



Some Links

by DON BOUDREAUX on JUNE 9, 2012

in CRONY CAPITALISM, HUBRIS AND HUMILITY, OTHER PEOPLE'S MONEY, POLITICS, REALITY IS NOT OPTIONAL, SEEN AND UNSEEN, STATE OF MACRO, VIDEO, WAR, WORK

[Robert Scheer on imperial plutocracies](#). (HT Walter Grinder)

[Today's "Notable & Quotable" in the Wall Street Journal](#) is none other than a choice selection from Bob Higgs's new book, [Delusions of Power](#). Indeed, it's a quotation part of which [was recently featured here](#) – and it's so important that the longer *WSJ* version is worth quoting in full: John Maynard Keynes persuaded his fellow economists and then they persuaded the public that it makes sense to think of the economy in terms of a handful of economy-wide aggregates: total income or output, total consumption spending, total investment spending, and total net exports. . . .

In fact, "the economy" does not produce an undifferentiated mass we call "output." Instead, the millions of producers who bring forth "aggregate supply" provide an almost infinite variety of specific goods and services that differ in countless ways. Moreover, an immense amount of what goes on in a market economy consists of dealings among producers who supply no "final" goods and services at all, but instead supply raw materials, components, intermediate products, and services to one another. Because these producers are connected in an intricate pattern of relations, which must assume certain proportions if the entire arrangement is to work effectively, critical consequences turn on what in particular gets produced, when, where, and how.

These extraordinarily complex micro-relationships are what we are really referring to when we speak of "the economy." It is definitely not a single, simple process for producing a uniform, aggregate glop. Moreover, when we speak of "economic action," we are referring to the choices that millions of diverse participants make in selecting one course of action and setting aside a possible alternative. Without choice, constrained by scarcity, no true economic action takes place. Thus, vulgar Keynesianism, which purports to be an economic model or at least a coherent framework of economic analysis, actually excludes the very possibility of genuine economic action, substituting for it a simple, mechanical conception, the intellectual equivalent of a baby toy. . . .

Because the vulgar Keynesian has no conception of the economy's structure of output, he cannot conceive of how an expansion of demand along certain lines but not along others might be problematic. In his view, one cannot have, say, too many houses and apartments. Increasing the spending for houses and apartments is, he thinks, always good whenever the economy has unemployed resources, regardless of how many houses and apartments now stand vacant and regardless of what specific kinds of resources are unemployed and where they are located in this vast land. Although the unemployed laborers may be skilled silver miners in Idaho, it is supposedly still a good thing if somehow the demand for condos is increased in Palm Beach.