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**Paul Krugman** - Yesterday 7:15 PM (edited) - Public

People on twitter might be joking, but in all seriousness, we would see a bigger boost in spending and hence earthquake had done more damage.

- Comment - Share

+39

91 shares - Aakil Fernandes, Aaron Choi, Adam Cogswell, Adam Mathias Bittlingmayer, Ajay Menon, Anas

196 comments



**Bruno Garcia** - Oh. Japan's economy must be sky rocketing, then?

Yesterday 7:02 PM +88



**Wataru Tenga** - Not yet, but it will eventually when we can decide how the actual building will proceed are already experiencing an economic boom from the quakes.

Yesterday 7:05 PM (edited) +1



**Thorne Melcher** - +Bruno Garcia: Until this recent global downturn from the fallout of our credit down was actually doing well compared to the US and EU. Their only major issue was declining exports.

Yesterday 7:07 PM (edited)



**Richard Horton** - +Thorne Melcher Actually Japan's growth before the collapse trended below 3% a faced with an aging population as well as stiff export competition.

Their economy has been stuck in low gear since the beginning of the 1990s.

Yesterday 7:12 PM



**Shari Lynn Bence** - So you really post here .... or is it like your Twitter account where only links to N (Always thought a social media person at the NYT ran your Twitter account.) : : : : : understands she is ether : : : : :

Yesterday 7:14 PM



**Thorne Melcher** - Notice "well compared to the US and EU." Their growth has sucked, yes, but they hard by the recession. You're absolutely right about their aging population, though, which is exacerbating the younger generations to climb the corporate ladders.

Their export issues are in part due to the fact that they haven't been hit as hard, if I recall, because better than other major currencies, and thus is creating pricing problems for them.

Yesterday 7:17 PM



**Philip Thrift** - It was centered in Mineral (Louisa County), VA in Eric Cantor's 7th district, right? Won't disaster relief.

Yesterday 7:19 PM



**Paul Krugman** - I kind of like Google+ +Shari Lynn Bence , the twitter account is synced with the blog details.

Yesterday 7:20 PM +9

Send feedback



**Benjamin de Bivort** - Great to see you replying here +[Paul Krugman](#) !

Yesterday 7:25 PM **+4**



**Shari Lynn Bence** - Nice to meet you, Prof. Krugman. Any writer who references Animal House (I be Monty Python ... quite awhile ago, but the NYT didn't post my comment .... they have some censors reading.

:-)

Yesterday 7:35 PM (edited)



**Kevin Castiglia** - Broken window fallacy

Yesterday 9:03 PM **+65**



**Walter Zabaglio** - stocks&flows, kevin

Yesterday 9:13 PM



**Kevin Castiglia** - Destruction doesn't create wealth.

Yesterday 9:17 PM (edited) **+33**



**Walter Zabaglio** - +[Kevin Castiglia](#) Well, we don't measure our economic health by gross domestic v might be tempted to look at record corporate cash holdings and say the economy is in great shape.

Yesterday 9:21 PM **+2**



**Richard Horton** - ...and destruction could prompt a policy that continues well beyond the destruction in increased wealth. Also the goal isn't to create wealth. The goal is to shift from a demand for money and services.

Yesterday 9:26 PM (edited)



**Saul Tannenbaum** - +[Paul Krugman](#) I had gently mocked what I thought was a 'bot or intern posting to find myself mortified that it's really you. Welcome!

Yesterday 9:29 PM **+10**



**Matthias Shapiro** - I'm organizing a flash mob with sledge hammers to break the shit out of everything with me?

Yesterday 9:44 PM **+29**



**Brandon Kiser** - Stunned people take you seriously.

Yesterday 9:45 PM **+46**



**Kevin Castiglia** - +[Walter Zabaglio](#) I didn't say any of that. I was pointing out that destruction doesn't Destruction isn't good for the economy.

+[Richard Horton](#) I was simply pointing out that a destructive earthquake (like the one in Japan) does is simply a means of exchange. People demand money to buy goods & services either now or in the acquire money to hoard it.

Both of you should research the broken window fallacy. I'm not interested in pointing all the false pre arguments that are contained within your Keynesian ideology. You are smart enough to do that your:

Research the broken window fallacy. Destroying a window is not good for the economy.

Yesterday 9:54 PM (edited) **+12**



**Marfil San** - It worries me that Google+ may set people so loose as to someone like Paul Krugman declarations.

Send feedback

Yesterday 11:08 PM (edited) +4



[Edward Townes](#) - Dear incoming fellow libtards,

Yes, from our perspective this is bonkers, but please stay civil and polite; Krugman is no doubt a de  
Remember, you represent all of us by posting here!

Thank you  
/PSA

P.S.

There's no way he hasn't heard Bastiat's parable a dozen times already.

Yesterday 10:15 PM (edited) +7



[William Cox](#) - [+Paul Krugman](#) did you ever write about the effects of the 1995 Kobe Earthquake on  
to do about 2.5% of Japan's GDP in damage.

Yesterday 10:05 PM (edited) +5



[Chad Reese](#) - Economic activity does not equal economic growth, Dr. Krugman. I'm not going to ass  
broken window fallacy, but you are playing fast and loose with the vocabulary here.

Yesterday 10:07 PM +15



[Jameson Penn](#) - Imagine the economic opportunity from a nuclear holocaust!

Yesterday 10:09 PM +17



[Brian Garst](#) - Krugmanomics is not for the faint of heart, nor the economically literate.

If destruction is so productive, why don't you torch your house, Mr. Krugman?

Yesterday 10:10 PM +30



[Nevin Thompson](#) - Actually the economist best able to talk about economic destruction would be Ala  
caused quite a lot of it.

Yesterday 10:11 PM +5



[J. Giles](#) - Let's have the government buy a bunch of digging equipment, dig a big ol' hole, dump the c  
and then buy some more stuff to fill in the hole and smooth it over.

Yesterday 10:14 PM +6



[James Berrettini](#) - Wow. I'm speechless.

Yesterday 10:16 PM +2



[Sooper Mexican](#) - ecce the "conscience of a liberal": destruction is the goal.

Yesterday 10:19 PM +10



[Toby Marie Walker](#) - Wow, you are seriously serious about that comment?

Yesterday 10:20 PM +3



[Joshua Sharf](#) - [+J. Giles](#) : Better yet, hire people to destroy the digging equipment and use shovels  
Teaspoons to fill in the holes!

Yesterday 10:20 PM +13



[Kevin Castiglia](#) - Krugman doesn't believe what he preaches. He's too smart to believe that Keynesi  
to educate the rest of you. Bastiat was right. I would love for Krugman to debate a real economist.  
I have literally paid with the hopes that I might see it.

Send feedback

+Edward Townes Krugman advocates the systematic devaluation of the dollar, which hurts the poor the most. He is not a decent and nice guy. Do decent & nice people prevent tens of thousands of do by not participating in an event [1]?

