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ECON201-20C

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Writing Assignment Four

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Summarizing Garrison's Analysis of Keynesian's Effects

In Rodger W. Garrison's Article, "The Trouble with Keynes", he states that Keynesian economic theories are senseless in modern (today's) economics but remain in use by governments today. Keynes's book *The General Theory of Employment, Interest, and Money* argues that when markets falls and unemployment raises government should intervene to stabilize the economy. Garrison argues that the government is a great cause of the instability of the economy through its previous and current interventions. He believes, Keynesianism only adds to the problem and causes scarcities to be misallocated.

Garrison also points out that Keynes's "linking of investment spending and consumer spending in a direct relationship" contradicts the "forgoing of now for then" theory that has been proven correct for years. The government's capability to manipulate interest rates beyond the normal during economical peaks and recessions also destabilizes the natural course of the economic and can have adverse effects on economic growth.

Proven flawed, why are some of Keynesian theories still in effect in today's government policies? Garrison points out that it could be in part due to the control factor of monetary manipulation. The short-term economic benefits can make political officials look good around re-election time and the long-term consequences won't be noticeable until well after the elections have taken place.

My thoughts on the Matter

After WWII the United States had a huge production capability advantage over the rest of the world. This capability advantage was evident by American's low cost of living and high quality of life. While many of the pre-WWII industrial powerhouses were rebuilding their war-torn nations, the US was pumping out some of the highest quality goods in the world at some of the lowest cost. In a sense, America had a monopoly on production. This monopoly assured that the high standard of living would continue as long as the United States held this monopoly.

Some of the highest Individual Income Tax Rates occurred in this era (Mid-1940s to Mid-1960s) and our nation still prospered. It was within this period that Keynesian driven policies took hold within the American government. I don't believe Keynesian economics were implemented into government policies because they were "just that good", but rather because it allowed government more control. Even though government's main role is to protect its citizens and their private property, governments somehow always finds a way to take control of the things it was originally designed to protect.

Greed has taken a stronghold within the political system of today's great nations and Keynesian style economics allows governments' free reign to spend. US Government contracts are not always awarded to the lowest bidder or even the companies with the best track-records, they sometimes get awarded to those with the strongest of political ties. I should probably take time to read "The General Theory.." so I can see just how many of the ideas within it are being used today. I'm pretty sure, without reading it, those ideas that can be beneficial to the few (the wealthiest) were hand-picked out of it for implementation.

In response to: <http://www.auburn.edu/~garriro/fk7trouble.htm>

COMMENTS



Michael Roeback 10/29/14 6:10 PM

Got a late start on this but I feel it got better towards the end. Quite alot of information to summarize in a few paragraphs. As always, I enjoyed throwing in my opinion!

Feedback 11/4/14 10:30 AM

You write:

"I don't believe Keynesian economics were implemented into government policies because they were "just that good", but rather because it allowed government more control."

Instructor wrote:

I think you are 100% correct. Great job.