Obituary on Keynesianism

by HAROLD J. KING

Author's Note: This prophetic excerpt might appropriately appear in an economic review of 1982.

THE collapse of the dollar a year ago impoverished millions. The United States had known nothing comparable since the stock market crash of 1929. As the purchasing power of the dollar sank to zero people found their bank accounts, pension rights, insurance policies, bonds and the like all claims to nothing . . .

Inexorably every operation based on fraud contains the seeds of its own destruction . . . Twenty years ago, in the early sixties, the first signs of the crumbling of the Keynesian structure began to appear. The appointment of Keynesian policy makers by President John F. Kennedy, following the exceptionally close election of 1960, blurred the picture for a while. But to the keenest observers it was evident that the House of Cards that Keynes built was living on borrowed time. Despite desperate pleas of the President, and many diverse, and influential organizations, right-wing groups were mushrooming so fast they could not be counted. In retrospect it is obvious that this was the germ of disenchantment with the mathematical mysticism of the followers of the High Priest. It had only to spread. For once a mass-fraud cannot feed on new victims, its days are numbered . . .

The Pied Piper of Deficit Financing and his huge chorus, sang the voters a song they were longing to hear, a melody of escapism—from the hideous economic facts of life . . . Keynes promised the gullible security, through the euthanasia of the rentier. But by the early sixties too many of the victims found the rentier in the mirror. The fun disappeared when the rentier did not turn out to be the other guy.

This is a condensed form of an article by Dr. King, professor of economics at Seton Hall University, South Orange, New Jersey, which appeared in the May 1963 Journal of Business published by Seton Hall's School of Business Administration.

Ponzi was a piker compared to Keynes and his latter day saints. For Ponzi (like most swindlers and operators of gambling houses or race tracks) had to depend on the *voluntary* actions of those to be fleeced. Even ward heelers have merely a license to steal. But compulsory, continuous, well organized and fully legalized larceny were the characteristics of the Keynesian intrigue. What the masses were not to be relieved of through high and graduated income taxes, or forced social security contributions, was to be extracted from them by the foulest and most deceptive of all tax mechanisms — government-sponsored inflation. To add insult to injury, in exchange for some of their taxes the suckers were given "social security" under a scheme that would make anyone trained in actuarial science blush (with its reserve fund composed of government I.O.U.'s). In time they learned that all the "social security" hoax did was to prevent them from adequately providing against old age and the emergencies of life. Of course, since the lesson had to be learned empirically, the knowledge came too late.

For nearly half a century genuine economists were so busy refuting the Keynesian fallacies they had little time for constructive work in the development of economic science. The task that befell them was that of keeping the light burning during the dark decades.