

The Harbour League



TRANSFORMATIVE CHANGE

By Herbert I. London

February 24, 2009

As a candidate, President Obama promised change, formidable change; alas a break with the past. Little did anyone appreciate how committed the president is to transformative change.

With the \$787 billion bill now the law of the land, more money will be transferred from one group to another than any point in American history. The government will emerge as the central architect in the economy and the notion of limited government as the premise for this "new nation" has been tossed on the ash heap of history.

Newsweek editors claim "we are all socialists now." Perhaps that is true for the majority in the Congress, but I doubt it is a view shared by the majority of Americans. Intuitively, most people realize that the expansion of government spending reduces the influence and size of the private sector. In fact, there is a tipping point at about 30% of government spending that drives private initiative downward. We are now at that point.

Moreover, without any analysis both houses of the Congress embraced the 1,400 page legislative agenda with alacrity in order "to avoid a catastrophe." Yet, the much overused word "stimulus" turns out to be a euphemism for special interest allocations and pork barrel appropriations. The greed once attributed to Wall Street can now be found on K Street.

Most disturbing is that the final tab is not \$787 billion as advertised. That is merely the first year's tally. As the Congressional Budget Office noted the real expense based on years two, three, and four – as

newly created programs are sustained – is on the order of \$3.2 trillion. Keep in mind that the nation's annual GDP is \$14.5 trillion.

The consequence of this act is to place on the next generation the greatest financial burden the country has ever encountered; a burden so great that no one can be sure of how we will emerge from the indebtedness.

Yes, we are changing from a nation that relied on the ingenuity of its citizens and incentives that drive innovation, to a nation that relies on government to determine "winners" in the economy.

Yes, wealth is being spread around, as candidate Obama promised. But what he and his media courtiers don't seem to appreciate is that this legislative action will destroy the incentives for wealth creation. Socialism may distribute wealth according to its philosophical commitment to egalitarianism, but it doesn't know how to build the institutions that inspire wealth in the first place.

Abraham Lincoln wisely noted that "you cannot make a weak man strong by making a strong man weak and you cannot make a poor man rich by making a rich man poor." This obvious lesson – once regarded as axiomatic – has been lost on the Obama team. They see a stagnant and faltering economy and assume spending will solve the problem. It hasn't occurred to this president and his congressional acolytes that the solution may be worse than the problem.

Instead of corporate leaders making decisions for their companies, Rep. Barney Frank will determine how assets should be deployed in the economy. Instead of risk takers operating out of a local garage, entrepreneurial activity will be monitored by Sen. Charles Schumer. This isn't merely a disgrace; it represents a dramatic fall in the fortunes of the nation.

Recognizing the tyranny that could result from big and intrusive government, President Gerald Ford once noted that "a government big enough to give you everything you want is strong enough to take everything you have." It may seem exaggerated but the new president is dangerously close to taking everything away as government devours the private sector and America is transformed into a Marxist utopia.

Herbert London is president of Hudson Institute and professor emeritus of New York University. He sits on the Harbour League's board of Trustees. He is the author of **Decade of Denial** (Lanham, Maryland: Lexington Books, 2001) and **America's Secular Challenge: The Rise of a New National Religion** (Encounter Books, 2008). London maintains a website, www.herblondon.org.

