

The Long Run is Now

John Maynard Keynes famously said, “in the long run we are all dead.” When he said this he was making fun of free market economists who argued that once the storm passed the seas would calm again. He wanted action “now” to help alleviate the impact of the storm.

Well, last Thursday President Obama unveiled Government Short Run Stimulus Plan IV (counting just 4 years). At some point all these short-term stimulus measures become the long run, don't they? Maybe that's why the stock market took a dive on Friday - a “Bronx Cheer” for the newest short run plan, which will once again fail to do what Washington claims.

Back in early 2008, President Bush pushed Stimulus I, a \$180 billion plan. Republicans supported this because Larry Summers told Congress that if it failed to act, and the economy went into recession, it would be blamed.

Then, in early 2009, President Obama pushed an \$840 billion Stimulus II. He got exactly what he wanted, in both size and scope. Supposedly, this “shovel ready” spending would create millions of jobs.

Then, in late 2010, the president and the outgoing Congress agreed to a \$220 billion Stimulus III. This plan avoided a tax hike, by extending the Bush tax cuts. It also re-extended unemployment benefits and many items from Stimulus II.

Despite the clear failure of \$1.2 trillion in past stimulus spending, the president is now pushing Stimulus IV, which adds up to another \$450 billion.

It includes, more payroll tax breaks, some more tax-expensing for business investment, more (politically-driven) infrastructure spending, and the Administration is also asking for an extension of the 99-week program of unemployment benefits. We find this one the most ironic because it is designed to cover workers who lost their jobs in 2010, when past stimulus efforts were supposed to create or save jobs.

Isn't it about time to realize we are all living in the long-run? What we need is for our lawmakers to get off the treadmill of short-termism and start focusing on where we want our country's policies to be for the next generation.

We can all see where this spending gets us. It's called Greece, Italy, Spain, etc., where governments act as if they can spend their way to happiness and growth. In the end, however, what they end up with is unhappiness and decline.

None of this happens, by the way, without all parties participating. In Europe, it is called parliamentary democracy. In the States, Republicans are just as complicit as Democrats.

It is time to let the markets work. The long run is now.

Date/Time (CST)	U.S. Economic Data	Consensus	First Trust	Actual	Previous
9-13 / 7:30 am	Import Prices - Aug	-0.8%	-0.7%		-0.4%
7:30 am	Export Prices - Aug	0.0%	-0.1%		+0.3%
1:00 pm	Treasury Budget - Aug	-\$132.0 Bil	-\$132.0 Bil		-\$129.4 Bil
9-14 / 7:30 am	Retail Sales - Aug	+0.2%	-0.3%		+0.5%
7:30 am	Retail Sales Ex-Autos - Aug	+0.2%	0.0%		+0.5%
7:30 am	PPI - Aug	-0.1%	-0.1%		+0.2%
7:30 am	"Core" PPI - Aug	+0.2%	+0.2%		+0.4%
7:30 am	Business Inventories - Jul	+0.5%	+0.6%		+0.3%
9-15 / 7:30 am	CPI - Aug	+0.2%	+0.2%		+0.5%
7:30 am	"Core" CPI - Aug	+0.2%	+0.2%		+0.2%
7:30 am	Empire State Mfg Index - Sep	-4.0	0.0		-7.7
7:30 am	Initial Claims - Sep 10	411K	410K		414K
8:15 am	Industrial Production - Aug	+0.1%	+0.2%		+0.9%
8:15 am	Capacity Utilization - Aug	77.5%	77.6%		77.5%
9:00 am	Philly Fed Survey - Sep	-15.0	-14.0		-30.7
9-16 / 8:55 am	U. Mich. Consumer Sentiment	56.6	58.0		55.7