Insight

Another Strike Against Stimulus

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The NBER Business Cycle Dating Committee dealt stimulus another blow.

- The Committee dated the trough of the recession at June 2009; under 6 months after passage of the stimulus bill.
- A standard critique of discretionary Keynesian counter-cyclical policy is that it typically arrives too late. In this case, it is not literally true. But www.recovery.gov indicates that under $100 billion of the stimulus bills' nearly $1 trillion price tag was out the door by the time recovery began.
- This adds to the case that Fed easing was the key policy response and that stimulus was inefficient, poorly designed, and badly implemented.

Today's housing numbers reinforce the need for pro-growth policies.

- Housing starts rose 10.5 percent in August to 598,000; single-family starts were up 4.3 percent.
- Building permits rose also rose by 1.8 percent.
- In addition, we have seen home values – outside of Nevada – rise in recent months. Broadly, the housing market is at a bottom or rising, thus removing one of the strongest downdrafts.

If the economy is not falling – it's been growing over a year – it is time to move away from stimulus spending and rediscover the impact of pro-growth, small government tax, budget, regulatory, and trade policies.

Bottom line: The evidence against the government-based stimulus strategy continues to mount. It is time for a new strategy built on the capacity of the private sector to hire, innovate, invest, and grow.