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Barack Obama's Stimulus Didn't Work

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In early 2009, President Obama predicted that his American Recovery and Reinvestment Act would "jump-start our economy," "create new jobs," and provide "many years of economic growth." He claimed that this growth would "cut the deficit in half by the end of [his] first term in office" and put "our nation on sound fiscal footing." Terrified of a repeat of the Great Depression, Americans supported the president's plan for more than \$1 trillion in new government spending.

The White House predicted that in 2012 the economy would grow by 4.6 percent, unemployment would drop to 6 percent, and the budget deficit would shrink to a mere 3.5 percent of GDP.

Well, here we are, and no one is talking about these predictions anymore. Real economic growth has stagnated at 2 percent, while official unemployment hovers near 8 percent and actual unemployment remains in the double-digits. Adding insult to injury, the only growth the stimulus spending has actually produced is a ballooning of the deficit to 8.5 percent of GDP. Only in Washington, D.C. could the idea of overspending our way out of a financial hole be taken seriously. It is almost as if, in addition to checking common sense when crossing the D.C. beltway, no one in government learns from past mistakes.

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Which brings us to what happens next. The president is now talking about continued "stimulus spending," apparently oblivious to how poorly it worked last time. The unfalsifiable hypothesis of the pro-government camp is that "when markets fail it is because markets are doing too much, but when government fails it is because government is doing too little." Of course, this is inevitably couched in terms of creating jobs, which, despite all evidence to the contrary, this administration thinks it can do by executive order.

A good deal has been made about America's improving jobs picture, and there actually is some good news here: We had 146,000 more jobs in November than we did in October. The bad news is that we had almost 150,000 more people looking for work. The increase in jobs, such that it was, is actually more like breaking even.

Two factors account for this. First, population growth continues to add more people to the potential workforce. Each month there are about 150,000 more young people coming into the labor market for the first time than there are people retiring or otherwise leaving the labor market. This means that we need about that many jobs a month just for the unemployment rate to remain constant.

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Second, the Federal Reserve's historic and persistent low interest rates—which are a boon for borrowers—mean that senior citizens' investments are generating almost non-existent returns. This puts pressure on older workers to delay retirement and on the already retired to turn around and return to the labor market.

The market is flooded with labor. This means that the value of that labor is decreased. Unfortunately, everyone should expect lower wages in an environment such as this. And it should mean that employers get the best of the situation. After all, they get to hire more selectively and pay less, so they should be hiring at a record pace. But of course, they are not. And for this we can thank the past four years of economic tinkering.

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Every time Washington changes the rules by which we play (like it did when it threw out established bankruptcy law to payoff the automaker unions), every time Washington substitutes its wisdom for the wisdom of the marketplace (as it did when it decided to spend taxpayer money



bailing out financial institutions), and every time Washington decides that it knows how to produce a product better than the experts and entrepreneurs (as it did when it decided to make healthcare "affordable"), the economy falters.

Consumers put off big ticket purchases because they don't know what tomorrow will bring. Employers put off hiring because they don't know whether they will win or lose in the government's game of regulatory roulette.

So we get more government spending and more uncertainty. But this time the administration would have you believe it will work out differently. They're betting your jobs on it.

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