

## [The Heritage Foundation - Leadership for America](#)

- [Skip to Primary Content](#)
- [Other Heritage Sites](#)
- [Bookstore](#)
- [About Us](#)
- [Contact Us](#)

- [Home](#)
- [Issues](#)
- [Where we stand](#)
- [Experts](#)
- [Press & Media](#)
- [Support](#)
  
- [Blog](#)
- [About](#)
- [Submit](#)

### The Foundry

#### [Why the Stimulus Won't Work: Thugs Ransacking My House](#)

- Posted February 10th, 2009 at 11.34am in [Ongoing Priorities](#).

Last speaker on the morning panel, Cato Institute adjunct scholar Arnold Kling.

Kling begins somberly: "I think about what's going on as an economist but I feel it as a father. My wife and I have three daughters between the ages of 19 and 25. And when I see what's being done to their future I'm really angry. Back in September when they were talking about taking \$700 billion dollars to unclog the financial system I wanted to yank Henry Paulson out of the TV screen and say to him: "Keep your hands off my daughter's future." But he got away with it. For me it felt like sitting there watching my home being ransacked by a gang of thugs. And now we've got a new gang of thugs and they are doing the same thing. So that's how I feel, now back to how I think."




Kling says this is a big bill, but not a big stimulus. There is nothing timely, targeted, or temporary about it. It is a simple transfer of money from one set of people to favored interest groups of the Democratic Party.

If economists had designed a plan, instead of Democratic politicians, it would look a lot like [Greg Mankiw's plan](#) which calls for an immediate and permanent reduction in the payroll tax, financed by a gradual, permanent, and substantial increase in the gasoline tax.

Kling stressed that profits are the key to economic recovery. Profits and losses are signals in a market economy. Huge losses in the financial sector signal that that sector needs to shrink. Instead Obama is talking about buying and insuring toxic assets. They think they can force the financial sector to lend. But if businesses are not profitable then it makes no sense to lend. Cuts in payroll tax would make businesses more profitable.

**UPDATE:** Kling has since gotten in trouble with the [PC Police](#) for the statement above. An early liveblogged version of his

remarks left out his first mention of Paulson and mentioned Barack Obama by name. Kling did not mention Obama by name at all in his opening paragraph. The above transcript is from a video of the event that will be on YouTube. We deeply regret the error and offer a sincere apology to Mr. Kling.

- Author: [Conn Carroll](#)
- Interact: [Sphere](#)
- [Share This](#)
- 

- Tagged with [economic stimulus](#)

## 18 Comments

**February 10, 2009 Marilyn Morgan writes:**

I agree with your thoughts. We do need to cut taxes to get the economy growing again. I do not believe the stimulus in its present form will work. Economists not congressmen should be drafting the proposals.

**February 10, 2009 John Schuh, Lake Dallas, Texas, 75065 writes:**

Mr. Kling nails it. The chilling thing is that the Democrats are making no real effort to hide what they are doing. To the victors belong the spoils. Now we have Obama handing out cars and kitchens.

**February 10, 2009 [Actually, Quite A Few Economists Oppose The Stimulus Package](#) « [Nice Deb](#) writes:**

[...] This morning the Heritage Foundation, in conjunction with the Club for Growth, held a conference on the supposed stimulus bill. Here's what one of the speakers, CATO Economist Arnold Kling, had to say about the Democrat's economic plans: [...]

**February 10, 2009 [Boudreaux: FDR's Policies Put the 'Great' in Great Depression](#) » [The Foundry](#) writes:**

[...] Why the Stimulus Won't Work: Thugs Ransacking My HouseNice Deb [...]

**February 10, 2009 Chris, Phoenix, AZ writes:**

Well, didn't Barack Obama himself say, "There will be a time for them to make profits and a time for them to receive bonuses. Now is not that time"? He, like the rest of the liberals in this country believe that profits are a sign of greed. Too bad they can't put together the fact that the man's wage and the business' profit are one and the same.

**February 10, 2009 Bryan Entzminger | Nashville TN writes:**

I just can't imagine what investor would want to put more money into the management of people who had proven they couldn't manage what they already had.

**February 10, 2009 Ozzy6900, CT writes:**

Mr. King is absolutely correct. Too bad that student that has been working 4 years at McDonald's "with no way out" do not understand this! Too many people want the Government to do everything for them - they have been "trained" this way by the Left. Now the Left has their chance to everything that we have stopped them from doing over the years.

