



JOINT ECONOMIC COMMITTEE

Senator Sam Brownback, Ranking Republican

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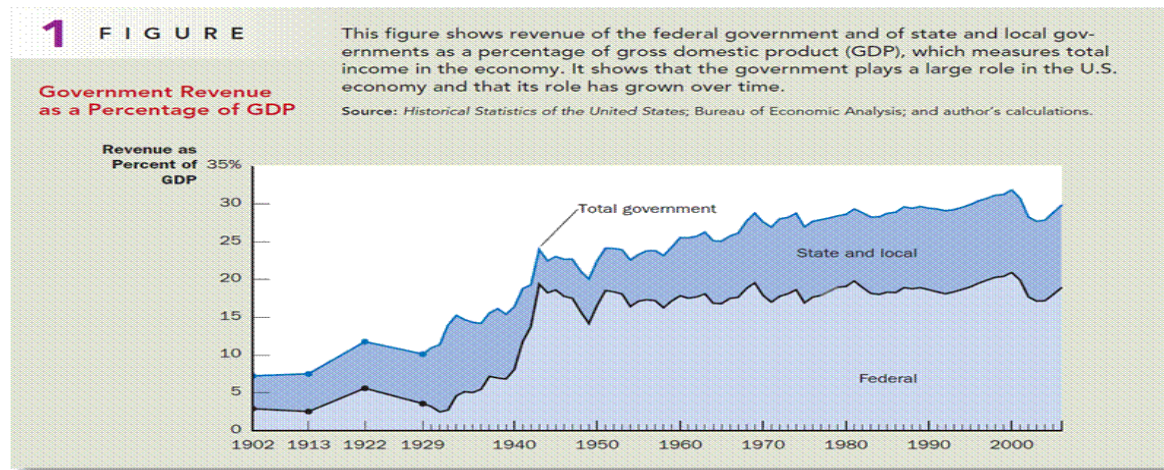
STIMULUS OR PERMANENTLY LARGER GOVERNMENT?

Given the large sums devoted to long-term government spending projects in the “stimulus” packages under consideration in the House and the Senate, a natural question arises: **Is this stimulus, or a long-term spending agenda and prelude to larger government?**

Stimulus packages currently under debate contain large amounts of federal spending on long-term investment projects that have little or nothing to do with the Keynesian notion of economic stimulus. The concern about the long-term nature of the spending is that, under the guise of stimulus, the federal government is simply planting seeds for a permanent increase in the size of government and its role in the economy.

This notion was recently illuminated in a comment by White House chief of staff Rahm Emanuel, who stated, “You never want a serious crisis to go to waste. And what I mean by that is an opportunity to do things that you think that you could not do before.” Issues such as health care, the environmental, energy, and education are all long-term areas of concern, yet they have been included under the guise of stimulus measures. Changes made concerning these government policies are unlikely to fade away as the economy recovers.

As the diagram below, from N. Gregory Mankiw’s economics textbook, shows, we have reason to be concerned that, like the Great Depression, the policy responses to current economic crisis could result in a significant increase in the size of the federal government:



The massive expansion of government that followed in the aftermath of the Great Depression nearly doubled the size of government as a share of the overall economy. The long-term spending programs proposed in current stimulus packages threaten to become permanent fixtures and to expand the size of government relative to GDP well above 30%. Is another significant ratcheting up of the size of government in our economy a legacy that we would like to provide our children and their families?