

The Lyrics

“Fear the Boom and the Bust”: Keynes vs Hayek Rap Battle”

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*

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[Hayek] Blame low interest rates.
[Keynes] No... it's the animal spirits*

*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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