# Stimulus Spending Skeptics: Economists Express Doubts About Trillion Dollar Spending Plan

Contrary to assertions by some leading Democrats, there are plenty of American economists expressing serious reservations about the idea that dramatic increases in government spending will lead to economic recovery. Following is a sample of comments submitted online to House Republican Leader John Boehner (R-OH) in recent weeks by economists from across the nation:

"A stimulus package of this magnitude is likely to contain many projects that are poor investments."

- Alan Viard,
  Resident Scholar, American Enterprise Institute

"Government spending does not create incentives for labor, innovation and investment. Instead of spending $1 trillion in Washington, let Washington forgive $1 trillion in tax revenues to create incentives for millions of individuals and firms to get the economy going again, one dollar at a time."

- Donald Luskin
  Chief Investment Officer, Trend Macrolytics LLC

"I have concerns about a stimulus spending bill. I think there are two criteria that may justify additional spending: 1. The spending passes a long-term cost-benefit test. That test may be less rigorous now that we are in a period of extremely low interest rates, but it should still be passed. 2. Alternatively, the spending can be implemented very quickly and will have a significant impact on employment. I highly doubt there are $1 trillion of new projects that meet one or both of these tests. I would rather see a temporary suspension of some or all of the payroll tax."

- Philip Levy
  Resident Scholar, American Enterprise Institute

"The only way Congress can spend money is to extract it from the private sector – either by taxing it, borrowing it, or seignorage. The question then becomes: will Congress spend that money more wisely than the private sector would have spent it? The answer appears to be no. Congress typically spends according to its political priorities, not economic priorities."

- Michael Cannon
  Cato Institute

"It is time for voters to wake up to the fact that government cannot create jobs. It can only shift jobs from one part of the economy to the other. It is entrepreneurs who create jobs, and it is consumers who judge whether those jobs are the best jobs to be created. The government contributes best by establishing a rule of law and protection of property rights that allows entrepreneurs and consumers to act in their best interests."

- Antony Davies
  Associate Professor of Economics, Duquesne University

"The stimulus plan will most probably turn quickly into pork spending. Marginal rate tax cuts would be a much more effective way to stimulate demand along with cuts in the capital gains and corporate tax rates. Evidence shows that marginal tax cut multipliers are much higher than spending multipliers. In addition the Fed is still not out of ammunition."

- Joseph Zoric
  Associate Professor of Economics, Franciscan University of Steubenville

"Fiscal stimulus may have symbolic value and certainly does provide an expedient for distributive politics, but there is NO evidence that it contributes to GDP or economic growth more broadly."

- Edward Lopez
  Associate Professor of Law and Economics, San Jose State University

"The empirical evidence overwhelmingly rejects federal government deficit spending as the best method for stimulating the economy, and is generally unsupportive of it having any stimulus effect at all."

- Justin Ross
  Assistant Professor of Economics, School of Public and Environmental Affairs, Indiana University

"There is not only the problem that efficient projects are often slow to get to the point where they generate actual expenditures, but also that once the government starts spending it is hard to turn off the tap when the stimulus is no longer needed."

- Thomas Mayer
  Professor Emeritus, University of California –Davis

"The stimulus plans assume consumption is the source of economic growth. It is not. It is the consequence of said growth. The 'stimulus' is a redistribution of spending, at best, and will do little to help. The next Administration should avoid large scale programs and experimentation and allow the marketplace to correct the errors made by the last 8 years of misguided intervention."

- Steven Horwitz
  Charles A. Dana Professor of Economics, St. Lawrence University

"Any so-called stimulus program is a ruse. The government can increase its spending only by reducing private spending equivalently. Whether government finances its added spending by increasing taxes, by borrowing, or by inflating the currency, the added spending will be offset by reduced private spending. Furthermore, private spending is generally more efficient than the government spending that would replace it because people act more carefully when they spend their own money than when they spend other people's money."

- Richard Wagner
  Professor of Economics, George Mason University

“Want to grow the economy without inflation? Cut marginal tax rates, slash the corporate rate, expense investment in the first year (instead of depreciation), keep tax rates low on dividends and capital gains, and repeal the death tax. Have the Federal Reserve focus on price stability and a sound dollar, and on not generating a monetary roller coaster. (That, in part, is what caused the housing and commodities bubbles.) Rein in government spending to pay for the tax cuts, and trim senseless regulation.”

