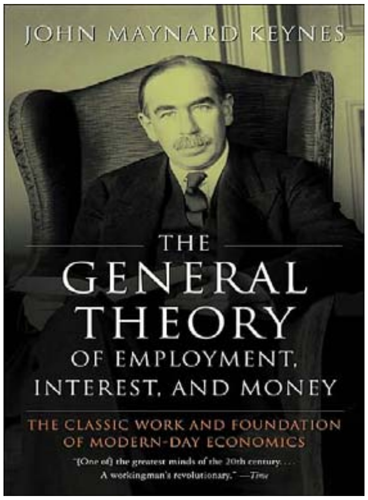

The General Theory of Employment, Interest, and Money (1936), John Maynard Keynes.

With an economic school of thought named after him, it goes without saying that Keynes has affected economics more than any other in the last 100 years. In reading this book, you will get a clearer understanding of why our current financial situation is not random in the least.

Rather than offer my critique, I have instead listed some quotes and offered some facts and questions. Decide for yourself if you agree with his theories.

"Every such attempt to save more by reducing consumption will so affect incomes that the attempt necessarily defeats itself." *Pg.84*.

Americans certainly have embraced this concept. In Federal Reserve report, posted March 7, 2005, total consumer credit came in at $2.1 trillion. This number has grown from $541 billion in March of '85, $89 billion in March of '65, and $5.6 billion in March of '45. (G-19 Consumer Credit Report and Consumer Credit Historical Data. Federal Reserve)

"Yet the larger our incomes, the greater, unfortunately, is the margin between our incomes and our consumption. There must be sufficient unemployment to keep us so poor that our consumption falls short of our income by no more than the equivalent of the physical provision for future consumption which it pays to produce to-day." *Pg.105*

"Thus the remedy for the boom is not a higher rate of interest but a lower rate of interest! For that may enable the so-called boom to last…thus keeping us permanently in a quasi-boom." *Pg.322*

In keeping with the Keynes' premise, the Federal Reserve lowered interest rates from 6.5% in early 2001 down to 1% by June 2003. I wonder what Keynes would think of the recent rate hikes from 1 in early 2004 up to 2.75 as of April 4, 2005.

"To suppose that a flexible wage-policy [set by the free markets and not set by the government] is a right and proper adjunct of a system which on the whole is one of laissez-faire, is the opposite of the truth. It is only in a highly authoritarian society, where sudden, substantial, all-round changes could be decreed that a flexible wage-policy could function with success." *Pg.269*

"With a "stock-minded" public, as in the United States to-day, a rising stock-market may be an almost essential condition of a satisfactory propensity to consume;" *Pg.319*

"In conditions of laissez-faire the avoidance of wide fluctuations in employment may, therefore, prove impossible without a far-reaching change in the psychology of investment markets such as there is no reason to expect. I conclude that the duty of ordering the current volume of investment cannot safely be left in private hands." *Pg.320*

I am often told that I need to read both bulls and bears in order to stay balanced in my views. Because I agree, I encourage anyone who is serious about understanding the history of money to read this work alongside of the other works previously discussed.

Doug Wakefield