

Fear the boom and bust: *The original Keynes versus Hayek Battle*
<http://econstories.tv/fear-the-boom-and-bust/>

We've been going back and forth for a century
[Keynes] I want to steer markets,
[Hayek] I want them set free
There's a boom and bust cycle and good reason to fear it
[Hayek] Blame low interest rates.
[Keynes] No... it's the animal spirits

Keynes Sings:

John Maynard Keynes (1883-1946)



John Maynard Keynes, wrote the book on modern macro
The man you need when the economy's off track, [whoa]
Depression, recession now your question's in session
Have a seat and I'll school you in one simple lesson
BOOM, 1929 the big crash
We didn't bounce back—economy's in the trash
Persistent unemployment, the result of sticky wages
Waiting for recovery? Seriously? That's outrageous!
I had a real plan any fool can understand
The advice, real simple—boost aggregate demand!
C, I, G, all together gets to Y
Make sure the total's growing, watch the economy fly

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You see it's all about spending, hear the register cha-ching
Circular flow, the dough is everything
So if that flow is getting low, doesn't matter the reason
We need more government spending, now it's stimulus season
So forget about saving, get it straight out of your head
Like I said, in the long run—we're all dead
Savings is destruction, that's the paradox of thrift
Don't keep money in your pocket, or that growth will never lift...
because...
Business is driven by the animal spirits
The bull and the bear, and there's reason to fear its
Effects on capital investment, income and growth
That's why the state should fill the gap with stimulus both...
The monetary and the fiscal, they're equally correct
Public works, digging ditches, war has the same effect

Even a broken window helps the glass man have some wealth
 The multiplier driving higher the economy's health
 And if the Central Bank's interest rate policy tanks
 A liquidity trap, that new money's stuck in the banks!
 Deficits could be the cure, you been looking for
 Let the spending soar, now that you know the score
 My General Theory's made quite an impression
 [a revolution] I transformed the econ profession
 You know me, modesty, still I'm taking a bow
 Say it loud, say it proud, we're all Keynesians now

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 [Keynes] I made my case, Freddie H
 Listen up , Can you hear it?

Hayek sings:

Friedrick Hayek (1899-1992)



I'll begin in broad strokes, just like my friend Keynes
 His theory conceals the mechanics of change,
 That simple equation, too much aggregation
 Ignores human action and motivation
 And yet it continues as a justification
 For bailouts and payoffs by pols with machinations
 You provide them with cover to sell us a free lunch
 Then all that we're left with is debt, and a bunch
 If you're living high on that cheap credit hog
 Don't look for cure from the hair of the dog
 Real savings come first if you want to invest
 The market coordinates time with interest
 Your focus on spending is pushing on thread
 In the long run, my friend, it's your theory that's dead
 So sorry there, buddy, if that sounds like invective
 Prepared to get schooled in my Austrian perspective

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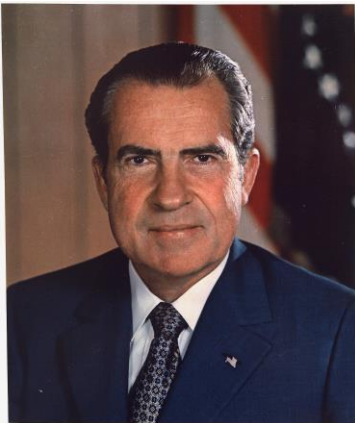
The place you should study isn't the bust
 It's the boom that should make you feel leery, that's the thrust
 Of my theory, the capital structure is key.
 Malinvestments wreck the economy

The boom gets started with an expansion of credit
The Fed sets rates low, are you starting to get it?
That new money is confused for real loanable funds
But it's just inflation that's driving the ones
Who invest in new projects like housing construction
The boom plants the seeds for its future destruction
The savings aren't real, consumption's up too
And the grasping for resources reveals there's too few
So the boom turns to bust as the interest rates rise
With the costs of production, price signals were lies
The boom was a binge that's a matter of fact
Now its devalued capital that makes up the slack.
Whether it's the late twenties or two thousand and five
Booming bad investments, seems like they'd thrive
You must save to invest, don't use the printing press
Or a bust will surely follow, an economy depressed
Your so-called "stimulus" will make things even worse
It's just more of the same, more incentives perverted
And that credit crunch ain't a liquidity trap
Just a broke banking system, I'm done, that's a wrap.

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"I am now a Keynesian in economics."

—Richard Nixon, after taking the U.S. off the gold standard in 1971.



"I'm waiting for the day we can say, 'We're all Austrians now.'"
—Ron Paul in a 2012 speech.