- Stephen Entin
  President & Executive Director, Institute for Research on the Economics of Taxation

“Rather than old style Keynesianism we should reduce the corporate income tax substantially. The problem is not lack of demand, but rather a lack of investment. By reducing the corporate income tax, among the highest in the industrialized world, we will increase the incentive for companies to invest in new equipment, technology, research and development, and buildings. This will increase productivity in the long run, leading to higher GDP and higher wages.”

- Gary Wolfram
  William Simon Professor of Economics, Hillsdale College

“Government ‘infrastructure spending stimulus’ programs in Japan during the 1990s produced no stimulus, but rather a vast overhang of government debt. Bridges, tunnels, roads, and trains to nowhere stimulate nothing. It is productivity growth that counts, and that comes mainly from the private sector – which is why tax cuts have always been a surer way to economic recovery.”

- Lawrence Franko
  Retired Professor, University of Massachusetts Boston, College of Management

“There is no convincing evidence that stimulative fiscal policy is either feasible or effective. The recognition and action lags (ancient terms from the bygone Keynesian era) alone virtually always mean that the stimulus arrives after the recession is over, thus causing an undesirable distortion that impedes recovery.”

- John Seater
  Professor of Economics, North Carolina State University

“The evidence that fiscal stimulus works is weak. Why risk such large amounts on a program with uncertain benefits, especially if the mechanisms to transmit those benefits to the economy are a bunch of pork barrel, second rate projects.”

- Charles Reback
  Assistant Professor, University of South Carolina Upstate

“Japan in the early and mid 1990s engaged in major fiscal stimulus focused on infrastructure projects with deficits equal to 7-8% of GDP and a cumulative Debt/GDP of almost 150%. None of this led to economic recovery until the late 1990s when the Bank of Japan engaged in quantitative easing of monetary policy and the Government of Japan finally introduced a taxpayer bailout of the banks. The Fed and Treasury in the US have already taken such actions. The Japanese experience suggests that additional fiscal stimulus will only add to the Debt without helping the economy.”

- Michael Keran
  Retired, Former Sr. VP & Director of Research, Federal Reserve Bank of San Francisco

“Government intervention and ‘stimulus’ in the housing market is largely responsible for the current economic crisis.  History has shown that the Obama team’s proposed ‘stimulus’ is not only going to have little to no effect in the short run, but will create a larger bureaucratic structure, lead to tremendous investments in unproductive political lobbying among ‘stimulus project’ wannabes, and dissuade/delay private investment, recovery and growth.”

- Michael Sykuta
  Associate Professor, University of Missouri – Columbia

“Common sense dictates that any investment, public or private, must take opportunity costs into consideration.  It’s never a good idea to waste scare resources, but this is often what occurs when economics gets pushed aside in favor of politics.”

- James Garven
  Frank S. Groner Memorial Chair of Finance, Baylor University

“Our economy as a whole will [no] benefit from taking money from current or future taxpayers to support a government spending spree.  No doubt, certain interest groups will gain from feeding at the public sector trough.  But losers surely will outnumber winners by a large margin.  Our economy as a whole will benefit from Congress lowering taxes and letting Americans decide for themselves what is worth spending their hard-earned dollars on.”

- David Laband
  Professor of Economics and Policy, Auburn University

“A government-spending ‘stimulus’ is a very bad idea.  Because government can spend only what it has taxed or borrowed away from the public, it creates no new demand but merely redirects it.  Recovery depends on profit and loss discipline and public confidence that the basic rules underlying free markets will be followed.  The latter is hurt by government interventions such as ‘stimulus.’”

- Howard Baetjer
  Lecturer, Dept. of Economics, Towson University

“[T]ax cuts will not create the waste [than] government spending would, because individual households are making their own decisions about which spending or investment projects are worthwhile for themselves.”

- Alan Stockman
  Wilson Professor of Economics, University of Rochester

“During recessions, unemployment rationalizes a role for government in creating jobs.  But there is no reason these jobs should be directly working for the government: nothing about a recession justifies larger government.  If we are worried about too few jobs, it makes sense to subsidize private employment (for example, by temporarily lowering payroll taxes or creating a new tax subsidy for new hires).”

