

Investor's Business Daily 8-26-10

Thanks for your 8/26/10 correction re the appalling economic illiteracy of Ruth Marcus. A “small business” does indeed create jobs, especially when it grows into a big business, as your examples Wal-Mart and Microsoft document.

One further correction: Marcus (8/25/10) thinks that House minority leader Boehner's plan to cut both taxes and spending is “internally inconsistent.” Correct only given the economic dictum *ceteris paribus*—subtracting a dollar of taxes equals subtracting a dollar of government spending. Both, Marcus thinks, subtract from the public sector, and nothing else changes. Thus, in her view, cutting government spending must be offset by increases in taxes lest the deficit suffer disaster. The economic term for this type of thinking is static analysis.

But other things are not equal. Cutting both taxes and spending subtracts from public sector resources and adds them to the private sector. Both therefore provide additional resources for growth of businesses big and small, while limiting public sector expansion. Thus, in my view—shared by most economists—Mr. Boehner's plan is internally consistent. More importantly, his plan is the correct economic strategy for American job growth and deficit reduction. For specific details, Ms. Marcus could study Representative Paul Ryan's comprehensive economic document.