



Jack Kelly

Obama's false 'stimulus'

He doesn't understand that wealth is created in the private sector

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By [Jack Kelly](#), Pittsburgh Post-Gazette

President Barack Obama has little interest in, understanding of or affection for free markets, so he fails to understand that the fundamental relationship between government and the economy is that of parasite to host.

Some functions of government are absolutely essential to a free economy. We need a sound currency, civil courts to enforce contracts and to provide a peaceful means of dispute resolution, protection from criminals at home and enemies abroad. Other functions of government -- chiefly those such as Social Security, Medicare and unemployment insurance that involve the redistribution of wealth -- are supported by large majorities of Americans.

But though government can consume wealth and redistribute wealth, it can't create wealth. And unless wealth is created, there is nothing to consume or redistribute. That's why -- even when government is doing something we all agree must be done or most of us want to have it do -- government is a parasite. All it has is what it takes from the producers of wealth.

A healthy host can support a lot of parasites. A sickly host cannot. So whether you like big government or small, you should support what it takes to keep the private sector robust.

John F. Kennedy, a liberal who wanted to expand the role of government, understood this. His policies were business friendly.

Barack Obama does not. He thinks he can continue to heap burdens on the producers of wealth without having it affect the production of wealth.

He's mistaken.

The unemployment rate reached 10.2 percent this month, more than two percentage points higher than Mr. Obama's economic advisers predicted it would if his \$786 billion stimulus bill were passed. The Associated Press, in reporting Tuesday on disappointing third-quarter economic numbers, noted some economists expect it to reach 11 percent by next summer. That would be the highest since the Great Depression.

The stimulus failed chiefly because it was designed more to reward the president's political allies than to fight the recession. But the stimulus failed also because stimulus funds were used to preserve jobs state and local governments could no longer afford because of falling tax revenues. The private sector has borne more than 100 percent of the job loss because state and local governments have added 110,000 jobs, according to an August report by the Nelson A. Rockefeller Institute of Government.

A job's a job, right?

Not exactly. Preserving government jobs may deepen the recession because government workers are not engaged in wealth creation and their salaries must be paid by people in the private sector who are.

"Basically what you have is your producers in society losing their jobs and looking for work ... and they are likely to face tax increases going forward (to support government workers)," Brad DeHaven of the CATO Institute told The New York Times.

State revenues have fallen 8 percent and local government revenues 2.8 percent, the Rockefeller Institute reported earlier this month. This suggests the government jobs propped up by federal stimulus funds will be lost next year unless another massive federal subsidy is provided. But with federal tax collections having fallen 18 percent from October 2008 to October 2009; with the budget deficit for the last fiscal year reaching \$1.84 trillion, roughly triple what it had been the year before; and with the national debt at a whopping \$12 trillion, this would be fiscally dangerous and politically poisonous to do.

Federal government civilian wages averaged \$79,197 last year, according to Free Enterprise Nation, compared to the average private sector employee's wage of \$49,935. When benefits are included, federal workers have pay packages twice those of private sector workers, on average.

Workers in the private sector are getting tired of subsidizing government workers. A Quinnipiac poll of heavily Democratic New Jersey released Tuesday indicated 75 percent of respondents favor freezing the wages of state workers to balance the budget, 68 percent want to cut programs and services, 61 percent want to lay off state workers. Only 23 percent want to raise taxes.

The economy wants to heal itself. But the president keeps heaping burdens upon it. His job approval has tumbled as Americans recoil from the taxes and spending proposed in Obamacare and cap and trade, and from the massive debt he's piling up.

For the economy to grow, government must shrink. But the president and Congress are rushing pell mell in the opposite direction.

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