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A Second Stimulus?

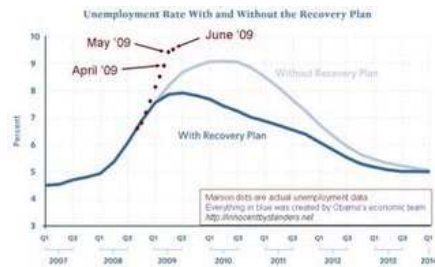
7/12/2009

By Matt Bogard

Last February I noted in an [AgWeb post](#) that "The evidence indicates that 'marginal' tax cuts may lead to increased economic activity and therefore increased tax revenues. It is certainly something to consider for the next stimulus package."

Now we are starting to hear talk about a 2nd stimulus. But I have not heard anything about reversing the recent tax increases on thousands of farms and small businesses, or reducing capital gains or corporate tax rates. I have yet to hear a discussion from our leaders about how a fiscal spending stimulus will work now when similar policies failed during the great depression under [Roosevelt and Hoover](#) (UCLA Press). The first \$787 stimulus was passed despite numerous warnings from some of the worlds best and most prominent economists, including Cole & [Ohanion](#), (MN Federal Reserve) [Prescott](#), (MN Federal Reserve) [Barro](#), (Wall Street Journal) [Becker](#), (Wall Street Journal) [Rizzo](#), (Think Markets) [Mankiw](#), (New York Times) [Sargent](#), (Mankiw's Blog) and almost [200](#) (via CATO Institute) more. When the Michael Jordans and Tiger Woods of the field are stating that the stimulus package flies in the face of over 60 years of macroeconomic research, the supporters of the policy, or the media, or someone needs to be discussing this as a debatable idea.

Current evidence indicates that the first stimulus has not worked as it appears to have had no influence on unemployment - see graph below or link here.



Source here [via Greg Mankiw](#)

So now, supporters of a second stimulus have to explain, after the New Deal stimulus spending failed in the 30's, and the first \$787 stimulus failed, why do we expect a 3rd stimulus will work? I acknowledge that there is a lag time for stimulus spending, but that only strengthens the argument AGAINST a second spending stimulus. If we have not had enough time for this to work, then we don't know if we truly need a second stimulus or not. If we need more spending now on infrastructure to create more jobs as Pennsylvania Governor Rendell says ([from TheHill.com](#)), then why didn't we spend more of the \$787 billion on things that would create jobs the first time. Some of that money was effective in saving state level layoffs of teachers, policemen, and firefighters, but why not reallocate what's left of the \$787 billion to infrastructure or return it to the people by reversing the recent increase in marginal tax rates?

If we are going to have a second stimulus, we don't need more of the failed policies that have put us on our current course of double digit unemployment and inflation. (i.e. increased taxes, spending, regulation, bailouts, and deficits).

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Monday, July 13, 2009 12:53 PM by: Anonymous

The current recession is far from anything like the Great Depression, when the agricultural contingency actually meant something to the federal government. Anybody can look back and say what was wrong or right, but back then, the government admitted everything they were doing might not be the answer but they needed to try something. I think the same is true to an extent now, no economist knows what the answer is, whether to throw money at problem or to lower taxes. My humble opinion is that World War 2 had more to do with fixing the economy of it's time than did the New Deal, but the New Deal was far better than Hoover's policy of every man for himself, at a time when people were starving. So again, the New Deal was not a failure nor was the Great Depression anything like the recession we're facing today.

Monday, July 13, 2009 12:41 PM by: Anonymous

It astonishes me that some people would even consider another stimulus. Let's throw more taxpayer money down a balck hole instead of implementing lower taxes. Does everyone remember that the first stimulus WAS NOT READ! It was simply signed into action. Nobody had (or has) a clue as to what was in the bill, and now some are calling for a second stimulus??? You really want to give up all your personal control and freedom to this new government? History proved the New Deal to be a complete failure. Why has nobody decided to remember and learn from past mistakes???

Monday, July 13, 2009 12:37 PM by: Anonymous2

Exactly, anon. Can you imagine the difference had that money been given directly to the people instead of being filtered through government bureaucrats? How is the second stimulus going to be any different? We have to remember our growing federal deficit could become a hindrance on any future growth. There will come a day when those we our borrowing from will say no, what will we do then? Not to mention the inflationary effects possibly coming around the corner.

