

Economic and Social Crisis in America: Burglarious Stimulus

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Paul Volker has recently [said](#), “Well, we’ve got a problem in governing in this country..., our inability to deal with very large evident problems is apparent.”

Indeed we do, and the problem is not new. The problem became evident to many long before Mr. Volker’s term as Chairman of the FED, and he, along with many others, are complicit in perpetuating it.

There are two beliefs held by America’s powerful elite that make solving social problems impossible. In fact these beliefs exacerbate existing problems and continually create new ones.

Much of America’s political and economic communities hold the belief that government exists to promote private-sector business which will in turn use its ingenuity, expertise, and the profit motive to solve society’s problems, relieving the government of that responsibility. Politicians of both parties, more or less, have adopted this view. It accounts for the government’s unwillingness to tax corporations and the wealthy, for both the Congress’ ability to find money for corporations and war but rarely for people, and for the Republican assault on social programs, even social security. Republicans claim that all such programs should be privatized. Let the private sector handle social problems. It matters not that more than two hundred years of history proves the view to be misguided, perhaps something that Mr. Volker has come to finally recognize. No known instance of the private sector’s addressing and solving a social problem exists. Social problems abound in all societies that have from time to time adopted this view. Since the fall of communism in [Bulgaria](#), unsolved murders have become epidemic, and look at what happened in Russia and Israel after they abandoned communism and socialism respectively. Crime and poverty have become widespread while billionaires have crawled from the woodwork.

The reason this always happens lies in another view held by the same elite: private-sector companies have one and only one responsibility—the pecuniary interests of their stockholders. Private-sector companies have no social responsibilities. The chief proponents of this view are the late Milton Friedman and the Chicago school of economics, although the view is quite widespread and was formulated long ago. It is sophistically called economic freedom.

That these two notions are incompatible should be obvious. The first places the responsibility of solving social problems on the private sector and the latter removes that responsibility from the very same private sector. The result is that neither the private sector nor the government takes responsibility for the solution of the “very large evident

problems” that Mr. Volker now recognizes.

But these notions also account for why the government’s stimulus packages are not working. The original stimulus that gave almost a trillion dollars to the investment and automotive communities has produced meager results. Now the administration is proposing a “jobs bill” that merely consists of giving small businesses that hire new workers tax breaks, which is just another instance of the government’s promoting private-sector businesses in an effort to solve a social problem. These programs are burglarious. The people are made to take on debt to pay for their own jobs.

There is much forthright criticism of these programs. See [Obama’s disco-era jobs bill](#), but the Congress will pay no attention; the dogma will prevail, and the economic problem with all of its associated social problems will persist in greater or lesser form.

A number of pieces have appeared which describe the stimulus as a failure. Conn Carroll of the Heritage Foundation [writes](#), “Congress does not have a vault of money waiting to be distributed. Every dollar Congress injects into the economy must first be taxed or borrowed out of the economy. No new spending power is created. It is merely redistributed from one group of people to another. . . . Yes, government spending can put under-utilized factories and individuals to work—but only by idling other resources in whatever part of the economy supplied the funds. If adding \$1 billion would create 40,000 jobs in one depressed part of the economy, then losing \$1 billion will cost roughly the same number of jobs in whatever part of the economy supplied Washington with the funds. It is a zero-sum transfer regardless of whether the unemployment rate is 5 percent or 50 percent.”

But why Carroll and others like him fail to notice that the same thing happens when the government subsidizes private-sector business ventures is logically incomprehensible. Any subsidy comes from somewhere and goes somewhere else. All governments engage in the practice of transferring money from one group to another. From whom the money should be taken and to whom it should be given is the essential question. That it should be taken from the poorest and given to the richest is what contradicts all known moral principles and has provoked the common widespread opposition to the stimulus.

And the Wall Street Journal reports in [The Stimulus Didn’t Work](#) that “The data show government transfers and rebates have not increased consumption at all.” But only an economist would ever have expected it to. Birds won’t feed if the birdseed is sprinkled over the dog’s food. Transferring money to vendors does not increase consumption.

Job creation is the measure everyone seems to be looking at, but merely creating jobs is itself not helpful. Anyone who has looked at the way the unemployment rate is calculated knows that it is bogus. It is not mathematically possible for the number of jobs lost in a month to be greater than the number gained and have the unemployment rate drop. Two plus two never equals three. Furthermore, it is perfectly conceivable for a society to have full employment and widespread poverty. All that is required is sufficiently low wages. Widespread poverty is a social problem that is worse than unemployment. In fact, if merely reducing the unemployment rate were the goal, given the way the employment rate is calculated, the goal could be accomplished more quickly by just paying the unemployed enough to take them off the rolls of jobseekers. Some economists, Stiglitz for instance, have claimed that the reason employment is a lagging indicator is that wages are not reduced fast enough in economic downturns to stimulate it. But lowering wages creates rather than

solves social problems.

The powerful elite in America who object to social programs for the people, otherwise known as entitlements, apparently don't recognize that subsidizing the private sector is itself an entitlement. The private sector knows that it can expect these subsidies and feels it is entitled to them, and when some companies are deemed "too big to fail," the entitlement becomes absolutely necessary. The result is that the government exists for the benefit of the private sector and not for the people. The private sector endures while the people perish. It results in the absurdity of the nation's having thousands of empty houses while homeless families live on the streets along with their hungry children. See [Suburban homeless: Rising tide of women, families](#). Is this how the greatness of America is to be measured? Is this how we want the world to view us? Is this the kind of world we want to live in?

So what is the upshot of all of this? There are only three logical possibilities.

- One is that the private sector be required to take on the responsibility for solving social problems, exacting severe penalties from those companies that don't assume it.
- Another is that the government abandon the view that the private sector can or will solve social problems and assume that responsibility itself.
- The third is to do nothing, making clear that the government assumes the attitude of William H. Vanderbilt who said, "The public be damned!"

I suspect that those who make up America's power-elite would prefer the last but lack Vanderbilt's honesty. These people are, of course, evil through and through. But I wonder which alternative Mr. Volker would select, and whether he's honest enough to even confront the issue. We'll never know of course, for Mr. Volker along with everyone else in this elite class have adopted Pascal's view that "the best defense against logic is ignorance," and they maintain their ignorance by ignoring all critics.

John Kozy is a retired professor of philosophy and logic who blogs on social, political, and economic issues. After serving in the U.S. Army during the Korean War, he spent 20 years as a university professor and another 20 years working as a writer. He has published a textbook in formal logic commercially, in academic journals and a small number of commercial magazines, and has written a number of guest editorials for newspapers. His on-line pieces can be found on <http://www.jkozy.com/> and he can be emailed from that site's homepage.

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