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Debating Keynesian Economics with Robert Reich on CNN

http://www.youtube.com/watch?feature=player_embedded&v=sWejkl_hcdM

It seems that any argument about the economy eventually boils down to the core issue of whether government spending acts as a stimulus or whether it is – in the [words of Thomas Sowell](#) – a sedative that [undermines prosperity](#).

So when Robert Reich and I went on Erin Burnett's CNN show to discuss Obama's stumbling economic performance, much of our discussion focused on whether to further expand the burden of the public sector.

Here are a couple of observations about the interview.

1. Reich admitted that spending is a problem and in the "long term" needs to be reduced. I suspect "long term" never arrives in Reich's world, but this is nonetheless a startling concession on his part.
2. Reich claimed World War II was an example of successful Keynesian stimulus, but if he wants to make that argument, then he needs to explain why we didn't fall back into the Great Depression after the war – which is what [all the Keynesians warned would happen](#).
3. For reasons outlined in [my beat-down of Krugman](#), I've become a cheerleader for Estonia and used the interview to promote that country's fiscal restraint.

If you want to understand more about Keynesian economics and why it doesn't work, [this video will be more instructive](#) than my food fight with Reich.

P.S. Obama is monotonously repetitive in his claim that the economy is facing headwinds. As [this Ramirez cartoon illustrates](#), he's right, but not in the way he thinks.

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