



Krugman Keeps Pretending Spending Has Gone Down

posted at 2:34 pm on June 11, 2012 by Dustin Siggins

In his June 08 column, *New York Times* columnist Paul Krugman [says](#) a major part of the reason the recession under Reagan recovered more quickly than the current recession is because of government spending. From the column:

Why was government spending much stronger under Reagan than in the current slump? “Weaponized Keynesianism” — Reagan’s big military buildup — played some role. But the big difference was real per capita spending at the state and local level, which continued to rise under Reagan but has fallen significantly this time around.

There are a myriad of things with which to respond to Krugman over this – his most egregiously inaccurate claim – and other points and inferences in his column. Below are several:

First and foremost, local and state government spending [hasn’t gone down](#) since the recession started. The linked chart does show that government spending went down in from 2009 to 2011 *as a percentage of Gross Domestic Product*, but in pure numbers (also seen at the link) only 2009 saw a drop, and the spending in 2010 more than matched the 2009 drop.

(Data for this claim comes from the Bureau of Economic Analysis, and the linked chart and data come from [Just Facts](#).)

Second, the spending prior to and during both recessions was both different and similar. From 1975 through 1979, state and local spending as a percentage of GDP fell by .9%, and then fluctuated for the following several years. Meanwhile, local and state spending went up by 1% of GDP from 1999 to 2002 and 2003. This reversed course for several years, and has since fluctuated. However, at no point did the spending as a percentage of GDP in the current recession drop even to the high point prior to the 1980s recession, an important context Krugman seems to ignore.

The above shows how the periods are different. They are similar insofar as the actual dollars spent consistently grew, meaning that Krugman’s overall contrast is still wrong.

Third, Dan Mitchell of Cato wrote a piece in February [stating the obvious](#): The same bad policies Bush was responsible for that both contributed to the recession and exacerbated its problems have been continued by Obama. From Mitchell's analysis:

- Bush increased government spending. Obama has been increasing government spending.
- Bush adopted Keynesian “stimulus” policies. Obama adopted Keynesian “stimulus” policies.
- Bush bailed out politically connected companies. Obama has been bailing out politically connected companies.
- Bush supported the Fed's easy-money policy. Obama has been supporting the Fed's easy-money policy.
- Bush created a new healthcare entitlement. Obama created a new healthcare entitlement.
- Bush imposed costly new regulations on the financial sector. Obama imposed costly new regulations on the financial sector.

To see some of these points in a more humorous way, check out this [cartoon](#) comparing the similarities in policies between Bush and Obama. All in all, for Krugman to blame (as he insinuated in this column and has outright stated in others) Republicans for allegedly holding Obama back and preventing Keynesian economic policies is insincere. Keynesian policies, as well as incestuous Big Business and Big Government back-scratching, have been the norm under the last two Presidents.

Fourth, as my good friend Bill Beach [pointed out](#) last week, our economy is incredibly sluggish compared to the 1980s recession, even though we are nearly five years out from its start and three years into the “recovery.” This is despite massive government spending in TARP, two stimuli, unemployment benefit extensions, the auto bailout, and trillions in Federal Reserve spending. Again, if it's more outgoing federal money Krugman wants, he should simply look at the last several years.

Fifth and finally, Krugman's argument about local and state governments and their alleged woes was coincidentally (or not?) [discussed](#) by President Obama on Friday, when the President said the nation's economy is struggling mostly at the level of local and state governments. However, as the *Wall Street Journal* [pointed out](#), Census data shows revenues for local and state governments have increased by six percent over the last two years.

In short, Paul Krugman is doing what Paul Krugman does best: cherry-picking a fact and making a completely unrelated conclusion that lacks proper context and fails to hold up even to the most cursory of examinations.