

EXPOSED: Why Keynesian "stimulus" policies don't cure recessions -- they just lead to bigger ones

"An ideal guide to Keynes's dangerous and destructive economics." -- LewRockwell.com

Where Keynes Went Wrong: And Why World Governments Keep Creating Inflation, Bubbles, and Busts

by Hunter Lewis

Leading up to the financial Crash of 2008, the U.S. economy grew, but the amount of new debt grew much faster, especially during the housing bubble. Given this background, isn't it defiant of common sense for the U.S. government to start up another, even bigger round of printing money, lending, and borrowing -- akin to trying to cure a hangover with more alcohol? Yet that has been the approach of both the Bush and Obama administrations, relying on prescriptions developed by John Maynard Keynes, the most important economist since Marx. But should we be relying on Keynes? What did he actually say -- and did he make his case? In *Where Keynes Went Wrong: And Why World Governments Keep Creating Inflation, Bubbles, and Busts*, author and financial expert Hunter Lewis concludes that he did not -- and that, in following Keynes, virtually all world governments are pursuing the wrong policies today.

Lewis begins by demystifying Keynes -- a notoriously difficult, if not deliberately obscure writer -- by revealing what he actually said in his *General Theory of Employment, Interest, and Money* and other works. Three principles are key: First, that crashes are an inevitable part of capitalism -- they reflect what Keynes called the "animal spirits" of private markets. Second, that crashes create a downward spiral that feeds on itself. Third, that if certain remedies are not promptly applied, there may be no economic recovery. These remedies, the essence of Keynesianism, include printing more money and lowering interest rates, bailouts of troubled banks and other industries, and economic stimulus through deficit spending.

But does it really work? Are these ideas well supported? Convincing? If not, why not? Lewis tackles these questions in the most direct way, challenging many of Keynes' most established principles by demonstrating that:

- Creation of new money by the Federal Reserve to reduce interest rates ultimately backfires, as we saw with inflation in the 1970s
- Artificially reducing interest rates also leads to bubbles and busts, as in the 1990s
- If anyone benefits from inflation, it is rich, not poor people
- Recessions cannot be abolished -- they are sometimes needed to clear away the mistakes of the past so that healthy growth can follow

In short, argues Lewis, Keynesianism is leading us down a path not to genuine economic recovery, but to inflation, bigger bubbles, and even bigger crashes. *Where Keynes Went Wrong* reveals the folly of creating policy based on unproven economic theories of the past, and dares us to question the policymakers that are shaping our future.