Monday, July 13, 2009 12:35 PM by: Anonymous

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Monday, July 13, 2009 11:34 AM by: Anonymous

I agree with Anon2, I am the previous Anon writer. I still think stimulus funds could be used to help individual farmers and small business, but let's use up the first one responsibly before adding another. That's part of the problem with Washington, 787 billion to help the economy and we can't get it to the folks in need. Can you say red tape and too many hoops to jump thru ???

Monday, July 13, 2009 11:17 AM by: Anonymous2

If I were having trouble paying my electric bill I would not go out and purchase a new big screen TV. The government's idea of spending money to help dig us out of a recession is fundamentally flawed. The stimulus as proposed was to have focused on infrastructure and saving jobs. So far it has not. Before we can even begin to think about spending another trillion dollar chunk of money perhaps we should try to spend the remaining 90% of stimulus funds still sitting idle? If it's too early to tell whether or not the stimulus has succeeded or failed, it's FAR too early to tell if we need another or not.

Sunday, July 12, 2009 9:27 PM by: Anonymous

I think we need a second stimulus, tailored to individual businesses and farms to free up credit for personalized operations, maybe along the lines of increased guarantees from SBA and FSA. I believe we'll get our imports back but these entities need help achieving some sense of normalcy while the global economy recovers. Most production animal agriculture and probably grain as well can use a shot in the arm, if for nothing else, to take some of the anxiety out of the lending industry. I don't think legislation to help the country's small businesses and farmers is too much government, it's government helping two of it's most vital components, food supply and main street America.

Sunday, July 12, 2009 5:42 PM by: Matt Bogard

to: Anonymous 7/12:1:36 I try not to make posts that are clearly speculation, or opinions without also providing easily accessible references for readers. If this creates the impression that I am attempting to 'reprint' articles then perhaps I should cite my sources more formally at the bottom of each post (which I have done in the past) Let me clearly distinguish my opinion from the supporting evidence. The last paragraph lays out my opinion. The first part of the article provides background for my conclusions and cites numerous sources that support my opinion as stated above. I could have eliminated this with one sentence "Stimulus spending failed us during the Great Depression and many economists warned that the \$787 stimulus would probably not work for the same reasons". When I so often hear the opposite opinion from the media, that most economists supported the stimulus, I so often want to ask particularly which economists? On what basis were they making these claims? We should not have to ask- they should explain and make the sources available and clear. I refuse to hold myself to their standard. But I'm not the mainstream media, and the point of my piece was not to give a balanced review of economists supporting vs. opposing the stimulus (as they should have done), but to simply present evidence to counter the misconception that the stimulus was a no brainer solution supported by most economists. There was clearly no consensus, and the media has done a poor job making that clear. I agree that the economy was not wrecked in 100 days for sure. Unfortunately, just as with the New Deal in the 30's many economists (see references above) believe more intervention has made things worse in the last 100 days. Of course, no one person is qualified to judge whether the stimulus /will/has worked, and there are many economists and non-economists that are more qualified than me. That is another reason that I 'qualify' my 'opinions' with evidence to support my conclusions. I welcome all other opinions, qualified by evidence or not. That is what these blogs are for (in my opinion). In my opinion stated above, I recognized some of the positive merits of the stimulus already. I welcome any references finding additional positive merits of the stimulus. Further, I would love even more for references to other work that counters the claims of the references I've cited, even if it amounts to 'putting up posts' for the rest of us to read.

Sunday, July 12, 2009 1:36 PM by: Anonymous

I would like to know if the author has any opinions of his own, or does he simply reprint articles he thinks folks might read ?? For every prominent economist that has a negative opinion about the stimulus plan, you can probably find a half dozen who will proclaim it's positive merits. I don't believe Matt Bogard is qualified to say whether the stimulus plan worked or not, but he is entitled to his opinion. And, a hundred plus a few days is hardly enough time past to have a funeral for the stimulus plan. The economy wasn't wrecked in a hundred days, give it some time to heal. Maybe next time Matt can write his own article instead of just putting up posts of other folk's writing for us to read.

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