

How a Republican President Spends

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After convincing the country that he was a conservative icon, Ronald Reagan embraced central economic planning and set all records for government spending. That seemed o.k. since he was widely perceived as the most conservative president in history. Republicans do not mind astronomical government spending as long as it is part of a central planning initiative and the idea is presented by a Republican.

Donald Trump is signaling that he is going to do exactly what Reagan did. Economists call it supply side economics. Detractors call it trickle down economics. Smart people call it transferring income from the masses to the super rich. That is the result of all central planning.

So, how does this conservative spending take place? What is really accomplished by lowering taxes? A tax decrease while spending is increased causes the public to lose any awareness of what government costs. More spending is always deemed as just fine since out of pocket costs go down. The official justification is that the Keynesian spending plan will increase tax receipts more than paying for the increase in spending. Democrats have learned to copy this Republican technique because the public becomes duped almost automatically. After several years, the public forgets spending was ever increased.

There is no chance at all that a tax decrease will be good for the country. Like all Keynesian techniques, the supply side theory is flawed. Keynes invented the concept of a straw man. In Keynes's mind a straw man was needed so as to be completely objective in implementing the plan. As it turns out the straw man doesn't exist in nature. No such being exists and it is not possible for a straw man to exist. If there was a straw man, he would not be given the job. Government makes political decisions, not economic decisions. Self interest, is all that drives political decisions so the spending occurs in ways that enrich the politically powerful. The new spending increasingly misallocates resources because it occurs outside of the free market. Over time more harm than good occurs.

When Keynes died, he was already backing away from his theory. Economists usually believe that one number causes another and have no understanding of incentives. Keynes made that mistake. Numbers don't cause anything independently of the changing incentives that cause the numbers.

Unless Trump is reined in aggressively, he will become history's biggest spending president. A supply side central planning program will perpetuate the rigged system he has promised to eliminate. What is central planning other than a technique of rigging the system?