

## Fear the Boom and Bust – A Keynes / Hayek rap

We've been going back and forth for a century  
[Keynes] I want to steer markets,  
[Hayek] I want them set free  
There's a boom and bust cycle and good reason to fear it  
[Hayek] Blame low interest rates.  
[Keynes] No... it's the animal spirits

[Keynes Sings:]

John Maynard Keynes, wrote the book on modern macro  
The man you need when the economy's off track, [whoa]  
Depression, recession now your question's in session  
Have a seat and I'll school you in one simple lesson

BOOM, 1929 the big crash  
We didn't bounce back—economy's in the trash  
Persistent unemployment, the result of sticky wages  
Waiting for recovery? Seriously? That's outrageous!

I had a real plan any fool can understand  
The advice, real simple—boost aggregate demand!  
C, I, G, all together gets to Y  
Make sure the total's growing, watch the economy fly

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You see it's all about spending, hear the register cha-ching  
Circular flow, the dough is everything  
So if that flow is getting low, doesn't matter the reason  
We need more government spending, now it's stimulus season

So forget about saving, get it straight out of your head  
Like I said, in the long run—we're all dead  
Savings is destruction, that's the paradox of thrift  
Don't keep money in your pocket, or that growth will never lift...

because...

Business is driven by the animal spirits  
The bull and the bear, and there's reason to fear its  
Effects on capital investment, income and growth  
That's why the state should fill the gap with stimulus both...

The monetary and the fiscal, they're equally correct  
Public works, digging ditches, war has the same effect  
Even a broken window helps the glass man have some wealth  
The multiplier driving higher the economy's health

And if the Central Bank's interest rate policy tanks  
A liquidity trap, that new money's stuck in the banks!  
Deficits could be the cure, you been looking for  
Let the spending soar, now that you know the score

My General Theory's made quite an impression  
[a revolution] I transformed the econ profession  
You know me, modesty, still I'm taking a bow  
Say it loud, say it proud, we're all Keynesians now

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[Keynes] I made my case, Freddie H  
Listen up , Can you hear it?

Hayek sings:

I'll begin in broad strokes, just like my friend Keynes  
His theory conceals the mechanics of change,  
That simple equation, too much aggregation  
Ignores human action and motivation

And yet it continues as a justification  
For bailouts and payoffs by pols with machinations  
You provide them with cover to sell us a free lunch  
Then all that we're left with is debt, and a bunch

If you're living high on that cheap credit hog  
Don't look for cure from the hair of the dog  
Real savings come first if you want to invest  
The market coordinates time with interest

Your focus on spending is pushing on thread  
In the long run, my friend, it's your theory that's dead

So sorry there, buddy, if that sounds like invective  
Prepared to get schooled in my Austrian perspective

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The place you should study isn't the bust  
It's the boom that should make you feel leery, that's the thrust  
Of my theory, the capital structure is key.  
Malinvestments wreck the economy

The boom gets started with an expansion of credit  
The Fed sets rates low, are you starting to get it?  
That new money is confused for real loanable funds  
But it's just inflation that's driving the ones

Who invest in new projects like housing construction  
The boom plants the seeds for its future destruction  
The savings aren't real, consumption's up too  
And the grasping for resources reveals there's too few

So the boom turns to bust as the interest rates rise  
With the costs of production, price signals were lies  
The boom was a binge that's a matter of fact  
Now its devalued capital that makes up the slack.

Whether it's the late twenties or two thousand and five  
Booming bad investments, seems like they'd thrive  
You must save to invest, don't use the printing press  
Or a bust will surely follow, an economy depressed

Your so-called "stimulus" will make things even worse  
It's just more of the same, more incentives perverted  
And that credit crunch ain't a liquidity trap  
Just a broke banking system, I'm done, that's a wrap.

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