[1] <http://www.thepoint.com/campaigns/campaign-0-1240>

Yesterday 10:20 PM +3



Michael Cust - +Paul Krugman How do you square your Keynesian economics with a concern for the suggesting here and elsewhere that destroying value and consuming more resources is good for the  
Yesterday 10:21 PM (edited) +9



Nelson Paz y Miño - Please throw some nukes in a few US cities, that definitely will boost the econ  
Yesterday 10:24 PM +6



Manuel Fernandez - That is the stupidest shit I've ever heard.  
Yesterday 10:24 PM (edited) +8



Scott Thomasson - Is there a meaningful distinction to be made here between impact of destruction when the economy is near full capacity (like Kobe 1995), when opportunity cost will be higher from I resources, and a period in which there is significant slack in the economy (like US today)? Earthqual as stimulative at "full employment," right?  
Yesterday 10:25 PM +3



Larry Diffey - Why don't we just break all the windows in the world then and we'll have a full recover ever heard of the broken window fallacy? DOH!  
Yesterday 10:27 PM +2



Jacob Champness - Yeah +Paul Krugman is having us on. I know he's an academic and all, but no c  
Yesterday 10:32 PM (edited) +11



Richard Horton - Yes, +Scott Thomasson I believe there is.

The Broken Widow Fallacy used against this kind fo argument is itself a fallacy, a straw man specifi  
  
+Kevin Castiglia

The claim isn't that by destroying things and rebuilding them wealth is generated. That is obviously n that spending now (regardless of what it is spent on) shifts consumption. Money that would have go consumption, is instead consumed now--otherwise face the paradox of thrift.  
Yesterday 10:28 PM (edited) +2



William Cox - Remember the long and protracted recession that followed the massively destructive 1 I remember a post-war boom though. There are a lot of data points which support the argument tha economic growth.  
Yesterday 10:29 PM +1



Manuel Fernandez - Not only wouldn't they be as stimulating. But they would make everyone worse repair his house due to an earthquake they will have to scrimp on a tv, books, a new pc, and other c we want more destruction or live in an alien invasion with the threat of extinction and rationing is ridic graduate from Princeton, then I am sorely disappointed.  
Yesterday 10:30 PM +2



Brian Arner - Doesn't it depend on the extent of the damage? On April 27 we had a big hailstorm he roofs. This has prompted a lot of economic activity (money being transferred from insurance compa building supply companies), in most cases without disrupting the use of the property (people could's  
[Send feedback](#)

The same storms have also generated extra economic activity down the road, but there I imagine th done (homes and businesses destroyed by tornadoes) more than offset the benefit of money flowing  
Yesterday 10:31 PM



**Larry Diffey** - That post WWII boom you saw was because manufacturing in the rest of the civilized wasn't spending on the war that caused the boom, it was the demand for goods and services after t boom because of what had been destroyed.

Yesterday 10:31 PM **+2**



**Richard Horton** - **+Larry Diffey** , you just committed the broken window fallacy yourself.

Yesterday 10:34 PM



**Keenan A** - @Brian, by necessity, the cost to rebuild was greater than the damage done -- otherwise profit for the people doing the repairs? The broken window parable, as many others have pointed o such silly thinking (e.g. war is good for the economy). Anyone telling you that destruction benefits th certainly on a government, university, or institutional payroll.

The real solution here is to use "stimulus" dollars to create earthquake machines all over the country employment in no time!

Yesterday 10:35 PM (edited)



**Lee Doren** - Video response <http://youtu.be/gG3AKoL0vEs> <-- Broken Window Fallacy.

Yesterday 10:35 PM **+5**



**Richard Horton** - Broken Window Fallacy is a straw man, people.

Yesterday 10:35 PM



**Kevin Castiglia** - **+Richard Horton** You're ignoring the unseen. Savings isn't bad. Consumption "now" economy. The shift is bad for the economy. Money that would've gone to other things now has to be things they already had or repairs, etc.

**+William Cox** Correlation doesn't imply causation.

Yesterday 10:37 PM (edited) **+1**



**Manuel Fernandez** - Broken window fallacy is not a straw man, when we are arguing on Krugman's earthquake should have caused more damage.

Yesterday 10:36 PM **+1**



**Richard Horton** - **+Kevin Castiglia** Saving is bad inside the paradox of thrift.

It is a strawman, because he did not claim it would generate new wealth.

Yesterday 10:38 PM (edited) **+1**



**William Cox** - As has been pointed out elsewhere, the Broken Window Fallacy is a case of "Yeah, B you can hire people to fix windows and restore employment, BUT it has crowding out effects!".

Well, the crowding-out effects are minimal during a liquidity trap with high unemployment and idle ca Window Fallacy" just means you disagree there's idle cash. And Corporations are sitting on over a t

Yesterday 10:37 PM (edited) **+1**

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**Cord Blomquist** - Dollars would have definitely moved around had the quake caused more damage & needed, but how would anyone be materially better off? Money is just a measure of the economy, a services being created. Destroying those things doesn't create growth, despite the movement of mc  
Yesterday 10:39 PM +1



**Jacob Champness** - It's not "extra" activity, @Brian Arner, just different activity, unless you think peo with cash they had previously been keeping buried in the back yard.  
Yesterday 10:40 PM (edited)



**William Cox** - +**Cord Blomquist** The economic argument is that the earthquake could transfers mone sitting on idle cash to people who are sitting on their idle asses. ;)  
Yesterday 10:40 PM +1



**Manuel Fernandez** - The person would be better off avoiding an earthquake and donating for charity  
Yesterday 10:41 PM



**Kevin Castiglia** - Corporations invest. They'd be stupid not to with a dollar that decrease in value eve  
Yesterday 10:41 PM



**Jacob Champness** - @William Cox, how many people do you seriously think are sitting on idle cash? bank isn't idle.  
Yesterday 10:42 PM +2



**Richard Horton** - Yes, corporations invest, but not here--because demand has fallen off a cliff.  
Yesterday 10:43 PM (edited)



**Richard Horton** - +**Jacob Champness** Actually, when they are using the money to pad their reserves is. That liquidity trap will do it every time.  
Yesterday 10:45 PM (edited)



**Roger X** - Bastiat's original parable of the broken window from Ce qu'on voit et ce qu'on ne voit pas Have you ever witnessed the anger of the good shopkeeper, James Goodfellow, when his careless pane of glass? If you have been present at such a scene, you will most assuredly bear witness to th the spectators, were there even thirty of them, by common consent apparently, offered the unfortun consolation—"It is an ill wind that blows nobody good. Everybody must live, and what would become glass were never broken?"Now, this form of condolence contains an entire theory, which it will be w simple case, seeing that it is precisely the same as that which, unhappily, regulates the greater part institutions. Suppose it cost six francs to repair the damage, and you say that the accident brings six trade—that it encourages that trade to the amount of six francs—I grant it; I have not a word to say justly. The glazier comes, performs his task, receives his six francs, rubs his hands, and, in his heart child. All this is that which is seen. But if, on the other hand, you come to the conclusion, as is too oft good thing to break windows, that it causes money to circulate, and that the encouragement of indu result of it, you will oblige me to call out, "Stop there! Your theory is confined to that which is seen; i which is not seen."It is not seen that as our shopkeeper has spent six francs upon one thing, he can another. It is not seen that if he had not had a window to replace, he would, perhaps, have replaced another book to his library. In short, he would have employed his six francs in some way, which this .  
[1][2]  
Yesterday 10:44 PM +1



**William Cox** - +**Jacob Champness** In a liquidity trap, yes it is. You can disagree with that, but if you c Krugman are all in a room with no windows arguing whether it's day or night outside. One of us is rig And it is the sole determinant of whether or not we should be sleeping.  
Yesterday 10:44 PM

Send feedback



**Manuel Fernandez** - +[Richard Horton](#) they are using money to pad their reserves, because they expect companies would be better off with cash. But why do they expect turmoil? Because we have policy decisions that should be left to free markets.