**February 11, 2009 Rodger Potocki, New Harford, NY writes:**

The country voted for a rookie who was big on platitude and short on details. We now have a President who is big on platitude and short on details. Filing the gap is the liberal Congress which will not in the words of an ex member,"let a crises

go to waste.” Obama is just a front man along for the ride.

**February 11, 2009 jsfox, NH writes:**

Funny, Kling is now singing a different tune than he did back in 2000, when he was all for stimulus spending.

“Arguing in My Spare Time” No. 3.28

by Arnold Kling December 20, 2000

Times may not be good much longer. In January, I predicted that the next President would face a recession caused by a stock market crash. Also, I predicted that the President’s economic advisers might not know what to do about it. Subsequent developments have been along the lines that I feared.

The father of macroeconomics is John Maynard Keynes. Since the 1960’s, his reputation has declined steadily, particularly among conservative economists. I continue to believe that Keynes is relevant today. What follows is some elementary Keynesian economics that President-elect Bush is likely to need but unlikely to hear.

...

My Recommendation

Overall, if you accept points (1) - (5), there is a case for thinking in terms of turning the Federal Budget in the direction of a deficit. How should this be done?

One approach that would be congenial to Bush would be a large tax cut. Unfortunately, much of the tax cut that was part of his campaign was “back-loaded,” with the larger cuts occurring farther into the future. If anything, we probably need a more front-loaded tax cut.

In addition, some of the tax cuts most popular with Republicans may not be very stimulative, because they are likely to be saved rather than spent. For example, eliminating the “death tax” is unlikely to unleash much spending. I cannot imagine that the marginal propensity to consume out of inheritances over \$700,000 (smaller inheritances are tax-free today) is very high.

Another approach to running a deficit would be to increase Federal spending. However, the notion that the first Republican President-plus-Congress since 1952 would go on a spending spree is difficult to contemplate.

An alternative would be to give large grants to state governments—what used to be called general revenue sharing. For example, the Federal government might give each state \$1,000 for every person living in that state. This would amount to a \$280 billion program.

One impact of a recession is to reduce state revenues. Because they are obliged to balance their budgets, this leads them to reduce spending. The result is to reinforce the downturn. However, with revenue sharing, the states would have less need to cut back.

In conclusion, I believe that a large, temporary revenue-sharing program would be a good approach for fighting a recession. This form of fiscal stimulus would quickly find its way into the economy. Unfortunately, I suspect that there is little chance of any Keynes getting through to Bush.

**February 11, 2009 [Conn Carroll](#) writes:**

jsfox needs to read Kling’s blog more often. Then we would know that Kling has been for a small stimulus from the beginning:

[http://econlog.econlib.org/archives/2009/01/talking\\_points\\_1.html](http://econlog.econlib.org/archives/2009/01/talking_points_1.html)

I guess jsfox doesn’t see the difference between \$280 billion in tax cuts and \$1.2 trillion in permanent new spending.

**February 11, 2009 [de libertate](#) » [What happens when you look for racism under every rock?](#) writes:**

[...] Mr. Wolcott found the smoking gun! At an event about the stimulus at the Heritage Foundation Kling stated, I think about the stimulus as an economist but I feel it as a father. ... [The Obama [...]]

**February 13, 2009 [Barney Murrell](#) writes:**

In his inauguration speech Reagan claimed “government is not the solution... government is the problem.” Consequently, it has been economically downhill since those words were spoken, with deregulation generating business bankruptcies and tax cuts that conservative think are the solution to all problems from war to deficits.

Conservatives claim tax cuts to the wealthy “trickle down” to the masses, but Congressional Budget Office Historical Effective Federal Tax Rates 1979-2005 prove the opposite – wealth “trickles up” under conservative economics. Based on CBO data the bottom 80 percent of taxpayers saw their share of After Tax Income fall from 57 to 49 percent; while the top 20 percent share increased from 43 to 51 percent between 1980 and 2005.

Another conservative prevarication is that tax cuts increase revenue, but the claim is superfluous when the deficit and national debt increase by larger percentages. Financial data from Federal Budget Historical Tables 1.1, 2.1, and 7.1 can be used to calculate and compare increases in non-Social Security revenue with increases in deficits and national debt.

Under Reagan non-SS revenue increased 60 percent but national debt increased 186 percent. Under Clinton non-SS revenue increased 102 percent and national debt 40 percent. Under G.W. Bush – thru 2007 – non-SS revenue increased 24 percent while the national debt increased 59%, and that calculation was with a national debt of \$9 trillion, which is now over \$10 trillion.

