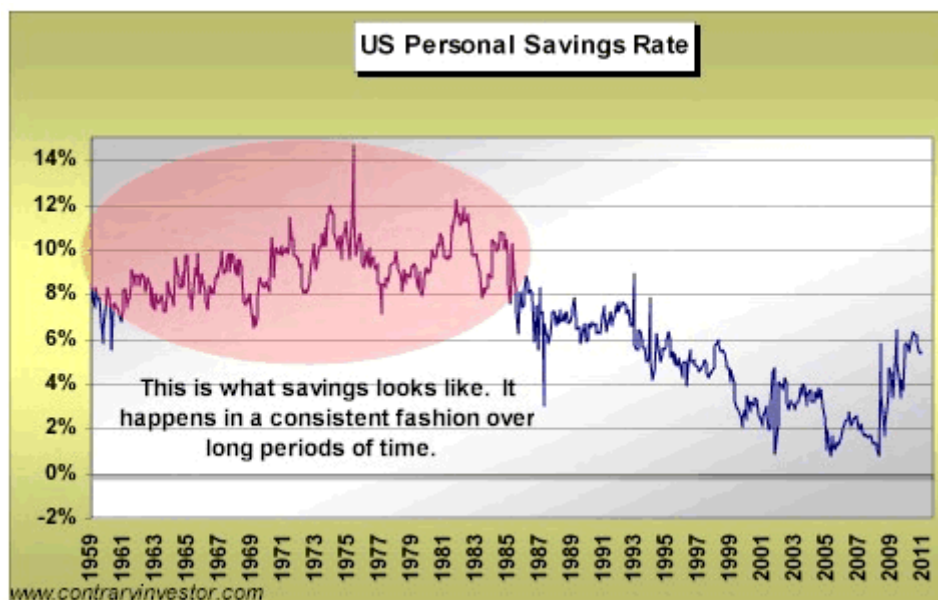


HAYEK WINS WEB BUZZ 2011.08.15

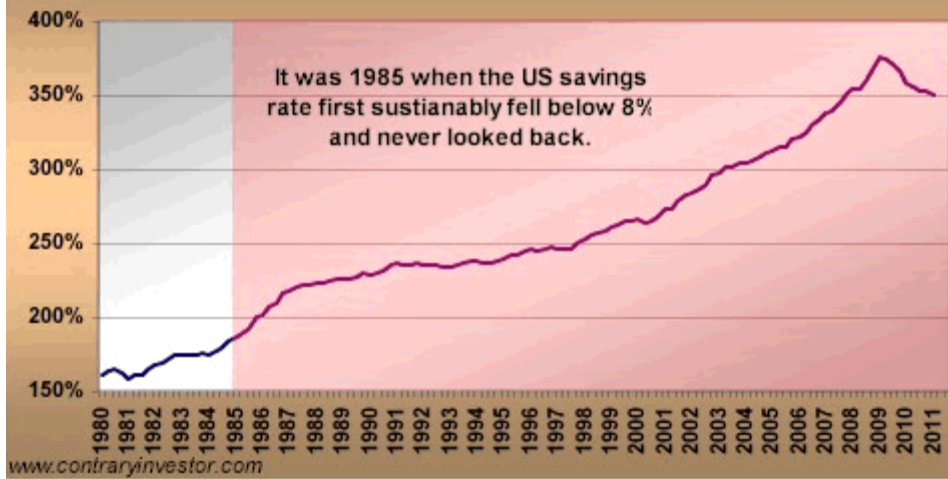
It appears as if human nature dictates that we always learn our lessons the hard way. That being the case, let us return to the scenario we have been preaching about for at least the last 20 years (really more, but I don't want to scare anyone about my age).

It has always been Keynes vs. Hayek since the 1900s began - no, I wasn't born back then - I do know how to read you know. Keynes has been consistently wrong and Hayek has been right. Despite that indisputable fact, it has been the economic policies of Keynes that have prevailed across the entire world. The reason, I guess, is because to follow Keynes you always take action whereas Hayek cuts things off at the pass way before bubbles occur.

