

## *Forget the Deficits!*

“Fair, Not Balanced” by James K. Galbraith, in *Mother Jones* (July–Aug. 2005),  
222 Sutter St., Ste. 600, San Francisco, Calif. 94108.

It’s been quite a spectacle to see leading Democrats such as New York senator Hillary Clinton take up the cause of the deficit hawks. It’s not only bad politics for the Democrats but bad economics, argues Galbraith, an economist at the University of Texas at Austin.

“Franklin Roosevelt cured his urge to balance budgets during the early New Deal and spent his way out of the Depression and to victory during World War II,” he writes. And many Republicans threw out their green eyeshades long ago. Ronald Reagan’s deficits, for example, caused by his large tax cuts in the early 1980s, delivered “a stable recovery and his landslide in 1984.” Like Reagan, George W. Bush came into office facing a recession, and his tax cuts and military spending increases followed Reagan’s pattern.

The reality, contends Galbraith, is that the budget deficits of recent years could not have been avoided. With the collapse of the 1990s boom, “any president would have cut taxes and raised spending.” Deficit spending provided a needed economic stimulus. The problem is that

“Bush’s tax cuts were skewed to the rich—Republican tax cuts always are.”

In principle, however, it’s hard to find the downside of running a federal budget deficit, Galbraith maintains. In the early 1960s, many economists said that inflation would be the result—“but there was none then, and apart from oil prices there’s little now. Today’s experts say ‘high interest rates’—yet a recent *New York Times* editorial pronounced long-term rates to be ‘abnormally low.’ Alongside many economists, Senator Clinton says that deficits crowd out private capital investment. But the investment share of [gross domestic product] is currently a full percentage point above its 60-year average.”

In contrast, Galbraith argues, there’s no concealing the downside of immediate tax hikes and spending cuts: “falling living standards, rising poverty, reduced medical care, and perhaps a new recession.”

Roll back the Bush tax cuts, Galbraith urges, but don’t be afraid to spend more money to deal with the country’s urgent problems, such as energy dependence, health care, and homeland security.

## *The Limits of People Power*

“Why We Hate HR” by Keith H. Hammonds, in *Fast Company* (Aug. 2005),  
375 Lexington Ave., New York, N.Y. 10017.

In a knowledge economy, smart, creative employees are the key to success, and everybody in corporate America loves to talk about

the importance of talent and “human capital.” There’s only one problem: the human resources department.

