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Krugman has had several recent blog entries and an op-ed (<http://tiny.cc/7S3of>) on the virtues of government debt. He compares the current stimulus to that of the 1930's, WWII, and the Cold War. He provides the "comforting" statistic that we had government debt of 109% of GDP at the end of WWII. He argues that the current debt is not particularly high, and the government should increase it. He says "deficits saved the world."

The problem is that deficits are not all the same. In WWII and the Cold War, we did save the world, but it wasn't because of the deficits. They merely facilitated what had to be done. The deficits bought us something. The same is true of the 1930's spending. While there was much waste, counter-productive spending, and inefficiencies, the spending included things like the Rural Electrification Program and the Tennessee Valley Authority. These were investments. They made private capital more productive.

By contrast, the current stimulus has very little spending that will increase private capital's productivity. At least some of the spending is worse than wasting money, as much of it actually rewards bad behavior.

Krugman can't seem to differentiate between investments, wasting money, and counter-productive spending. It is all about the deficit. Digging holes and filling them back up is just as good for him as building public infrastructure. Of course, that's not true.