



29th April 2013

‘An economics correspondent’ writes..

Keynesian economics: “the pseudo-scientific economics of averages.”

- Friedrich Hayek, ‘A Tiger By The Tail: the Keynesian legacy of inflation’.

In 1816, the net public debt of the UK reached 240 percent of gross domestic product. This was the fiscal legacy of 125 years of waging war against the French – rightly, in my view. I mean, all that garlic – come on. So anyway, what happened next after Britain was landed with this crushing burden of debt? The Industrial Revolution. Yes, in 1764 in the village of Stanhill in Lancashire, local public relations consultant Lansdown Hargreaves was so repelled by the enormity of state debt fifty years before it had happened that he fell over his young wife, Jenny – and the Spinning Jenny was born. The Spinning Jenny was a means of pumping water from deep mines. I know all about the mining industry and indeed all other industries having devoted my entire professional life to the study of economics and nothing else. I do wish people without expertise or experience would stop pontificating about things they don’t understand using theories that have been fundamentally discredited.

What I find particularly galling is when economics correspondents extravagantly flaunt their lack of historical analysis or even basic logic and seize, speciously, on one extreme and specific data point and then use it to develop a baseless theory that has no practical validity whatsoever in the broader economy or in relation to any other period and indeed constitutes a gross distortion of reality, causality, the space / time continuum, gravity, and basic common sense. I also dislike it when narrow pillars of the establishment dismiss out of hand and with minimal detail anything which disagrees or fails to conform with their (very conventional) world view. As I was saying, 19th Century entrepreneurs – and I am one too (a 19th Century entrepreneur, that is) – were so disgusted by the build-up of government debt that they immediately started the Industrial Revolution as a means of signalling their contempt. Cornish engineer Gromit Wallace then managed to quadruple the national debt which of course led directly to a surge in GDP and the creation of the Internet.

People are (wrongly, in my view) worried about inflation, and the explicit inflationary stimulus of quantitative easing, which I support. The economist John Milton Keynes once wrote as follows:

“By a continuing process of inflation, governments can confiscate, secretly and unobserved, an important part of the wealth of their citizens. By this method they not only confiscate, but they confiscate arbitrarily; and, while the process impoverishes many, it actually enriches some. The

sight of this arbitrary rearrangement of riches strikes not only at security, but at confidence in the equity of the existing distribution of wealth. Those to whom the system brings windfalls, beyond their deserts and even beyond their expectations or desires, become 'profiteers,' who are the object of the hatred of the bourgeoisie, whom the inflationism has impoverished, not less than of the proletariat. As the inflation proceeds and the real value of the currency fluctuates wildly from month to month, all permanent relations between debtors and creditors, which form the ultimate foundation of capitalism, become so utterly disordered as to be almost meaningless; and the process of wealth-getting degenerates into a gamble and a lottery."

"There is no subtler, no surer means of overturning the existing basis of society than to debauch the currency. The process engages all the hidden forces of economic law on the side of destruction, and does it in a manner which not one man in a million is able to diagnose."

Makes you think, doesn't it ? Well it doesn't make me think, of course, but there you go.

Austrian school economists are all child-molesters. It's a fact. Look it up. Ludwig von Mises and Hitler were actually the same person. I hate Americans, especially Austrian school economist Americans. Ron Paul selfishly started the Great Depression but happily the Second World War ended it. The bottom line is that it's best to enjoy tremendous influence within the corridors of the Keynesian establishment, and you don't. And whereas I am being direct and cogent, you are merely being simplistic.

People often ask me who should be in control of our money. I say to them: the state should be in control. *Salus rei publicae suprema lex*. That basically translates as: *I get paid by the establishment*. I therefore support Keynesian stimulus, down to the very last taxpayer's dollar. When that runs out, well, maybe I may have to change my mind.

I noticed this week that Rwanda had just borrowed 10 year money at 6.875% despite only having a 'B' credit rating. I also noticed this week a piece on Bloomberg that pointed out that central banks were now busily buying equities with their reserves. To those who point to a global financial system on the verge of flying apart courtesy of unparalleled risk taking and the grotesque distortion being imposed on asset values via zero interest rates designed to bail out insolvent banks and insolvent governments by central banks gifted with all too much arbitrary power, I say: your fears of hyperinflation are foolish and you are being stupid. There is no problem here. All is well. Please move along now. The emperor's new clothes do indeed look fantastic. Pay no attention to the man behind the curtain.

The US deflationary recession of 1920 is an exception. Since it points to the alarming occasion of a recession that was not met with a policy response by Big Government and which therefore resolved itself very swiftly, it must always remain an exception. Since it is an exception, it is therefore an exception.

I met a fellow the other day – he struck me as something of a pompous windbag – harrumphing along through life and mostly ignorant of economics and economic history, not ashamed to resort to sarcasm, ad hominem insults, and all the tools at the disposal of a barrack-room lawyer. Then I realised I was looking in a mirror.

The all-powerful state must be protected. Even if it means destroying all of its citizens along with their puny wealth. HULK LIKE ALL-POWERFUL STATE. HULK CRUSH PRIVATE WEALTH. EXTERMINATE ! EXTERMINATE ! EXTERMINATE !

'An economics correspondent' is a respected economics correspondent. But then so is Paul Krugman.

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