Obama's Stimulus, Five Years Later
Not much growth, but a new costume for Bobber the Water Safety Dog.

THE STIMULUS ANNIVERSARY
Five years ago today, President Barack Obama signed the American Recovery and Reinvestment Act into law. The $830 billion spending blowout was sold by the White House as a way to keep unemployment from rising above 8%. But the stimulus would fail on its own terms. 2009 marked the first of four straight years when unemployment averaged more than 8%. And of course the unemployment rate would have been even worse in those years and still today if so many people had not quit the labor force, driving labor-participation rates to 1970s levels.

The Obama White House had been egged on by liberal economists like Paul Krugman, who in November of 2008 recommended a stimulus of at least $600 billion. Team Obama worked with Democrats in Congress to exceed his minimum request by more than 30%. But after the failure of the stimulus the same liberal economists who had enthusiastically supported the plan would claim that its main flaw was that it was too small.

Shortly after the passage of the Recovery Act in 2009, Vice President Joseph Biden urged local politicians not to spend the money on "stupid things." They ignored his advice, and so did Mr. Biden. The federal government poured billions into the government and education sectors, where unemployment was low, but spent only about 10% on promised infrastructure, though the unemployment rate in construction was running in double digits. And some of the individual projects funded by the law were truly appalling. $783,000 was spent on a study of why young people consume malt liquor and marijuana. $92,000 went to the Army Corps of Engineers for costumes for mascots like Bobber the Water Safety Dog. $219,000 funded a study of college "hookups."

In aggregate, the spending helped drive federal outlays from less than $3 trillion in 2008 to $3.5 trillion in 2009, where federal spending has roughly remained ever since. The legacy is a slow-growth economy: Growth over the last 18 quarters has averaged just 2.4% -- pretty shoddy compared to better than 4% growth during the Reagan recovery in the 1980s and almost 4% in the 1990s recovery.

The failure of the stimulus was a failure of the neo-Keynesian belief that economies can be jolted into action by a wave of government spending. In fact, people are smart enough to realize that every dollar poured into the economy via government spending must eventually be taken out of the productive economy in the form of taxes. The way to jolt an economy to life and to sustain long-term growth is to create more incentives
for people to work, save and invest. Let's hope Washington's next stimulus plan is aimed at reducing the tax and regulatory burden on American job creators.

*This column is available every day at wsj.com/morning. Follow on Twitter @FreemanWSJ.*