, that is the question.

Friday's report that 943,000 new jobs were added in July sparked a debate over whether trillions of dollars in new spending is really necessary or whether the fiscal stimulus has only just begun.

President Joe Biden gave much of the credit to the \$1.9 trillion American Rescue Plan he signed into law earlier this year, arguing that more infrastructure and social welfare spending, all currently winding its way through Congress, is needed to keep the economy on a firm footing.

"Economic growth is the fastest in 40 years. Jobs are up. The unemployment rate is the lowest since the pandemic hit. Black unemployment is down as well," Biden said at the White House on Friday before departing for Delaware for the weekend. "Why? Because we put in place the necessary tools early in my presidency — the COVID vaccine — the COVID-19 vaccine plan, the American Rescue Plan — to fight the virus and fight the economic mess we inherited."

Critics say that with people going back to work and inflation fears bubbling up, trillions of dollars in federal spending is unnecessary.

If the economy and jobs are so great, one reported asked, "Why then is the President still pushing for big relief packages — pandemic-era relief packages like the eviction moratorium?"

White House press secretary Jen Psaki pushed back against such questions on Friday. She also disputed that Republican-led states allowing the additional pandemic unemployment benefits to expire contributed to July's solid jobs growth.

"We don't see any evidence in the available data that some states ending unemployment benefits early had any impact on today's incredibly strong numbers," Psaki said. "We are seeing strength across the economy and across states and regions, of course, but that's thanks to a number of investments that have helped get people through this difficult time and get them back to work. We know there's more that needs to happen, but we haven't seen evidence of that data to date."

The White House did credit vaccines for people returning to the workforce. Some argue reopening after more than a year of pandemic restrictions is the single biggest contributor to jobs and economic growth apart from federal spending.

Biden contended the following is now “indisputable,” saying, “The Biden plan is working, the Biden plan produces results, and the Biden plan is moving the country forward.”

“We’re now the first administration in history to add jobs every single month in our first six months in office, and the only one in history to add more than 4 million jobs during the first six months,” he added.

“A key problem with the way the administration and many others see federal spending is only through a Keynesian lens — more spending automatically pumps up growth, like a driver pressing down the gas pedal,” Chris Edwards, a budget and tax policy expert at the libertarian Cato Institute, previously told the Washington Examiner. “They ignore microeconomics. Nearly all the proposed new spending would create microeconomic distortions that would undermine growth. That is, there would be a behavioral response to the spending.”

Congressional Republicans have traditionally been more resistant to high levels of federal spending and debt when Democratic presidents are in office, while their objections are usually muted when the GOP holds the White House. Many were more outspoken against \$1 trillion deficits under former President Barack Obama than under former President Donald Trump.

Nevertheless, several Republican senators have signed on to a \$1.2 trillion bipartisan infrastructure package that Biden and Democratic leaders would like to link to a bigger \$3.5 trillion reconciliation bill that funds liberal policy priorities.