**February 15, 2009 [AsianDudeCA](#) writes:**

I consider myself as a hard working middle class Asian American. Living in the Silicon Valley near San Francisco, everything is expensive. As an engineer, I too face the possibility of losing my job. Based on what I gathered on Obama’s “stimulus” package, I will not benefit much from it. It is simple for me, if the package contains tax cuts and may be something in the technology development area, I would be happy. But the bottom line is tax cut would stimulate spending, at least that’s what I would do (e.g. replacing my old computer, updating my home, taking a vacation every year, and continue to send my kids to private schools). I believe Obama’s economic stimulus package contains too many provisions for special interest groups, which I oppose. Also, I believe it also shows how inexperienced he is in handling a big problem like this. Sad day for America!

**February 15, 2009 [Sheila Byrne, Sacramento CA](#) writes:**

If the government had enough money, we would not have been listening for years to the song of ‘Deficit Spending.’ They never have enough and if they do it is fleeting.

A diversion for those of us who do have money. Buy gold. And if we do, what is to keep the government from confiscating it in the name of the common good. Think before you spend IRAs are not totally yours. People who had that kind of wealth used it to escape Europe one step ahead of Hitler. Where are we supposed to go. I hear Chili has great fruit.

**February 15, 2009 [de libertate » Kling Vindication](#) writes:**

[...] Heritage Foundation has now updated its coverage with a transcript of Arnold Kling’s comments: I think about what’s going on as an [...]

**February 16, 2009 [The Blogosphere Has Corrected the Record | Think Tank West](#) writes:**

[...] a Heritage event, Arnold Kling said: Back in September when they were talking about taking \$700 billion dollars to [...]

**February 23, 2009 [Blackmoor Vituperative » Obama’s stimulus package won’t work](#) writes:**

[...] Why the Stimulus Won’t Work: Thugs Ransacking My House, Heritage) President Barack Obama insists that the massive \$800 billion stimulus package is [...]

**September 18, 2009 [Balloon Juice » Blog Archive » Teabagging with Bobo](#) writes:**

[...] And, as you’d expect, the sober-minded Arnold Kling is a CATO institute whack job. Here he is on the stimulus: [...]

**Leave a comment**

**Name, Location** (required)

**Email** (required, will not be published)

Comments are subject to approval and moderation. Commenting is a privilege, not a right. Please keep it clean and stay on topic. Personal attacks and obscene language will not be tolerated. Essentially, don't say anything you wouldn't say to your mother at the dinner table.

SUBMIT

### Sign up for Morning Bell Email

First Name

Last Name

Email

SUBMIT

### Heritage Initiatives

- [American Leadership](#) (601)
- [Education](#) (143)
- [Energy and Environment](#) (825)
- [Enterprise and Free Markets](#) (654)
- [Entitlements](#) (129)
- [Family and Religion](#) (63)
- [First Principles](#) (125)
- [Health Care](#) (421)
- [Ongoing Priorities](#) (836)
- [Protect America](#) (545)
- [Rule of Law](#) (191)

### Recent Entries

- [Video: The Empirical Evidence Against Big Government](#)
- [Got Him!](#)
- [Morning Bell: You Can Help Free Our Energy Today](#)
- [Obama's Rookie Blunder on Missile Defense Concessions](#)

### Archives

Select Month



### Links

- [Heritage cap-and-trade stats cited in McClatchy-Tribune op-ed](#)
- [U.S. urged to prepare for new Japan challenges | Special Coverage | Reuters](#)

- [John on automatic IRAs in Wall Street Journal](#)
- [Butler on health reform in NY Times](#)
- [Curtis on Afghan elections in USA Today](#)
- [Carafano on Afghan war and poll numbers in CNN](#)

## Heritage Poll

Error: This account is currently disabled.


## Recent Comments

[Morning Bell: Surrender and Betrayal Do Not Make Us Safer](#) Mike McLellen, Grand Rapids, MI


[Obama's Rookie Blunder on Missile Defense Concessions](#) Arthur Simpson

[The August Jobs Report: Mission Not Accomplished](#) Conservative Principles Now

## Recent Visitors



**You!**  
Join My Community



View Reader Community  
Join this Community  
(provided by MyBlogLog)

## Search The Blog

- [RSS Feeds](#)
- [Careers](#)
- [Directions](#)
- [Site Map](#)
- [Privacy Policy](#)
- [Copyright](#)

All Rights Reserved © 2008, [The Heritage Foundation](#)  
Site by [JESS3](#)