

Negative Logic

July 30, 2019

“The idea that negative interest rates will produce loans and generate growth,” concludes Richard Rahn in a *Washington Times* op-ed, “is not supported by the evidence to date.”

Citing current markets for Danish and Swiss bonds, Rahn states that “approximately 30 percent of the global government bond issues are now trading in negative territory.”

Bonds used to seem the best investment. Government is the biggest, most reliable consumer, as J.B. Say and Destutt de Tracy (the latter being Thomas Jefferson’s favorite economist) argued, making the bond market the surest form of consumer credit. Governments last, weathering storms. So people loan them money not merely to earn interest, but to not risk their principal investment.

Keynesian fiscal policy has always struck me as based on . . . evasions, the most obvious being that actual, real-world Keynesian politicians somehow never insist that deficits be turned into surpluses in good times, as John Maynard Keynes’ original program stated.



Government bonds during America’s Great Depression were about the only form of investing going on: everything else was shaky.

Which seems to be happening again.

“In theory, as the interest rate falls, businesses and individuals should borrow and invest more,” Rahn explains. “In fact, as can be easily seen in Japan, as the interest rate falls, many save more — increasing the supply of savings and putting downward pressure on interest rates — in order to ensure they will have adequate funds for retirement. So, a low or negative interest rate policy becomes self-defeating.”

Could the logic of modern economic policy be . . . illogical?

Keynesian fiscal policy has always struck me as based on . . . *evasions*, the most obvious being that actual, real-world Keynesian politicians somehow never insist that deficits be turned into surpluses in good times, as John Maynard Keynes’ original program stated.

Modern monetary policy also seems . . . well, if not evasive, at least . . . desperate.

Which I would be, too, were I riding on a growing debt as big as the federal government’s.

This is Common Sense. I’m Paul Jacob.