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## The politics of stimulus

Posted By [Ethan C. Nobles](#) On July 23, 2010 @ 11:07 pm In [Commentary](#), [Headline](#), [Politics](#) | [1 Comment](#)



So, let's see — the economy is a mess, unemployment is high, deficits are higher and we've got a bunch of Congressional elections coming up in November.

The Democrats are blaming George W. Bush and his economic policies while the Republicans are pointing out that Barack Obama's administration has swelled deficits to an unsustainable degree and we don't have a whole lot to show for the spending (or, rather, spending borrowed money).

People are irate over the economy for a good reason. According to the Arkansas Department of Workforce Services, the [unemployment rate in Arkansas](#) in June was 7.5 percent — if you're out of work, there's no need to feel alone as 100,900 other Arkansans are in the same boat. Arkansas' unemployment rate was slightly better than the national one of 9.5 percent, but still...

Furthermore, more than a few people are worried about the deficit. The nation went from an [annual deficit](#) of \$162 billion in 2007 to over \$1 trillion today. The national debt, meanwhile, stands at \$13.2 trillion — a number that's simply hard to fathom.

So, who's to blame for this mess? Honestly, we saw a lot of stimulus spending starting under Bush's watch in 2008 — bailouts for banks and auto manufacturers started back then as did the Federal Reserve's decision to pump money (eventually \$1.25 trillion) into the mortgage-backed securities market in a successful attempt to keep mortgage rates low.

Those policies continued and expanded under Obama, all in the name of stimulating the economy. The bailouts, various stimulus packages and high levels of government spending may have regarded as successful if the jobs had materialized as expected.

But they didn't.

So, what went wrong?

Bobby Coats, an economist and professor at the University of Arkansas' Dale Bumpers College of Agriculture & Life Sciences in Little Rock, said it's not unusual for the government to step in and put stimulus packages in place when the economy is in trouble. The goal of that increased government spending, he said, is to help create private sector jobs to generate the income and tax revenue necessary to retire the debt incurred in the stimulus efforts.

Coats said those jobs haven't materialized yet, thus causing a lot of anxiety around the nation. In fact, he said it's too early to determine whether the stimulus efforts have been successful, unsuccessful or somewhere in between.

Still, he said there are some concerns. For one thing, a lot of those jobs that have traditionally increased to pull the country out of recessions and depressions have been shipped outside of the United States. America, in short, has gone from a producer to a consumer and learning to cope with that new reality make take some time.

Kathy Deck, director of the University of Arkansas at Fayetteville Center for Business and Economic Research, summed up the employment problem quite nicely a few months ago. When asked where the jobs Obama kept talking about would be created, she responded with a simple, direct "I don't

know.”

She pointed out that no sector of the economy was showing signs that it was healthy enough to create the needed jobs. If that statement doesn't concern you, go back and read it a few times.

Additionally, Americans have spent the past 30 years taking on more and more debt, Coats said. Those debt levels, around 2007, reached the point of being unsustainable for a lot of Americans. The result of all that heavy debt burden showed up in the form of foreclosures, bankruptcies and general economic turmoil.

Both Coats and Deck, however, said that America has gone through a number of interesting times such as these. We may well recover and then go through another interesting time. What will pull us out of the current economic malaise (to borrow a phrase from Jimmy Carter) is yet to be seen, but the answer may be on the horizon.

The question, of course, is which politicians can help us find those answers. Is too much government — or not enough — the problem? Voters have some pretty weighty issues to consider in November. Here's hoping we make some solid, informed decisions.

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