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## **Political Stimulus** **by Sheldon Richman**

Not understanding basic economics is dangerous because you're vulnerable to political con games foisted by unscrupulous politicians.

Economics properly conceived is just common sense about human activity. An examination of the proposed economic stimulus will make this clear.

Nearly all politicians claim that the economy needs a stimulus that only they can provide. That is odd right off the bat. Politicians produce nothing; they spend other people's money and, in the process, interfere with people's productive activities. Why would anybody think they could stimulate an economy?

A Republican president and Democratic congressional leaders are converging on a \$150 billion package of tax rebates and business incentives. This is said to be the needed boost to keep "the economy" from falling into a recession. Democrats insist it's teetering on the edge of recession. Republicans prefer to say the economy may be entering a "slowdown."

Even the words that politicians use to talk about the subject are chosen to convey that their power can be constructive. Their language, however, is deceptive. The "economy" is a concept, not a thing. The convenient term stands for nothing apart from people exchanging their property (goods and money) and labor in order to acquire the things that will make their lives better.

But politicians and most economists talk about the economy as though it were a machine or a vehicle separate from the people who make it up. In this misleading view, the economy can slow down or overheat. It may need a stimulus, after which it may need a cooling down.

Politicians are attracted to this language because it justifies the power they wish to exercise. If people automatically translated statements about the economy into flesh-and-blood terms, they wouldn't let their (mis)leaders and public (self-)servants get away with the standard mischief.

Government officials are endlessly capable of interfering with our economic activities. Their central bank can inflate the money supply, artificially lowering interest rates and distorting investment decisions while raising consumer prices. Bureaucrats can promise to bail out banks

and firms when they make bad decisions, guaranteeing an abundant supply of such decisions. Regulators can pile burdens on business owners, making the cost of expansion prohibitive. The tax collectors can siphon off so much capital that investment is stymied, inhibiting the growth of productivity and incomes. Politicians can shovel so many advantages at established firms that new competition is crippled or even stillborn.

The upshot is that the economy is you and I. And our economic activities are at the mercy of government power.

Politicians prefer that we not understand that. They want us to believe that their job is to tend the economic machine. The big lie is that they know what they are doing. They don't.

Consider the economic stimulus package. If the plan were to remove the mountain of burdens that government has imposed on us, that would make sense, recession or not. But that's not the plan. No burdens will be removed, but new ones will be created. This is easily seen once you realize that government creates no wealth. Government can only move it around. When it sends out tax rebates without cutting spending, it must get the money by taxing others, borrowing it, or in effect printing it (inflation). But each of those methods reduces other people's wealth. When inflation pushes up prices, everyone's wealth shrinks. How can these measures "stimulate the economy"?

True, if the government suddenly puts money in lots of people's hands, economic activity will appear to be stimulated. But as the great 19th-century French economist Frédéric Bastiat wrote, the key to understanding economics is to look for the unseen effects. If the government weren't borrowing and taxing in order to magnanimously hand out money, it would be available for the production of goods and services. The government's plan diverts resources from investment to consumption. But consumption is the effect not the cause of economic growth. You can't consume what doesn't exist.

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