The following charts very succinctly tell one the story. Savings equals investment. Investment equals growth in ideas and goods. Supply comes before demand. And too much spending on consumptive goods that do not create growth robs Peter to pay Paul, and again Peter creates (savings) growth. It's just that simple.



US Credit Market Debt To GDP

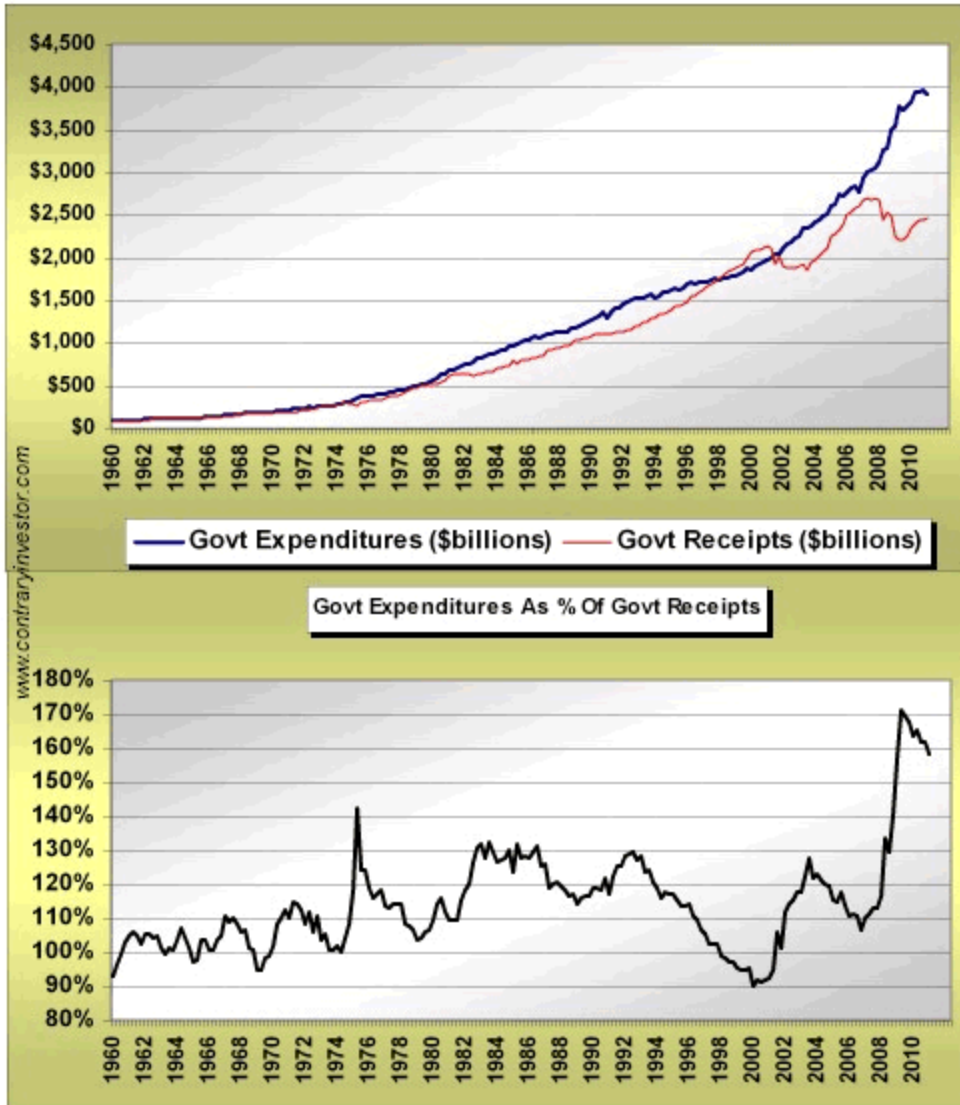


US Bank Holdings Of UST And Agencies (\$billions)



US Bank Loans And Leases (\$billions)





Charts adapted from contraryinvestor.com

Will we learn our lesson this time? I hope so, but after watching our people in Washington spout off over the last several weeks (really last 70 years), one doesn't have a soft and cozy feeling.