- Glen Weyl
  Junior Fellow at the Society of Fellows and Post-Doctoral Fellow in the Department of Economics, Harvard University

"Tax cuts are preferable to spending, especially the many programs that will doubtless result from this process. Even the designated chair of Obama's CEA finds that increased taxes reduce growth."

- James Butkiewicz
  Professor of Economics, University of Delaware

"The current recession was caused by government fiddling with the mortgage market and the moral hazard created by the illusion of government monitoring of financial markets. Increased government involvement in the economy is not the solution."

- Henry Thompson
  Professor, Auburn University

"An 'economic stimulus' program will do nothing to correct the serious price and resource misallocations that currently exist and are stopping the economy from moving back toward 'full-employment.' In fact, they will likely retard the recovery. They will divert resources from the private sector to the government sector moving us further away from a free-enterprise economy."

- Gene Smiley
  Emeritus Professor of Economics, Marquette University

"There is ample evidence that large deficit spending packages will be counter-productive. We should focus on tax cuts and on spending proposals where the benefits outweigh the costs. Transferring funds to state governments avoids asking the cost-benefit question and should be avoided."

- King Banaian
  Professor, Dept. of Economics, St. Cloud State University

"Government spending is not the road to real economic prosperity. I am particularly concerned about government spending misdirecting opportunities for entrepreneurship and private economic growth."

- Henry Butler
  Executive Director, Searle Center on Law, Regulation, and Economic Growth
  Northwestern University School of Law

"Governments make lots of a bad policy during times of economic stress. A spending package that approaches $1 trillion is a case in point. Do we really trust the Congress and the Executive Branch to spend such vast sums wisely, especially after all the bumbling around and ill-advised bailouts this year? Does the government really have a long list of well-thought-out, cost-effective projects that will help our economy? I do not think so."

- Scott Bradford
  Associate Professor, Brigham Young University

"A spending stimulus will only delay the needed restructuring of the U.S. economy to remain internationally competitive. Tax cuts will facilitate that restructuring far better than spending and job creation by the government."

- Stacie Beck
  Professor, University of Delaware

“There is no credible evidence that government spending can create jobs in the long run. Government policies can, however, destroy jobs.”

- John Howe
  Professor of Finance, University of Missouri

“Japan’s federal expenditures, following their 1989 stock market crash, have had little to no effect on their recovery. Japan has been left with a huge government debt per GDP ratio and nearly 20 years of little to no growth. Why on earth would the U.S. want to follow in Japan’s footsteps?”

- Gary Quinlivan
  Dean of the Alex G. McKenna School, St. Vincent College

“We must first recognize that government officials must be seen as doing something to fix the economy; however, the plans I have been hearing about, namely developing infrastructure for heretofore impractical ‘green’ technologies, strikes me as an odd approach. Markets still work pretty well and most economists will tell you that government interference with those markets typically causes more harm than good… Entrepreneurs will create a much more efficient outcome if the costs imposed upon them by government are reduced.”

- Brian O’Roark
  Associate Professor of Economics, Robert Morris University

“Government spending programs like these are political grab-bags whose successes are predicated on satisfying political interest groups, not on creating value and growth in a market economy; these government spending programs then often become embedded ‘entitlements,’ crowding out the flow of funds to private investments in a free marketplace.”

- Douglas Houston
  Professor, School of Business, University of Kansas

More Skeptical Economists Challenge Notion of Government Spending as "Stimulus"

"I think the bailout is bad economic policy. I don't believe it will work, indeed, I think it might make things worse."

- Peter Lewin,
  Clinical Professor of Economics, University of Texas at Dallas

"I have a number of reservations about a major stimulus package. One is that it is not in any sense clear that the benefits justify the significant price tag of the package. Another concern is that the historical record of government stimulus programs is poor - I can't think of a single fiscal stimulus program that demonstrably moderated a recession. But there is ample evidence based on peer-reviewed research that these programs have substantially damaged the U.S. economy, such as the New Deal programs in the 1930s. More recent stimulus attempts, such as the tax rebate in early 2008, did nothing but increase the deficit. The best policies are those that are evaluated carefully and not rushed out, and that are consistent with the key goals of long-run economic prosperity - broad-based tax reform that raises the incentives to work, save, and invest, promoting competition, and fostering economically open ties with other countries. Any fiscal policy should pass this test, and this one doesn't seem to."