Yesterday 10:47 PM +2



**Jacob Champness** - Right +[William Cox](#) and +[Richard Horton](#) . The banks are sitting on every last cent not making any loans at all. Not one.

Yesterday 10:48 PM



**Brian Arner** - +[Keenan A](#) My point was that under certain circumstances a natural disaster *might* be the local economy. Obviously it's a different assessment for the impact on the national pool of home policyholders. But even then, if insurance companies are "hoarding" cash, there may be a redistributed money flowing into the hands of low-skilled workers, who might otherwise be unemployed (the roof is leaking).

Yesterday 10:48 PM



**William Cox** - You know what else doesn't generate new wealth? 9.1% unemployment and austerity

Yesterday 10:48 PM +3



**Richard Horton** - +[Jacob Champness](#) Strawman again. We didn't say they weren't making any loans with their cash. Just that they weren't making loans like as they would under normal circumstances. There's no money being hoarded. You're more than capable of Googling it.

Yesterday 10:51 PM



**Jose G** - You right wing fools don't have a Nobel, but +[Paul Krugman](#) is right on the money! Look at what's turned out, now go away and leave the heavy thinking to him! I'm off to smash my car window through my mother in law's home, for AMERICA.

Yesterday 10:51 PM +5



**William Cox** - +[Jacob Champness](#) Who said that? If 95% is being loaned out and 5% is idle, that's a 5% system that could be used more productively. In fact I think it's much more than 5% that's idle, but I

Otherwise, why would the banks be investing in treasury bonds that are yielding negative real rates when bond yields are positive?

Yesterday 10:54 PM (edited)



**Ryan Ames** - Look on the bright side, Paul. We've still got Hurricane Irene coming this weekend.

Yesterday 10:53 PM +2



**Andre Grillon** - Broken Window Fallacy -----> <http://youtu.be/gG3AKoL0vEs>

Yesterday 11:08 PM (edited) +2



**Al Gore** - You're an idiot.

Yesterday 10:59 PM +2



**Richard Horton** - +[Andre Grillon](#) His argument is not that the earthquake will lead directly to new wealth. It's a Straw Man.

Yesterday 10:59 PM



**Jacob Champness** - +[William Cox](#) and +[Richard Horton](#), you're both looking at a time horizon of what maybe? I'll grant you that you may get people to spend their money sooner than they would otherwise on property, but you simply can't show that it's of long run benefit to the economy to break stuff.

Yesterday 10:59 PM +1



**Keenan A** - +[Brian Arner](#) you're ignoring why companies would "hoard" cash in the first place. (Of course it isn't hoarded at all.) But they would hold onto greater cash reserves to hedge against a default by their customers.

uncertainty in the marketplace has been government policies, in terms of regulations, taxes, etc.

Additionally, cash on the side isn't necessarily a bad thing. It means that money is ready for good investment to make sense -- not malinvestment fueled by loose monetary policies (which resulted from aggressive

Businesses aren't hiring or making new expenditures because they don't know what BS is going to cost this week. Wanna see some growth? Cut, cap, balance, and replace the income tax with a flatter tax paying off our debt. There's plenty of work to be done and plenty of people to do it, but trying to hire government takes half your money and makes you fight through red tape to keep the other half is messy sometimes.

Yesterday 11:00 PM



**Jeff Younger** - [+Richard Horton](#) The Broken Window fallacy does apply here. Suppose the government repairs after the earthquake. Where did the money come from? Either the government takes money that would have put the money to use in other areas, or the government prints the money and devalues the currency. At the very best, increased government spending is a wash. But real life is seldom the very best. The multiplier effect is really a divider.

Yesterday 11:02 PM **+5**



**Kathy Strickland** - I'm sure this is what London had in mind!

Yesterday 11:03 PM **+6**



**Bill Ricker** - [+Ryan Ames](#) has a good point -- Irene will stimulate plywood sales even in threatened areas. But Irene may dampen some tourism in the non-hit regions too.

Yesterday 11:03 PM



**Jacob Champness** - Oh totally [+Kathy Strickland](#). Those were just civic-minded volunteers trying to help out of depression. ;-)

Yesterday 11:04 PM



**Richard Horton** - [+Jacob Champness](#) I'm not trying to. I'm simply pointing out that accusing Krugman of a fallacy is to make a Strawman of the Keynesian argument.

The Keynesian argument is not that destroying things creates new wealth. The argument is that it trades off for current consumption to the benefit of the jobless and to the benefit of the economy as a whole in the negative outcomes of the paradox of thrift.

Yesterday 11:04 PM **+3**



**J Kane** - Nobel Prize x1000!

Yesterday 11:05 PM **+1**



**Keenan A** - [+Jeff Younger](#) I wish google had a +1,000,000 for your comment.

Ever notice how multiplier-voodoo economists always seem to find the highest multiplier -- which is a natural -- in their pet government program?

Yesterday 11:05 PM



**William Cox** - [+Jacob Champness](#) If you believe that the economy is held back by debt, then it is logical to have idle cash (whether by charity, investment, taxation, inflation, destruction, etc) and putting it to work is beneficial because it will often end up in the hands of people with debts that get paid down.

The destruction part is negative on the economy. Surely there's something better for them to do. But crowding-out effect, then the destruction is not really that harmful.

Yesterday 11:06 PM

Send feedback



[Mike Davis](#) - Broken window fallacy idiot: [The Broken Window Fallacy](#)

Yesterday 11:11 PM [+2](#)



[Jacob Champness](#) - I'm less interested in what you're trying to say, [+Richard Horton](#), than in what [+say](#). And he said, "we would see a bigger boost in spending and hence economic growth if the earth damage." Over what time period? Over the course of the next week, sure. But there's no way that [r](#) low orders of production, which were being saved for higher-order production results in a "bigger bo  
Yesterday 11:13 PM (edited) [+4](#)



[Keenan A](#) - [+William Cox](#) the economy is held down by **government debt** -- private debt is decreas  
government money to invest in the wrong areas, and then necessitate eventual tax hikes and inflatio  
not take out the middle man and cut taxes, significantly?

