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Stop with the cult of Keynes

By: Edward Hadas – May 9, 2013

John Maynard Keynes may be the greatest economist of the 20th century. Some people, opponents as well as followers, also seem to think he is the most important thinker for the current economic malaise. They want to know, "What would Keynes have done?" They're wasting their time.

Niall Ferguson is the latest pundit to take the great man's name in vain. The popular Harvard professor, a sworn opponent of big fiscal deficits, has suggested that Keynes' defence of government borrowing was influenced by his sexuality. Ferguson later apologised for implying that gay people don't care about the future, but has continued the discussion of Keynes' sexual economics with a reference to a supposed "strong attraction... for the German banker Carl Melchior".

Ferguson's fixation with Keynes is widely shared. Axel Leijonhufvud of the University of Trento wrote about "Keynes and the Crisis" in May 2008. In December 2011, the Cato Institute, an American think-tank, ran a series entitled: "Will the real John Maynard Keynes please stand up?" And, in May 2012, the Financial Times let economists Marcus Miller and Robert Skidelsky explain "How Keynes would solve the Euro zone crisis".

But while Keynes was important then, times have changed. He wrote long ago, when cultural despair and moral rebellion were in the air. He wrote about monetary economics when the gold standard was, well, standard thinking. He was responding to a war-ravaged world and truly Great Depression. In comparison to the decades of political and economic cataclysms that defined Keynes' era, the current stagnation in the developed world is minor.

There are other huge differences. As Keynes predicted, prosperity is far greater now. As he might have hoped, governments play a much larger economic role. Attitudes towards sexuality have also changed, almost wholesale. In the unlikely event Keynes' preferences were ever relevant, they are categorically irrelevant now.

What policies would Keynes have offered for this vastly different world? His most important suggestion, that government spending should compensate for lost demand in the rest of the economy, has become conventional wisdom. Fine. Beyond that, no one can know. And, no one should care.