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**The Failure of Keynesianism**



Before we can explicate the inherent failure of Keynesian economic theory, we must first briefly define what Keynesian economic theory is. The Keynesian theory's response to a debilitating economic state was to “prime the pump,” which was to manifest in the form of governmental intervention. Such interventionism on behalf of the government within the realms of monetary policy and the marketplace (borrowing money and spending it) would be seen as the optimum methodology that could be employed to ensure economic growth and stability. Money that has been appropriated and spent by the government would see its way into the wallets of its citizenry, who would in turn re-infuse said funds within the economy. This medium of circulation reflects the “priming the pump” concept that is a normative element within Keynesian theory. The aforesaid explanation is cursory at best, as a more detailed Keynesian economic analysis could be manufactured. But such clarification would not necessarily purvey any further reconciliation, for my synoptic representation, although terse, yields a concise understanding for the purposes of this posting. Let us now proceed to the logical fallacy and failure of Keynesian economic theory.



To begin Keynesianism does not, in any significant fashion, boost our national income, it only redistributes it. Many economists agree that the government cannot inject money into an economy without extricating it from the very same economy it's trying to improve and or stabilize. There will not be an increase in the aggregate demand (Keynesian reference) because the money that will be spent will have to be borrowed from the private credit markets. To posit that a government, by infusing itself in the private sector, can act as a ballast and stabilize an infirm economy is nothing more than financial and economic illiteracy. You must understand that the government cannot generate income and purchasing power out of nothing, its true derivation is found in taxation or through the printing of money. Both forms are net negatives on the economy and true economic growth results from the production of goods and services, not from the redistribution of income. Bush's rebate checks did not effect a positive reaction nor did it increase economic output, why would Obama's plan be any different?

Keynes postulated that we could repel cyclical fluctuations and maintain low levels of unemployment by having the government manage economic and production activities on macro and micro strata respectively. Thus, Keynes believed that government was the pivotal element in procuring and sustaining income equality and full-time employment. This, however, is a fallacy perpetuated by technocrats and intellectually subnormal politicians who adhere to financial analytics and economic models that have no real world applicability or efficacy. Not only is it ineffective here, but it was also ineffectual in Japan. Observe the following quotes from the Cato Institute;

*“International evidence also undermines the case for Keynesianism. The clearest example may be Japan, which throughout the 1990s tried to use so-called stimulus packages in an effort to jump-start a stagnant economy. But the only thing that went up was Japan’s national debt, which more than doubled during the decade and is now even far more than Italy’s when measured as a share of GDP. The Japanese economy never recovered, and the 1990s are now known as the “lost decade” in Japan.”*

*“Monetary policy, trade policy, taxation, labor markets, property rights, and competitive markets all have some impact on an economy’s performance. But*

*one of the key variables is government spending. Once government expands beyond the level of providing core public goods such as the rule of law, there tends to be an inverse relationship between the size of government and economic growth. This is why reducing the size and scope of government is one of the best ways to improve economic performance.”*

If you remain objective and avoid being encumbered in a cultish, doctrinal absurdity, you will observe that historically governments cause business cycles. They (business cycles) are a response to higher taxation, more spending, increased regulation, programs instituting compliance, and trade restrictions. Policies such as these that are legislated by the government will only increase its size and lead to the aforesaid cycles. They, by reason of ignorance or willful stupidity, refuse to acknowledge that they **are** the “causal agent.” The following is a quote from, [Brian Riedl](#) (The Heritage Foundation);

*“Economic growth is driven by individuals and entrepreneurs operating in free markets, not by Washington spending and regulations. The outdated idea that transferring spending power from the private sector to Washington will expand the economy has been thoroughly discredited, yet lawmakers continue to return to this strategy. The U.S. economy has soared highest when the federal government was shrinking, and it has stagnated at times of government expansion. This experience has been paralleled in Europe, where government expansions have been followed by economic decline. A strong private sector provides the nation with strong economic growth and benefits for all Americans.”*

To conclude Keynesianism has only proved to provide the following;

- Redistribution of wealth
- Increased debt
- Tax rates increased to compensate for spending
- Governmental intervention perverts economic markets by re-defining the mechanisms that create stability.
- Rather than having the market determine who succeeds or fails, the government makes the choice. Those who are saved are the ones who conform to redistribution and are complicit in enforcing social and economic justice.
- The consumers are the ones who, in the end, will pay higher taxes and higher costs for all products and services.
- Investors and business owners will have less to invest, improve their businesses, and spend in the private economy.

You can choose to disagree, or assert that we are not experiencing true Keynesianistic theory. I, however, remain steadfast in my assessment and abide by those who have written similarly on Keynes. If your dissent is resolute, I await your counter-argument.

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