Yesterday 11:12 PM



[Richard Horton](#) - [+Jacob Champness](#) Paradox of Thrift. Saving now results in reduced total saving tl  
money was spent now.

Yesterday 11:14 PM (edited)



[Richard Horton](#) - [+Keenan A](#) It's precisely because the private sector is paying down their debt that  
They are spending money paying their bills and not on good and services. Even guys at the Chicago  
one.

Yesterday 11:13 PM [+1](#)



[William Cox](#) - [+Keenan A](#) Huh? You don't know what you're talking about. Private debt is decreasing  
forced to pay it down... Debt is causing a crowding out effect on the average consumer: they have t  
instead of being a customer at US Businesses.

The US Government is just picking up the slack. As Krugman has said like a thousand times on his b  
Yesterday 11:13 PM



[Will Franklin](#) - This is a fake account, right? Like [@MayorEmanuel](#) on twitter? Surely, not even Paul  
nonsense.

Yesterday 11:14 PM [+2](#)



[Keenan A](#) - [+Richard Horton](#) The paradox of thrift is a joke, that in no way applies to a global econo  
rates. It's one extreme in example that, even in a closed, local economy, would still be preferable to  
spending, deficits, taxes, and malinvestment.

Foreign investment? Better quality of investment overall? Falling prices in line with falling revenues, s  
Yesterday 11:16 PM (edited)



[William Cox](#) - "The paradox of thrift is a joke, that in no way applies to a global economy with floatin

Best. Quote. Ever. There's no WAY that macroeconomics could possibly apply to economics on a g  
Yesterday 11:15 PM



[Richard Horton](#) - [+Keenan A](#) Indeed it does not apply to the Global economy, but we aren't talking a  
now are we.

Yesterday 11:15 PM



[Richard Relph](#) - I'll tell you what... Let's just "pretend" all of the NYT building was destroyed by a na  
works there is allowed to show up tomorrow so that the construction workers can do their thing inst  
destruction". This is just destruction. And, worse, just because the building is destroyed does not me  
let - it be rebuilt. Replacing 'lost' wealth may (or may not) create a GDP-contributing flow, but it cert  
[Send feedback](#)

national net worth stock.

Yesterday 11:15 PM **+1**



**Jacob Champness** - **+Richard Horton**, Paradox of Saving, No it doesn't.

Yesterday 11:16 PM



**Richard Horton** - **+Jacob Champness** Sticky prices. Yes it does.

Yesterday 11:17 PM (edited)



**Keenan A** - **+William Cox** Exactly what do you think people do with their savings? Hoard it like Scroo

Yesterday 11:18 PM



**Jacob Champness** - Oh dude, you totally win, **+Richard Horton**! Wish I'd thought of sticky prices...

Yesterday 11:19 PM (edited)



**James Slater** - Typical Keynesian. In Krugman's ideal Keynesian world we all live with no savings, p  
war and natural catastrophes.

Yesterday 11:20 PM **+2**



**Sooper Mexican** - Comet that made dinosaurs extinct = Best Krugman Economic Stimulus EVER!!!

Yesterday 11:20 PM **+3**



**Richard Horton** - **+Jacob Champness** Sticky prices prevent the price level from adjusting appropriate  
reduction of the consumption-investment ratio and thus the paradox of thrift ensues.

Yesterday 11:22 PM



**William Cox** - **+Keenan A** I believe they put it into the bond market, where it ends up funding homes  
now just barely above 4%), funding government borrowing (10 year real treasury rates are now neg  
that all the interest rates on these investments are so low, that says that this money is mostly just ly  
credit-worthy comes along willing to borrow it.

Yesterday 11:22 PM



**William Cox** - **+Keenan A** I also believe it ends up in the commodity market chasing whatever is yield  
(gold is now above 1800 and was briefly above 1900 today).

Yesterday 11:23 PM



**Phillip Saxton** - NEWS FLASH we are already fighting three or four wars and have had a bunch of t  
economy is not improving. There is hole in your theory!

Yesterday 11:23 PM (edited) **+6**



**Richard Horton** - Most of the comments here by people not engaged in the conversation are really ig  
strawmen, even aside from the broken window fallacy fallacy.

**+Jacob Champness** Thank you for at least being courteous and conversational.

Yesterday 11:24 PM (edited) **+1**



**Martin Towsen Kite-Powell** - Ah, now we know why the left is trying to destroy us. It's for our own g

Yesterday 11:24 PM



**Jacob Champness** - Any other irrelevant hypotheses to share, **+Richard Horton**?

Yesterday 11:25 PM (edited)

Send feedback



**Jeff Younger** - The Paradox of Thrift is an error *a fortiori* because the Circular Flow model is an error

<http://mises.org/daily/3194>

Yesterday 11:28 PM



**Richard Horton** - +[Jacob Champness](#) How is it irrelevant?

Sticky Prices --> Paradox of Thrift --> Increased total Savings

Also, I retract my thanks.

Yesterday 11:28 PM



**Jawaid Bazyar** - So if the government paid 50 million men to run around causing property damage, would that increase prosperity?

Yesterday 11:29 PM +1



**Alicina Memar** - The government should hire people to break windows at a shopping center. Probable net benefit to the economy, so those riots in London must've done lots of good.

Yesterday 11:29 PM +1



**Bill Ricker** - +[Richard Horton](#) makes excellent point that the time and place of the broken window matters

Yesterday 11:30 PM



**Saul Tannenbaum** - I'll just outsource to +[Matthew Ygelsias](#)

*The fact that breaking windows would make a society poorer (fewer windows) is precisely why not stimulating the economy by deliberately smashing windows. But the way the dialogue works is that a conservative observes that fiscal stimulus can increase growth in a depressed economy. Second, as an attempt to be accurate, a conservative says "if that was true, then you could increase growth by breaking a bunch of windows." Third, a Keynesian accurately points out that you could, in fact, increase growth by breaking windows. Fourth, the conservative accuses the Keynesians of wanting to break windows or believing that window-breaking increases wealth. But the point is that we have very good reasons to think smashing windows would be a bad idea—there's no net gain to employment—and that's why Keynesians generally want to boost employment by having people do things like renovate schools or repair bridges.*

Yesterday 11:36 PM (edited) +2



**William Cox** - Keynesian Analogy: You can save a few lives if you donate blood.  
Austrian Counter-Analogy: YOU ARE SAYING YOU DON'T NEED BLOOD TO LIVE?! THAT'S THE POINT I'VE ALWAYS HEARD!

Yesterday 11:32 PM



**Mary Taggart** - Destruction didn't help Asbury Park's economy after the riots 40 years ago.

Yesterday 11:32 PM +1



**André Bremer** - Why are some people willfully missing the point? I read this as an indictment of our obviously absurd example of what it takes these days to get an increase in spending. It shouldn't take that long to get the point.

Yesterday 11:33 PM



**Alo Konsen** - Ah, yes ... the Broken Window Fallacy. Brilliant.

Yesterday 11:34 PM +1



**matt palumbo** - I guess Krugman wasn't in class when we all learned about the broken window fallacy. Lesson from Lord Stossel: [John Stossel's Broken Window Fallacy](#).

