

A HISTORY LESSON THAT NEEDS TO BE LEARNED

WEB BUZZ 2009.07.13

We have spent a lot of time and paper criticizing the Federal Reserve for their misuse of monetary policy and the U.S. government for their misuse of fiscal policies. Our contention all along has been that their interference in the workings of a free market distorts the economy in such a way that it creates disincentives for using labor and capital in a productive manner. Success is put on trial and penalized, while failure is rewarded. Absolutely no good can come from such ill-advised policies.

There is very little doubt in our mind that the current policies first initiated by Bush and now continued in spades by Obama will lead to a long nonproductive economic environment with little to no growth, high unemployment, and a general era of mal- and miss- content. For all practical purposes the long period of exceptional growth following World War II has come to an end, unless somehow economic policies take an abrupt change in direction.

As mentioned before, we here at Central Plains Advisors have repeated all of the above time and time again. Our appeal has come from an understanding of human nature and the works of Ludwig von Mises, the great Austrian economist. Some of our presentations may have lacked in empirical evidence from a statistical standpoint. This all is a lead in to our recommendation that one and all should go to the web page of the Federal Reserve Bank of Minneapolis and read a paper entitled ["The Current Financial Crisis: What Should We Learn from the Great Depressions of the Twentieth Century?"](#) Its abstract is as follows:

“Studying the experience of countries that have experienced great depressions during the 20th century teaches us that massive public interventions in the economy to maintain employment and

investment during a financial crisis can, if they distort incentives enough, lead to a great depression.”

We rest our case! Don't look for a meaningful recovery anytime soon.