- Lee Ohanian
  Professor of Economics, University of California, Los Angeles
  Director, Ettinger Family Program in Macroecononmic Research

"Nothing in life is free. Running trillion dollar budget deficits will lead to higher interest rates and future tax increases, both of which will slow long term economic growth. Government spending isn't a magic pill, it must be paid for. Spending today will most likely be paid by taxes tomorrow. These taxes, while burdensome to future taxpayers, will also harm incentives which will lead to less capital formation and slower longer term economic growth. Government debt is redistributive in nature. Any stimulus package will only stimulate targeted areas of the economy at the expense of economic growth more broadly. Since when have governments been better than markets in determining the best places to spend money?"

- Brian Strow
  Associate Professor of Economics, Western Kentucky University

"I oppose any 'stimulus' by government spending. Governments can spend only what they tax or borrow away from the public, and politicians and bureaucrats don't know how to spend or invest other people's money as well as do the people themselves. Government spending should be cut, not increased."

- Howard Baetjer
  Lecturer, Dept. of Economics, Towson University

"The stimulus plan is little more than a grossly-inefficient special-interest grab bag that will leave a massive burden for our grandchildren to pay and, in the meantime, deter development of more productive sectors of the economy in favor of those politically favored."

- Roger Meiners
  Professor of Economics, University of Texas at Arlington

“A deficit spending bill is not a good idea. Tax cuts are. Here is why: Spending by government is directed to uses that are not of highest value. Politics inevitably determines how money is spent. Typically the ‘pork barrel’ spending is allocated to serve political goals. Consequently government spending is inefficient. It wastes resources on things of lesser value for two reasons: politics determines what projects are funded; and, no individual or collection of individuals has enough information to identify what consumers value most. There is a further cost of government spending - it crowds out private investment and raises the cost of resources to all other (private) activities. By contrast, if the government cuts personal and business taxes: individuals and businesses immediately get resources; and, the marketplace efficiently directs those resources to their highest valued use…I urge you to oppose the massive spending program that the Obama Administration is proposing. I urge you to support tax cuts for individuals and businesses.”

- Dean Lillard
  Senior Research Associate, Cornell University

“As is par for the Obama course, the so-called stimulus program is a repackaging of his long-term plan greatly to expand government spending on ill-advised programs. He clearly has not bothered to contact those economists who believe that by their nature recessions end by themselves and intervention is unnecessary and often comes into effect long after recovery is well under way.”

- Richard Gordon
  Professor Emeritus of Mineral Economics, The Pennsylvania State University

“At times like this, the key is restoration of private investment. Government borrowing and spending crowds out private investment and delays recovery, adds to the burden of debt (with all attendant distortions in financial markets) and will never be as efficient or effective as competitive private sector activity (government spending is never as efficient or effective as competitive private sector investment). The very best recipe for recovery is to retain and bolster our competitive edge by keeping taxes low, eliminating the distortion of capital gains taxes, pushing for transparency in financial markets but not jumping overboard on financial market regulation. We have the most entrepreneurial, risk taking, creative country on earth - our system will do the work for us so long as we minimize political interference.”

- Michelle Michot Foss
  Chief Energy Economist and Head
  The Center for Energy Economics, University of Texas at Austin

“Cut spending, balance the budget, and deregulate. Any small short-run gains from stimulus will be swamped by problems it will cause over the long-term. The problem has been created by bad regulation and unsound monetary policy. I strongly urge our elected leaders to return to the simple Constitutional principles that laid the foundation for a productive market economy and made this country great.”

- Ryan Johnson
  Professor of Economics, Brigham Young University, Idaho

“Spending for capital improvements could produce higher income in the future, but not if the bridge is going nowhere. Moreover, this takes years for the positive effects to take place. Even instant cash in the pockets of taxpayers in a lump sum is more likely to be used for debt reduction, again, no stimulus. Government should just get out of the way by reducing corporate taxes.”

- Donald Booth
  Professor of Economics, Chapman University