Second stimulus would do more harm than good

The Chicago Tribune editorial featured in last Thursday's Daily News, "Another stimulus bill isn't a good idea" was on target.

It always concerns me when I hear our legislators talk about how the stimulus is not working because the number of unemployed continues to rise. As correctly noted in the commentary, in any recession the unemployment rate is a "lagging indicator," which means it only begins to show signs of improvement after the overall economic recovery is well under way.

But this is really only a secondary consideration. The real reason we do not need another stimulus is because this kind of intervention inevitably does more harm than good to the overall economy, especially in the long run.

Aside from needlessly inflating the national deficit, the reality is that a connection between governmental intervention of this variety and enhanced economic performance has never been empirically demonstrated.

Anytime the market, i.e., the natural laws of supply and demand, is artificially manipulated by the government in an effort to improve the economy, the net result is to extend the detrimental impact of the downturn longer than would have been the case without the intervention. Many people are not aware, for example, that the re is considerable evidence that Roosevelt's New Deal policies actually lengthened the Great Depression by at least a decade.

What everyone needs to understand is that the market is essentially self-correcting. When assets such as houses are over-valued by the artificial manipulation of interest rates by the Fed, the market always compensates for this interference and eventually adjusts the assets closer to their true value.

The same is true for "stimulus packages." While they may appear to some to lessen the pain in the short-term, their ultimate impact on the economy is negative, counterproductive and dangerous.

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