



CF&P Press Release, November 29, 2010

The Market Center Blog

- [Free E-mail Update](#)
- [Donate to CF&P](#)
- [Home](#)
- [Issues](#)
- [CF&P Publications](#)
- [Press Releases](#)
- [E-Mail Updates](#)
- [Strategic Memos](#)
- [CF&P Foundation](#)
- [About CF&P](#)
- [Coalition for Tax Comp.](#)
- [Get Involved](#)
- [Useful Links](#)
- [Contact CF&P](#)
- [Search](#)
- [Contribute to CF&P](#)

Contact Information:

Center for
Freedom and
Prosperity
P.O. Box 10882
Alexandria, Virginia
22310-9998
202-285-0244

Center for Freedom and Prosperity Foundation

For Immediate Release

Monday, November 29, 2010

202-285-0244

www.freedomandprosperity.org

New CF&P "Economics 101" Video Exposes Keynesian Consumer Spending Fallacy

(Washington, D.C., Monday, November 29, 2010) In the latest "**Economics 101**" video released today by the [Center for Freedom and Prosperity Foundation](#) (CF&P), **Hiwa Alaghebandian of the American Enterprise Institute** punctures a common economic myth used by politicians to justify bigger government. The video, entitled "**Keynesian Economics Is Wrong: Economic Growth Causes Consumer Spending, Not the Other Way Around**," dispels the popular Keynesian notion that artificially boosting consumer spending can improve economic performance.

The main insight of the mini-documentary is that Gross Domestic Product (GDP) is a useful measure, but it only measures how much of our national output is allocated to consumption, investment, and government. If we want more output, however, we should focus on Gross Domestic Income (GDI), which measures how national income is earned.

Focusing on GDI automatically leads lawmakers to consider ways of boosting employee compensation, corporate profits, small business income, and other components of national income. Focusing on GDP, by contrast, is misguided since any effort to boost consumption generally leads to less investment. This is why Keynesian policies only redistribute national income, but don't boost overall output.



Links to the video: [YouTube](#) | [Yahoo](#) | [Capitol Hub](#)

"Keynesian stimulus schemes failed under Bush and now they are failing under Obama" said [CF&P Foundation President Andrew Quinlan](#). "This new video hopefully will prevent similar mistakes in the future by helping people understand the importance of

growth rather than redistribution."

"Keynesian policy is based on the fallacy that you can become richer by taking money out of one pocket and putting it another pocket, but this is a zero-sum game that appeals to statist and other redistributionists," added **Dan Mitchell of the Cato Institute**. "Real economic growth occurs when we figure out ways to increase national income, which is why good policy means reducing the burden of government."

Executive Summary

Politicians and journalists who fixate on consumer spending are putting the cart before the horse. Consumer spending generally is a consequence of growth, not the cause of growth. This Center for Freedom and Prosperity video helps explain how to achieve more prosperity by looking at the differences between gross domestic product and gross domestic income.

This new video is part of **CF&P's Economics 101 video series**, which is designed to explain free market concepts, with particular emphasis on reaching students and young people. This is the tenth video in the series.

The other Econ 101 videos: [Indexing the Capital Gains Tax to Protect Taxpayers from Inflation, Repealing Obamacare and Restoring a Free Market in Healthcare, The Job-Killing Impact of Minimum Wage Laws; Deficits, Debts and Unfunded Liabilities; Cost of the Internal Revenue Code; Lessons Learned From Sweden; Government Monopolies; Moral Hazard; and Don't Copy Europe's Mistakes.](#)

Web Page for Economics 101 Videos:

<http://www.freedomandprosperity.org/econ101/econ101.shtml>

[CF&P Foundation](#) has also released almost four-dozen mini-documentaries since 2007. These videos include [Tax Competition Primer](#), [VAT-Hidden Tax](#), [Global Flat Tax Revolution](#), [Cutting the U.S. Corporate Income Tax](#), [Promoting Prosperity](#), [Obama's So-Called Stimulus](#), [Obama's Deferral Proposal](#), [Case Against Class-Warfare Tax Policy](#), [President Obama's Dishonest Demagoguery on Tax Havens](#), [Six Reasons Why the Capital Gains Tax Should Be Abolished](#), a three part series on the [Benefits of Tax Havens](#) and another three-part series on the [Laffer Curve](#).

Link: <http://www.freedomandprosperity.org/videos/videos.shtml>

Web Links:

Youtube

<http://www.youtube.com/watch?v=D9kfMx8Llcc>

Yahoo

<http://video.yahoo.com/watch/8613157/23240287>

Capitol Hub

<http://capitolhub.com/video/9265/keynesian-economics-wrong>

For additional comments:

Andrew Quinlan can be reached at 202-285-0244, andy@freedomandprosperity.org

Dan Mitchell can be reached at 202-218-4615, dmitchell@cato.org

###