Send feedback

Yesterday 11:35 PM



**Nathanael Beal** - Thanks for telling us a joke, Dr. Krugman, since no serious economist could actually window fallacy, right.

Yesterday 11:36 PM **+2**



**Jacob Champness** - Yeah, +**Richard Horton**, I figured you would. I just don't see how you get from t **Krugman's** conclusion. So it seems irrelevant. That's all...

Yesterday 11:43 PM (edited)



**Jeff Younger** - +**Saul Tannenbaum**, I go further. Even employing people to "do something useful like bridges" - even that produces no aggregate growth. The money spent on employing those people w people. you've merely moved money around, not created growth. We've spent \$800+ billion to "stim not see the growth predicted by the Keynesian model. There is no Keynesian multiplier effect. It's a

Yesterday 11:37 PM **+3**



**nick ruck** - Hmmm good point, think of what a full nuclear war would do!

Yesterday 11:47 PM **+1**



**David Redmond** - krugman might be a joke, but in all seriousness, sorry we couldn't suffer more for amusement

Yesterday 11:47 PM **+1**



**Jeff Miller** - I find myself torn between hoping this is a troll and hoping it is not.

Yesterday 11:51 PM **+1**



**Bill Greene** - Mr Krugman, please go away

Yesterday 11:51 PM **+4**



**Jacob Champness** - +**Saul Tannenbaum** I don't think you can claim to have defeated a reductio by h absurdity to which your argument has been reduced.

Yesterday 11:54 PM (edited) **+2**



**Richard Horton** - That 800+ billion did not offset cuts at local and state levels. you have to know that The data is out there. There was no stimulus.

Yesterday 11:53 PM (edited)



**Scott Borth** - I hope this is really you... ffs...

Yesterday 11:53 PM



**Todd Slater** - What's scary is this post has more than zero +1's.

Yesterday 11:53 PM **+2**



**Stephen Schaefer** - Yeah, I guess if we can't have an alien invasion, you can always keep hoping fo of an extraterrestrial one. And those who say this makes a straw man of the Keynesian model seem there's been an emerging pattern of Krugman dreaming of national tragedies lately. He's the one wh needs something like this to bounce back. But I have to wonder, if he thinks the trillions we dumped three or four... just how many trillions did he expect a single earthquake would cause?

Yesterday 11:55 PM



**Jeff Younger** - +**Bill Ricker**, actually the time and place of the broken window don't matter. But the tir economy composed of mostly capital goods. There's a big problem with the Circular Flow model the his analysis. It portrays an immediate connection with "spending" and production. This is provably fa purchase are the end result of years of purchasing and production. We only see the end of the prod malinvestments caused by central banking policies and regulation cannot be fixed by an an increase

**Send feedback**

It takes time for economic readjustments to occur, as capital goods production shifts to profitable se

"Spending" or "demand" is not the problem. Malinvestments and misalignments in capital goods proc  
Government monetary policy caused it.

Yesterday 11:55 PM **+3**



**Jeff Younger** - **+Richard Horton**, wrote "That 800+ billion did not offset cuts at local and state levels.

It's true, and it undermines your whole point. \$800+ billion in targeted government spending did not p  
You say it's because offsetting cuts in other areas. OK, I take your point even further.

I say offsetting cuts are logically inescapable for *all* government spending, including the \$800+ billion  
merely redistributes money in the economy. What is gained in local spending is lost somewhere else  
can occur from government spending.

If you think this happened with the "stimulus", then I think you must agree that it happens with all gov  
can be no Keynesian multiplier.

12:05 AM **+1**



**Samuel Nazario** - you simply absolutely **MUST** be the biggest idiot on the planet, thats if there isn't in  
another planet, then you're worse than them! i would believe anything an amoeba tells me before i li

12:07 AM



**Richard Horton** - **+Jeff Younger** It does not undermine my point at all (another straw man, what is it

The argument is for deficit spending. not spend and cut. that deficit would be financed by savings th  
gone to future projects. The whole point is to move consumption from teh future to the present to pu  
take money from a future boom and use it to temper a current bust.

12:10 AM (edited)



**Topher Eliot** - This is a classic, CLASSIC example of economic thinking getting so caught up in numb  
reality. If every dollar that would be spent repairing earthquake damage just to get things back to wl  
earthquake were instead spent on building something new or improving something to be better than  
bunch of new and improved stuff, instead of just being back where we were before. But economists  
numbers that they can't see this.

12:13 AM



**Bryan McKelvey** - So, just to bring a practical example to this discussion: I live in Japan. Post-quake  
embark on stimulus. However, a great deal was lost, and not just in terms of lives and property. Mar  
area had their entire supply chain disrupted, something that would be global given the tendency tow  
manufacturing. Even now, auto manufacturers are working Saturday through Wednesday to conserv  
problems at TEPCO. Even fewer people are put to work; many are receiving "leave allowance," bes  
government subsidy for part-time work for the previously gainfully employed. Around 80,000 people  
are the real consequences of a serious disaster (even absent the extreme human toll): government  
disruption of the economy.

Even the most innocuous reading of this post -- that it takes a disaster to induce counter-cyclical gov  
seems extremely misguided. The destruction created demand to replace goods, but it also removed  
economic activity going forward, which accounts for Japan's 1.3% annualized reduction in GDP in Q  
unemployment (borne primarily by young and temp workers), its debt downgrade and the ripple effe

12:18 AM (edited) **+1**

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**Anthony Chance** - How about we be like, calm and rational about this?

12:15 AM



**Adam Shahid** - I suspect the Keynesian view is that a natural disaster can force a population to rebuild technology (which in turn has higher overall efficiency at creating goods/services). Sort of like your Windows95 machine, refusing to upgrade until a flood destroys her computer. Then she purchases a new one and can now do things many times more efficiently than she did before. This assumes, though, that people are not upgrading things even if such is in their best interest. I find this all to be a dangerous line of thought, pretty prone to the phenomenon of unintended consequences.

If applied to the broken window fallacy, it would be that the replaced glass should cost somewhat more than it did (due to advances in technology), but provides extra utility (such as improved heat/cooling and sound enhancing properties). Of course, it's quite risky to assume that the baker actually **needs** those improvements, and is too ignorant/stubborn to know when it is a good idea to upgrade things...

12:20 AM



**Saul Tannenbaum** - +**Anthony Chance** That won't work. We'll just be taking calm and rational from someone who does not contribute to an overall increase in calmness and rationality. It's the calm response fallacy. Case in point.

12:21 AM +2



**Marissa Yturralde-Giannotta** - Should we just nuke the entire United States and start from scratch? Whatcha say Kruggie?

12:23 AM +2



**Aakil Fernandes** - The "broken window fallacy" assumes money spent on fixing windows would have been spent on something else. Krugman's implicit argument is that spending is so low (savings is so high), it wouldn't have been spent anyway. I disagree with the metrics, but the logic is sound.

