

Newspaper ads energize critics

Cato Leads Opposition to Bloated Spending Package

Economic historian Robert Higgs called it the “ratchet effect”: during times of crisis, government “ratchets up,” growing far larger than it had been previously, only to conveniently fail to return to its previous size after the crisis has subsided. That “ratchet effect” is rampant today, with America facing a deep recession and plans afoot for a trillion-dollar “stimu-

had already taken to the newspapers and airwaves. But at every step, Cato scholars were there to counter the flawed reasoning behind those proposals. In a January 14, 2009, *Marketplace* commentary, Cato research fellow Will Wilkinson argued that public works spending, which represents the majority of outlays in the proposed package, would take years to come online,

and thus even by its proponents’ own terms did not represent a “stimulus” at all. During a December 21, 2008, C-SPAN appearance, Chris Edwards, Cato’s director of tax policy studies, pointed out the sheer magnitude of the package, and what it meant for the future. Even without a stimulus package, the government had already incurred an unprecedented trillion dollar-deficit for the year, and certainly couldn’t afford spending another trillion, he argued. With entitlement spending for Social Security and Medicare ramping up due to demographics, Edwards warned that if a stimulus package is passed, America “may never have another bal-

200 economists who oppose the stimulus, placed by the Cato Institute with generous special funding from Cato Sponsors. The ad begins with a quote from President Barack Obama claiming that all economists agree on the need for a stimulus package to revive the economy, a talking point repeatedly echoed in the media. Declaring “With all due respect / Mr. President, that is not true,” it is signed by 200 economists, including Nobel Laureates Edward Prescott, Vernon Smith, and James Buchanan. The ad was published in the *New York Times* on January 28, 2009, and soon also in the *Washington Post*, the *Los Angeles Times*, the *Chicago Tribune*, *Philadelphia Inquirer*, the *Washington Times*, the *National Review*, the *New Republic*, and more. The *Wall Street Journal* also featured an op-ed by Cato senior fellow Alan Reynolds pointing out that the stimulus represented a massive, long-term transfer of resources from the private to the public sector.

Also on January 28, the Cato Institute launched Fiscal Reality Central on www.cato.org. The page features “must read” commentary such as Cato Briefing Papers on “The Troubling Return of Keynesianism,” instructional YouTube videos on how the economy really works, and video featuring some of the highlights of Cato’s television appearances. These videos regularly have thousands of viewers, with one anti-stimulus video earning a #1 “most watched” ranking among Youtube nonprofits on February 10. The webpage for Fiscal Reality Central is available for viewing at www.cato.org/fiscalreality. Cato’s Youtube channel is at www.youtube.com/catoinstitutevideo.

Consider the ad and the media outreach efforts so far but the opening salvo in the efforts of Cato scholars to counter the return to big-government, Keynesian policies. Going forward, Cato scholars will continue to work to expose the flawed reasoning behind misguided policies that transfer unprecedented sums of power to the federal government at the expense of taxpayers.

lus” package to “save” it—this coming on top of a string of unprecedented bailouts and interventions. In the midst of all of this, the Cato Institute has emerged as a clear leader in facing down calls for greater government spending and deficits, which Cato scholars contend won’t help the economy, but will leave us with permanently bigger government.

Even before Barack Obama took office, advocates of a massive stimulus package

anced budget again.” In the month of January alone, Cato scholars published articles or were quoted in 22 major newspapers opposing the stimulus, 31 national television programs, and 49 radio programs. The writings of Cato scholars were also featured on several prominent blogs, including those of Harvard economist Greg Mankiw and news pundit Michelle Malkin.

The efforts to oppose the spending bill came to a head with a full-page ad featuring



“There is no disagreement that we need action by our government, a recovery plan that will help to jumpstart the economy.”

— PRESIDENT-ELECT BARACK OBAMA, JANUARY 9, 2009

With all due respect Mr. President, that is not true.

Notwithstanding reports that all economists are now Keynesians and that we all support a big increase in the burden of government, we the undersigned do not believe that more government spending is a way to improve economic performance. More government spending by Hoover and Roosevelt did not pull the United States economy out of the Great Depression in the 1930s. More government spending did not solve Japan's "lost decade" in the 1990s. As such, it is a triumph of hope over experience to believe that more government spending will help the U.S. today. To improve the economy, policymakers should focus on reforms that remove impediments to work, saving, investment and production. Lower tax rates and a reduction in the burden of government are the best ways of using fiscal policy to boost growth.

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