

"On More Stimulus Spending"

Ron Paul

Faced with continuing economic decline and an impending election, the administration, predictably, is entertaining the idea of another stimulus package. To explain why the last one didn't work, adherents to the Keynesian economic philosophy are claiming that they actually did work — it just looks like they didn't because we don't realize how much worse off we would be right now without trillions of dollars of public spending. The last administration bought into Keynesianism just as much as this one does, unfortunately. Until we have leaders who understand that [debt](#) is not the way to prosperity, there will be no stopping runaway government spending.

While it is nice to hear about business tax breaks, the positive results of these tax cuts will be dwarfed by its negative effects. First of all, \$200 billion or so in temporary tax cuts and [credits](#) to businesses are nothing compared to the \$3.8 trillion in tax hikes that will hit the economy like a ton of bricks on January 1, 2011 if the Bush tax cuts are not extended by Congress.

Second of all, businesses are reluctant to hire and invest, not because they are looking for temporary [credits](#), but because of future uncertainty; they simply don't know what the [government](#) is going to do next and how future government policies will affect decisions they make now. What new costs and regulations will be placed on them with [healthcare reform](#) and financial services reform? Will Congress convene a lame-duck session this winter to pass cap-and-trade and other destructive legislation? What will the cost of compliance be for hiring new employees, and will that force them to simply lay off anyone they hire now? Worse, will the government come up with fines or additional costs if businesses have to lay people off in the future? Right now, the safest thing for businesses to do is nothing. Until we regain respect for the rule of law and remove some of this uncertainty, I'm afraid none of these temporary promises, made right before an election, will do much towards any economic improvement.

The other glaring problem with this proposed stimulus package is that it couples tax cuts with spending increases, which makes no sense when we are already heavily indebted to foreign countries. We should be cutting [taxes](#) and slashing government spending dramatically. The private sector simply cannot bear the burden of our engorged public sector. In fact, one reason earlier stimulus programs did not result in any private sector growth is because large amounts went to the public sector. Indeed, the spending that the administration is now proposing arguably constitutes a bailout of the public sector and various union allies of the administration.

This administration is falling into the same dangerous trap we fell into during the Great Depression, as did the Germans leading into their hyperinflation of the 1920's. The temptation is to do something, anything, proactive to attempt to stimulate the economy, but history has shown us that governments cannot spend their way into prosperity. The best thing government could do is get back to its Constitutional limitations and let the economy stabilize, heal and recover without the crushing burden of government holding it back.