12:26 AM (edited) +2



**Marissa Yturralde-Giannotta** - Krugman, Aakil, doesn't account for the fact that the money saved from the window is lent. Money lent is money invested. Money invested means money spent. Thank you.

12:29 AM



**George Bittlingmayer** - If an earthquake is good for economic growth, I can come up with a few other things. Genghis Kahn, open up the prisons, blow up some dams, cutoff electrical power to spoil our entire system.

12:30 AM



**William Cox** - While it's fun to get wild and hyperbolic, let's stick to actual economics.

Krugman's original point isn't calling for a tidal wave. He's more arguing that, say, there sure are a lot of people who have some money and some other people who can't invest it gainfully, and since Congress won't put America to work, will give them something to do?

It's very easy to see that the earthquake in Japan massively damaged non-idle resources. Keynesian economics says that people who HAD jobs, and homes, and powerplants would be somehow advantaged if that were destroyed. If you stimulate the economy, it'll depress the economy just like the Broken Window Fallacy said it would.

So the point is that there is a line which is, "Does the economy have slack?" When you try to argue that the economy cannot afford to repair a single window because we're in a recession, you're on the wrong side of Keynesian economics. It obviously can. And it obviously IS replacing the glass cube in Times Square for no discernable reason. (Maybe Steve Jobs is thinking it'll stimulate the economy?)

If you try to argue that we should blow up the world to stimulate the economy, you're also on the wrong side of actual economics. Which is why +**Paul Krugman** doesn't argue this.

Send feedback

12:37 AM (edited)



**Marissa Yturralde-Giannotta** - And that creates REAL wealth. Not bubbles, which ultimately Krugman off, blame corporations, blame the rich. I'm gonna nuke New Jersey and see if Krugman is right. Ne piece of shit.

12:31 AM +1



**Richard Horton** - +**Marissa Yturralde-Giannotta** Actually Krugman does account for that money that called a liquidity trap.

12:31 AM (edited)



**Daniel Batista** - Is this a joke? Is so, it's not funny. If not, WHAT THE HELL is wrong with you?

12:31 AM +1



**Richard Horton** - +**Daniel Batista** You do realize he didn't say that it should happen, right? He was m about the state of our political economy and not about the earthquake--and in that light it is indeed s that kind of humor. Stanley Kubrick turned me onto it years ago.

12:34 AM (edited)



**Jeff Younger** - +**Richard Horton**, deficit spending on earthquake remediation projects won't help in th Krugman can see that all of this market uncertainty and turmoil are short-term, then so can the entre businesses! Since the "stimulus" spending is purely based on political whim, and doesn't represent a entrepreneurs do not interpret "stimulus" as long-term increases in consumer demand. "Stimulus" do entrepreneurs aren't stupid.

"Stimulus" advocates must assume that entrepreneurs will act against their long-term self interest, a making. Worse, you must assume that Krugman (or some other high priest of economics) know bett goods production than the entrepreneurs who actually make capital goods! This is absurd, on both c

If the market turmoil really is short-term, then the damage done to capital structure by "stimulus" far temporary benefit.

And you wouldn't be borrowing from a future boom. You would be *creating* another boom! And an e you've added the deficit to it. That \$800+ billion will be part of another crushing bust, thanks to gove and Keynesian fiscal policy.

12:39 AM +1



**Patrick Kelly** - This is why I can never take anything Krugman says seriously or as truth. Destruction the economy. Instead we have to spend money to have the same as what we had before the destru grow and leaves us poorer than we were before. Sure, in the short term it gives someone a job, but spent money to have the same, which is not growth. It is instead a more expensive present.

12:40 AM +2



**Bryan McKelvey** - He's arguing that "we would see a bigger boost in spending and hence economic had done more damage." There is plenty of evidence that that isn't true, that quakes and floods and stimulate the usage of idle assets and production of more efficient means. They also destroy homes factories, which leads to reduced capacity and labor market and supply chain upheaval. Most major an economy -- you can look at the time it's taken countries like Japan, New Zealand and Chile to res the New Orleans after the floods). It doesn't cause "a bigger boost to spending and hence economic

12:43 AM (edited) +1



**Roger X** - Clearly the Nobel winning economist is right here, folks. After all, who can forget the ecor country's recent past following the Oklahoma City bombing, 9/11, and Hurrican Katrina? Let's all give the government can build some more programs to hire some more contractors to pay some more, bi

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12:40 AM



**Andre Keele** - The more Japan has to pay to repair their infrastructure the less anime and hentai for DOUCHEBAG!!!!

12:41 AM +2



**R. Douglas Barbieri** - You really can't be that dumb, right Krugman? Where did you get your Nobel F box?! I mean, if that's true, then we should burn down all of the cities in America. In fact, let's just N economic boost will be phenomenal!

12:59 AM



**Galts Girl** - Someone pass the popcorn.. the circus is in town! Also, Moody's just downgraded Japa little earthquake, sans tsunami, wouldn't have done NEARLY enough damage on it's own to help the should call for an alien invasion ... wait...

1:01 AM +1



**Michael Turner** - "Well, the crowding-out effects are minimal during a liquidity trap with high unemplo Yes. If there's a lesson for Krugman in this thread, it's that he should ALWAYS qualify such disaster-statements by saying, "With interest rates up against the zero bound in a stagnant economy, and lot which continues to describe the Japanese macroeconomic situation perfectly. Not that your average much theoretical nuance. They DO know about the Broken Window Fallacy, however, and given how evoked by name, by drive-by posters, it seems that most here imagined themselves to the first to c: seeming to be ignorant of it. Why, it's ... the Dunning-Kruger Effect again! It's inescapable! -- [http://en.wikipedia.org/wiki/Dunning%E2%80%93Kruger\\_effect](http://en.wikipedia.org/wiki/Dunning%E2%80%93Kruger_effect)

1:06 AM



**Adam Fontana** - you are mental.

1:07 AM +1



**Ken Gardner** - The space aliens in the movie Independence Day are actually what we need today to

1:08 AM +2



**R. Douglas Barbieri** - I dunno, if people keep telling him "Broken Window Fallacy" over and over again get it? A fallacy is still a fallacy. He ignores the net loss of the destruction.

1:10 AM +1



**Terry McIntyre** - Do the words "opportunity cost" have any meaning?

1:12 AM



**matt bahr** - fucken idiot

1:15 AM



**Wendy Langhorne** - So we must be doing it wrong down here in TX... All these wild fires, lost crops they just don't seem to be the money maker that an earth quake could be. Dammit!

1:16 AM



**Bryan McKelvey** - Right. Japan has even-nearer-zero interest rates (all swaps less than 10 years in below), a stagnant economy, virtually no loan demand (banks hold 40% of JGBs in the absence of a investments), and a disaster. It was not stimulative. So I suppose we'd also need this disaster to co such that it only destroys things that are idle. Am I missing some other ridiculous criterion? At best, you ignore the upfront human and capital toll of a geological disaster, it produces GDP growth. But € claim.

