# "Fear the Boom and Bust" a Hayek vs. Keynes Rap Anthem

Source: http://www.cnbc.com/id/35370923/Fear\_the\_Boom\_and\_Bust\_A\_Rap\_Anthem\_for\_the\_Economy and: http://hayekcenter.org/?p=1954

*Making the rounds on YouTube is “Fear the Boom and Bust,” a seven-minute rap videofeaturing actors playing two of the most prominent economists of the 20th century: John Maynard Keynes, an early proponent of deficit spending, and F.A. Hayek, the Austrian economist who suggested low interest rates can make a boom but left low too long, it can turn to bust.*

*The plot goes that the pair are attending an economics conference on the current economic crisis. They go out the night before and rapping ensues:*

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

We’ve been goin’ back n 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  
[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

We’ve been going back and forth for a century …

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 perversed  
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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[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

# Fight of the Century

source: http://econstories.tv/2011/05/02/get-the-story-behind-the-fight-of-the-century/

According to the National Bureau of Economic Research, the Great Recession ended almost two years ago, in the summer of 2009. Yet we’re all uneasy. Job growth has been disappointing. The recovery seems fragile. Where should we head from here? Is that question even meaningful? Can the government steer the economy or have past attempts helped create the mess we’re still in?

In “Fight of the Century”, Keynes and Hayek weigh in on these central questions. Do we need more government spending or less? What’s the evidence that government spending promotes prosperity in troubled times? Can war or natural disasters paradoxically be good for an economy in a slump? Should more spending come from the top down or from the bottom up? What are the ultimate sources of prosperity?

Keynes and Hayek never agreed on the answers to these questions and they still don’t. Let’s listen to the greats. See Keynes and Hayek throwing down in “Fight of the Century”!  And, if you’re interested in learning more about the ideas debated in the video, check out additional content and references that will help you [get the story behind “Fight of the Century.”](http://econstories.tv/2011/04/30/get-the-story-behind-the-fight-of-the-century/)

**“Fight of the Century” Lyrics**  
Written by John Papola and Russ Roberts

KEYNES

Here we are… peace out! great recession  
thanks to me, as you see, we’re not in a depression  
Recovery, destiny if you follow my lesson  
Lord Keynes, here I come, line up for the procession

HAYEK  
We brought out the shovels and we’re still in a ditch…  
And still digging. don’t you think that it’s time for a switch…  
From that hair of the dog. Friend, the party is over.  
The long run is here. It’s time to get sober!

KEYNES  
Are you kidding? my cure works perfectly fine…  
have a look, the great recession ended back in ’09.  
I deserve credit. Things would have been worse  
All the estimates prove it—I’ll quote chapter and verse

HAYEK  
Econometricians, they’re ever so pious  
Are they doing real science or confirming their bias?  
Their “Keynesian” models are tidy and neat  
But that top down approach is a fatal conceit

REFRAIN  
Which way should we choose?  
more bottom up or more top down  
…the fight continues…  
Keynes and Hayek’s second round

it’s time to weigh in…  
more from the top or from the ground  
…lets listen to the greats  
Keynes and Hayek throwing down

KEYNES  
We could have done better, had we only spent more  
Too bad that only happens when there’s a World War  
You can carp all you want about stats and regression  
Do you deny World War II cut short the Depression?

HAYEK  
Wow. One data point and you’re jumping for joy  
the Last time I checked, wars only destroy  
There was no multiplier, consumption just shrank  
As we used scarce resources for every new tank

Pretty perverse to call that prosperity  
Rationed meat, Rationed butter… a life of austerity  
When that war spending ended your friends cried disaster  
yet the economy thrived and grew faster

KEYNES  
You too only see what you want to see  
The spending on war clearly goosed GDP  
Unemployment was over, almost down to zero  
That’s why I’m the master, that’s why I’m the hero

HAYEK  
Creating employment’s a straightforward craft  
When the nation’s at war, and there’s a draft  
If every worker was staffed in the army and fleet  
We’d have full employment and nothing to eat

REFRAIN REPEATS

HAYEK  
jobs are a means, not the ends in themselves  
people work to live better, to put food on the shelves  
real growth means production of what people demand  
That’s entrepreneurship not your central plan

KEYNES  
My solution is simple and easy to handle..  
its spending that matters, why’s that such a scandal?  
The money sloshes through the pipes and the sluices  
revitalizing the economy’s juices

it’s just like an engine that’s stalled and gone dark  
To bring it to life, we need a quick spark  
Spending’s the life blood that gets the flow going  
Where it goes doesn’t matter, just get spending flowing

HAYEK  
You see slack in some sectors as a “general glut”  
But some sectors are healthy, only some in a rut  
So spending’s not free – that’s the heart of the matter  
too much is wasted as cronies get fatter.

The economy’s not a car, there’s no engine to stall  
no expert can fix it, there’s no “it” at all.  
The economy’s us, we don’t need a mechanic  
Put away the wrenches, the economy’s organic

REFRAIN REPEATS

KEYNES  
so what would you do to help those unemployed?  
this is the question you seem to avoid  
when we’re in a mess, would you just have us wait?  
Doing nothing until markets equilibrate?

HAYEK  
I don’t want to do nothing, there’s plenty to do  
The question I ponder is who plans for whom?  
Do I plan for myself or leave it to you?  
I want plans by the many, not by the few.

Let’s not repeat what created our troubles  
I want real growth not a series of bubbles  
Stop bailing out loser, let prices work  
If we don’t try to steer them they won’t go berserk

KEYNES  
Come on, Are you kidding? Don’t Wall Street’s gyrations  
Challenge your world view of self-regulation?  
Even you must admit that the lesson we’ve learned  
Is more oversight’s needed or else we’ll get burned

HAYEK  
Oversight? The government’s long been in bed  
With those Wall Street execs and the firms that they’ve bled  
Capitalism’s about profit and loss  
you bail out the losers there’s no end to the cost

the lesson I’ve learned? It’s how little we know,  
the world is complex, not some circular flow  
the economy’s not a class you can master in college  
to think otherwise is the pretense of knowledge

REFRAIN REPEATS

KEYNES  
You get on your high horse and you’re off to the races  
I look at the world on a case by case basis  
When people are suffering I roll up my sleeves  
And do what I can to cure our disease

The future’s uncertain, our outlooks are frail  
Thats why free markets are so prone to fail  
In a volatile world we need more discretion  
So state intervention can counter depression

HAYEK  
People aren’t chessmen you move on a board  
at your whim–their dreams and desires ignored  
With political incentives, discretion’s a joke  
Those dials you’re twisting… just mirrors and smoke

We need stable rules and real market prices  
so prosperity emerges and cuts short the crisis  
give us a chance so we can discover  
the most valuable ways to serve one another

FINAL REFRAIN  
Which way should we choose?  
more bottom up or more top down  
the fight continues…  
Keynes and Hayek’s second round

it’s time to weigh in…  
more from the top or from the ground  
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