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OPINION | COMMENTARY

# Stimulate the Economy and Spend Nothing

Three suggestions for the Trump administration.



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By **TONY LIMA**

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President-elect Trump will quickly discover he faces a major constraint. U.S. government debt held by the public was \$14.1 trillion at the end of fiscal 2016—and rising, with a nearly \$600 billion budget deficit. Tax cuts or new spending would make those totals worse.

The Trump administration could use some economic stimuli that don't raise the

deficit and debt. Here are three:

First, repeal the tax on foreign earnings and make the repeal retroactive. That tax currently raises approximately zero revenue because U.S. corporations simply do not repatriate those funds to the U.S., avoiding the tax entirely. Repeal would almost certainly result in an influx of funds readily available for investment.

The downside is that congressional action would be required. And the stimulus may be less than expected. Some companies have issued oceans of debt, using the proceeds as a substitute for those funds parked offshore. To the extent that borrowing has offset funds stuck overseas, the stimulus is already here. Still, repatriation would have some benefit.

Second, defund ObamaCare. That would reduce federal spending. More important, eliminating the employer mandate and other regulations would make hiring more attractive. As my colleague Casey B. Mulligan has noted, the Affordable Care Act was the third-biggest tax increase in U.S. history. George Mason University's Mercatus Center has done yeoman's work quantifying the regulatory impact.

One important finding is the impact of ObamaCare and other regulations on small-business formation. In the past few years more small businesses have gone under than have been started. A few of those small businesses would have become large businesses. Unless this trend is reversed, the economic future will continue to be bleak.

Finally, the Trump administration could shut down Operation Choke Point. This program, enforced by the Federal Deposit Insurance Corp., targets "risky" banking customers and pressures banks to deny them credit. It's unnecessary: If these industries are really risky, banks would not want their business. The real purpose of Operation Choke Point is to target industries that are out of favor with the administration, among them:

- Coin dealers, money-transfer networks and payday lenders.
- Sales of ammunition and firearms (Second Amendment, anyone?) and fireworks (legal in some states).
- Pornography and racist materials (offensive, but constitutionally protected).

- Activities that are already illegal, including Ponzi schemes (why not just rely on law enforcement?).
- Other legal goods and services such as surveillance equipment, telemarketing, tobacco and dating services.

This partial list is taken from the original FDIC proposal. It has vanished from the FDIC website. You can find the full original table on my blog, [GonzoEcon.com](http://GonzoEcon.com).

Denying credit hampers an industry's growth. Eliminating Operation Choke Point would encourage growth. It costs nothing. And someday it may reduce enforcement spending.

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