2:09 AM (edited)



**Jeff Gentry** - Perhaps it's not too late. If the government will blow up some bridges and you can con

Send feedback



damage their homes and business with hammers, we can still gain from the economic benefits deriv destruction.

1:18 AM



**Justin Yeary** - Krugman you fucking idiot, as a Ph.D. certainly you should be familiar with the concep That is EXACTLY what a war is. yet, the earthquake "stimulates" the economy by spurring creation. very real costs in terms of human life and human property? Yes, an earthquake might cause a lot of same time something had to be destroyed. So you're really claiming that stimulus canc ome about fr proposition for you Paul. I will personally pay for a bulldozer to demolish your house, run over your c property. In the name of economic stimulus, you should wholeheartedly support my claims as a dogm something leads me to believe that you aren't exactly thrilled at the prospect of your home and your and rightfully so. so that leads me to the question of why you think it's appropriate for those states a Earthquake? Your limousine liberal tendencies lead me to believe that because you are directly unaf disasters, your liberals sociopathy leads you to not give two flying fucks about the people whose live Tell you what Paul, I'll pay for the dynamite to blow up your house. Then you can write a wonderful f how Justin Yeary contributed to economic stimulus by creating jobs to repair your abode.

1:21 AM



**Justin Yeary** - Of course when you're tenured ass awarded a Nobel Prize, which is nowadays worth Nobel Peace Prize to a warmongering president who has authorized military actions killing thousand Eastern countries, I guess the plight of genuine working class American doesn't really affect you in y tower of academia, you fucking asswipe.

1:22 AM



**Katherine Sorto** - In my economic illiteracy (correct me), a lot of jobs were lost in the manufacturing housing boom caused by the packaging of the subprime mortgages. Is what Krugman was addressi if an earthquake occurred there'd be an urgency to spur up manufacturing activity again (out of pure growth in employment causes GDP growth, because money is spent instead of being it being saved

Psychologically, a physical rebuilding would also demonstrate that we can rise up from a tragedy. It rebuilding. And so much of trade is where the fear index is at the moment. Isn't the conundrum about "zeitgeist" needs to change in order to get out of one?

I don't think he was ever implying that people should destroy property to cause GDP growth. Earthc geological phenomenon, he was stating a hypothetical situation for consideration. Not as if that idea life to create GDP growth. That would be immoral, illogical and antithetical. Why destroy physical st destroying them?

1:26 AM (edited) +1



**Justin Yeary** - and I sincerely mean that with all due non-respect. Whatever drugs the Nobel Prize C when they decided to give you their award, I really want some of that

1:26 AM



**Zlatin Balevsky** - Especially if it had hit those reactors harder.

1:27 AM



**Travis Lindsay** - Germany must have had a roaring economy after WWI, oh, wait, it didn't. This guy wonder if this is actually Paul Krugman because I don't think even he could say something so stupid.

1:32 AM



**Justin Yeary** - NOTE: I am not actually planning on assault or engaging in violent acts against Mr Kr volunteering, if he so consents, to engage in a controlled demolition of his property to prove his won

1:32 AM

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**Timothy Lebrón** - Where did this broken window concept come from? The growth of GDP after a na involving a state of emergency declared by the President with billions in damages) comes from incre orders both present and future, increased necessity of reconstruction and new workers, higher tech infrastructure, a housing boom to repair the buildings / houses damages and from there you increas and national banks (by whatever amount is placed into savings), consumer spending and consumer receipts, and a system set in place to prevent further disasters from occurring, or at least minimizing basic as the argument for creating the NIRB is. It's not some philosophical argument about breaking just to rebuild it and give everyone jobs, it's about the very real cumulative economic impact that rec disaster affects. To imagine otherwise is literally ignoring the joint reconstruction efforts of majority p finance. Even if the reconstruction is only regionally making an impact on the eastern seaboard, ther relief vis-a-vis the global recession and high unemployment. At that point, the government can make national NIRB and cause a jobs boom across the nation in the attempt to modernize our failing infras

1:33 AM +1



**matthew leslie** - It would be more accurate to say that money will now be spent to fix what was dan wealth increased? No. Are we going to see economic growth? Yes, but only to recover what damag

1:33 AM +1



**David Mint** - You sound like Pangloss frm Candide! Yet ein the context of the current, insane "debt is you are correct. Fortunately for those of us with our wits about us, the currency regime is on its last

1:36 AM



**Tom Lundy** - What the hell? Let's boost spending by burning down the entire eastern seaboard. These idiots will never learn, never. I really don't think Krugman and Co are that stupid, they are just making tons of money from the cor have to say such stupid statements.

1:50 AM



**Jebediah Cole** - Asking the question "Does the economy have slack?" is one that the entrepreneur a To decide that Aggregate Demand is "too low", merely because it is lower than it has been in the pa boom that Mr Krugman advocated) is to try to out-guess the millions of economic actors in the mark breathtaking assumption, that one could know better than millions of people how they should be spe this then leads to a breathtaking conclusion, that destruction of property will force these idiots to bel Spare us the medicine, bad doctor.

1:53 AM



**Will Wilkinson** - I did an overview post on recent research in the economics of natural disasters after of you might find it useful...

[http://www.economist.com/blogs/democracyinamerica/2011/03/catastrophe\\_and\\_growth](http://www.economist.com/blogs/democracyinamerica/2011/03/catastrophe_and_growth)

1:55 AM (edited) +1



**Richard Horton** - +**Tom Lundy** I looked at his circles for two seconds and found both Mark Zuckerbe aren't entrepreneurs then who the hell is?

2:02 AM (edited)



**Hardik Joshi** - After reading this post I wish there would have been a " -1 " or rather a " 0 " button or

2:07 AM +2



**Gia Jandieri** - Either one is idiot or another

2:09 AM



**Darren Collins** - Duh, let's burn my house down soze I can be rich. Let's burn the whole neighborhoo Hills in two years guaranteed... duh.

Send feedback

2:13 AM



[Eric Williams](#) - Wow. Some of the comments here seem more suited to the bowels of YouTube. Wo from people at least nominally supporting the opinion I share (in opposition to Krugman's Keynesiani

Let's see if I understand the argument, as it's been elaborated by some of Krugman's defenders, cc economist, so I'm open to (polite) criticism and correction.

The broken window fallacy does not apply here. This is because Keynesians are not suggesting deli property in order to inspire spending. They admit that doing so does not create new wealth; it merel group's wealth for another's. That, of course, would be immoral to do by force. Rather, the suggesti a source extrinsic to our economy could stimulate spending of money that's been hoarded. This wou new wealth, but it would be a way of creating demand for goods and services that are not currently the demand and you'll stimulate the supply. More people work, working people spend, increased sp increased supply, and so it goes until the economy's back on its feet and everyone's happy. In the al source of motivation (e.g., a disaster), Keynesians suggest stimulating via government spending.

Again, I'm not an economist, but I see some problems with this idea due to faulty assumptions.

