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The Tweedle Dee And Tweedle Dum Of Fiscal Policy

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The fault line in American politics is often not between Republicans and Democrats, but rather between taxpayers and the Washington political elite. Here are two examples that symbolize why economic policy is such a mess.

First, we have President Bush's former top aide, Karl Rove, [making the case in the Wall Street Journal](#) that the Obama Administration has been fiscally irresponsible. That's certainly true, but as I've pointed out on previous occasions ([here](#) and [here](#)), Rove has zero credibility on these issues. In the excerpt below, Rove attacks Obama for earmarks, but this corrupt form of pork-barrel spending skyrocketed during the Bush years. He attacks Obama for government-run healthcare, but Rove helped push through Congress a reckless new entitlement for prescription drugs. He attacks Obama for misusing TARP, but the Bush Administration created that no-strings-attached bailout program.

These are examples of hypocrisy, but Rove also is willing to prevaricate. He blames Obama for boosting the burden of government spending to 24 percent of GDP, but it was the [Bush Administration that boosted the federal government from 18.2 percent of GDP in 2001 to 24.7 percent of GDP in 2009](#). Obama is guilty of following similar policies and maintaining a bloated budget, but it was Bush (with Rove's guidance) that drove the economy into a fiscal ditch.

"The president's problem is largely a mess of his own making. Deficit spending did not begin when Mr. Obama took office. But he and his Democratic allies have supported, proposed, passed or signed and then spent every dime that's gone out the door since Jan. 20, 2009. Voters know it is Mr. Obama and Democratic leaders who approved a \$410 billion supplemental (complete with 8,500 earmarks) in the middle of the last fiscal year, and then passed a record-spending budget for this one. Mr. Obama and Democrats approved an \$862 billion stimulus and a \$1 trillion health-care overhaul, and they now are trying to add \$266 billion in "temporary" stimulus spending to permanently raise the budget baseline. It is the president and Congressional allies who refuse to return the \$447 billion unspent stimulus dollars and want to use repayments of TARP loans for more spending rather than reducing the deficit. It is the president who gave Fannie and Freddie carte blanche to draw hundreds of billions from the Treasury. It is the Democrats' profligacy that raised the share of the GDP taken by the federal government to 24% this fiscal year. This is indeed the road to fiscal hell, and it's been paved by the president and his party."

Second, we have the amusing spectacle of Nancy Pelosi actually claiming that paying people to remain unemployed is a good way of creating jobs. She is being [appropriately mocked](#) for this assertion, but keep in mind that this she is accurately regurgitating standard Keynesian theory. It doesn't matter that Keynesianism didn't work for Hoover and Roosevelt in the 1930s, didn't work for Japan in the 1990s, and didn't work for Bush in 2008. Proponents of this approach have a [childlike faith in the Keynesian model](#) and its ability to generate very specific (albeit completely inaccurate) numbers.

Here are two videos that offer the policy-wonk version of a steel cage match. In one corner, we have the [Speaker of the House](#) arguing that subsidizing joblessness is a "stimulus" strategy. In the other corner, I explain why [transferring money from the economy's left pocket to the right pocket is not a recipe for growth](#).