1. It assumes that consumers don't have good reasons for having a time preference for future consu the economic future is uncertain or possibly bleak, my top priority is providing for my family and mak long as possible, even in unpleasant circumstances. I'm sorry if that doesn't help the economy on a responsible for those under my care first and foremost. Stimulus programs can't stimulate spending frightening economy. The best it can hope for is for folks to pay off their debts and increase their tim near-term spending when they feel financially stable and ready for possible future calamity.

2. In a similar way, it assumes that producers don't have good reasons for "sitting on" their assets. I investment, expansion, and hiring won't pick up until regime uncertainty is reduced.

3. It assumes that government-led stimulus programs are morally neutral or good. However, in order it must be taken from another. Forced wealth distribution, such through progressive taxation, is ever deliberate destruction of property; it is theft. "Fair share" arguments presume that a person's wealth really the property of the state. We are permitted to keep some portion that's considered just by the representatives. It is often argued that we wouldn't be such a wealthy nation without government pr whatnot. Thus, we should pay the government in proportion to how wealthy it has enabled us to get. anyone else, but that sounds like a protection racket to me.

4. If taxation is not an acceptable means of generating revenue for government stimuli, new money i circulation. This assumes two things: that "printing" money is morally neutral or good, and that it acti in a recession or depression. I believe both assumptions are wrong for essentially the same reason. (however it's technically done, that's what's happening) is unjust. First, it puts additional spending po who presumably already had it (but were sitting on it). Then, the new wealth (somehow created out trickle its way down to the people with the least spending power. If somehow the new money perpe spending power, it still does nothing to help them, because those who already had wealth used their have more, thereby leaving wealth strata unchanged. In reality, though, prices will gradually rise as t the new money, and by the time that money reaches the poor, it has lost most of its spending power poorer, and the rich comparatively richer, because the rich got the most spending power from the ne got the least.

That's how I see it, at least. I'm not trained in economics, but I'm endeavoring to increase my knowl it. So, tell me, where have I gone wrong? What have I missed? Why should Keynes and Krugman ri wrong? Or have I misrepresented all of them?

[Send feedback](#)

2:28 AM (edited) - [Edit](#)



[Darren Collins](#) - Better yet: let's burn all the Keynesian textbooks.

2:16 AM [+1](#)



[Jeffrey Harmon](#) - Maybe, but only because it would have shut down Washington for a bit longer.

2:19 AM



[Richard Horton](#) - The only criticism I have on a cursory reading (and thank you for being so courteous) is the Paradox of Thrift out of your Keynesian analysis.

In a nutshell the paradox of thrift says that because everyone is trying to save simultaneously for the total amount of saving for everyone as a result of inadequate consumption.

Thus more saving could be generated if demand can first be saved.

2:21 AM (edited)



[Josh Klint](#) - That's like a fat person eating a cheesecake and then feeling proud when they take a sh

2:20 AM



[Jeffrey Harmon](#) - [Disastrous Economic Fallacies - Terror as Stimulus?](#)

2:21 AM



[Stephanie Jasky](#) - Seriously? Can you REALLY be this stupid. You know kids in middle school (at least) about The Broken Window Fallacy. This is below Econ 101. <http://freedomkeys.com/window.htm>

2:23 AM



[Richard Horton](#) - Straw Men. Straw Men Everywhere.

2:30 AM [+1](#)



[Ricky Sprague](#) - And if more people had died, think of all the work that would have created for the u

2:35 AM [+2](#)



[Matt Love](#) - Wow, what a complete dick.

2:35 AM



[Joe Fifer](#) - This isn't Krugman's account. It's Milo Minderbinder's.

2:46 AM



[sean burke](#) - paul krugman is an idiot. google broken window falacy

2:51 AM



[Richard Horton](#) - ^ Straw Man

2:52 AM



[Theresa Klein](#) - In truth, modern Keynesian economic theory really does come down to an elaborate window fallacy. Decrease efficiency to increase employment. Destroy property to stimulate spending. What is the difference between theorizing that paying people UI stimulates the economy, and theorizing that breaking people to fix them will stimulate the economy? Nothing. In neither case is the individual receiving the productive to the economy.

3:19 AM [+2](#)



[Eric Williams](#) - [+Richard Horton](#) That doesn't seem to get us out of any trouble. If banks have more "cheap". Coupled with already-low interest rates, the market sees a signal to invest adventurously. If we weren't already recovering from recently-burst bubbles, but since we are we're risking re-inflating them. We're asking the market to recover from malinvestment by risking further malinvestment. [Send feedback](#)

too risky when the market is still strewn with the rubble of demolished monuments to recklessness & Let's clean up the mess and get back on stable and sane footing before giving out shiny new credit

A similar problem arises with consumers. If we try to stimulate their spending directly (e.g., via tax r apply their new spending power to increasing their savings, paying off debts, buying goods/services buying goods/services that satisfy wants. Saving and paying off debts are always safe bets, so mos that (as they did with the Bush rebates). In that case, demand for goods and services will not increa stable and prepared. Buying needful things is good as long as the economic situation doesn't worse wish they had saved their money or paid off debts. If they can't afford to keep their new purchases, market and create gluts, sending demand back to the low level it was at before the stimulus. Buying midst of a weak and uncertain economy is risky and qualifies as malinvestment in my book. At best themselves, but they could end up much worse off than before the stimulus if they didn't save anythi

I think the conflict between the Keynesians and Austrians with respect to the Paradox of Thrift arise: greedy versus optimal heuristics. Keynes suggests a greedy approach (in the algorithmic sense). Th have a decent shot of hitting the global maximum, or at least a decent local maximum, and are unlike minimum. It has the advantage of having low complexity and rapid run time. Austrians, on the other l costs of a high-complexity approach that takes a long time to converge on a solution, may hit a num the way, and is more likely to avoid deep minima and arrive at a very good local maximum, if not the the market sort itself out at its own pace may be harsh medicine to take, but I fear that stimulating i least as likely to kill the patient as save him.

Sure, short-term savings could possibly be increased by generating demand, but what are the long- might suggest that consumers (and entrepreneurs) won't pay off debts and build savings forever, the economy to grind to a halt. Rather, they'll eventually decide that the their economic situations have b time and don't show signs of deteriorating. As each consumer and producer feels confident enough preference to the more immediate future, he'll start spending what he's saved up. Demand will rise, meet it. In my view, the Paradox of Thrift breaks down because it assumes that once saving increas drops, it can't be stopped without deliberate intervention. That just seems contrary to human nature  
3:20 AM - [Edit](#)



[Eric Williams](#) - I neglected to address stimulus via government employment. I believe that the boom only last as long as the projects that produced them do. Despite putting people to work and increasi won't be increased for very long, if at all. The natural, and wise, tendency will be for people to save don't know how long their stimulus employment will last, or if the economy will improve much in the r they squirrel away their nuts until they're satisfied that the supply of nuts in the wild is large enough the opportunity cost of saving too high to continue doing so.

3:30 AM - [Edit](#)

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