

“Restoring Confidence” will not Restore the Economy

By [Global Research](#)

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The government is doing its best to try to “restore confidence” in the economy. Indeed, Obama’s top economics advisors believe they can fool people into believing that everything is fine, and then the economy will recover.

And for that reason, defenders of the status quo think that it is important for everyone to keep quiet about how severe the crisis really is.

Are they right?

No.

As economist Irving Fisher pointed out (as recounted by economist [Steve Keen](#)):

Hobbled by this naive belief in equilibrium, the economics profession was as unprepared for today’s crisis as it had been for the Great Depression. Now that the crisis is well and truly with us, all conventional “neoclassical” economists can offer is the hope that the crisis can be overcome by a good, strong dose of confidence.

From [Irving] Fisher’s point of view, such a belief is futile. In an economy with an excessive level of debt and low inflation, he argued that confidence was irrelevant—and in fact dangerously misleading, as he knew from painful personal experience.

In short, happy talk and fake [confidence-building](#) exercises don’t work.

Indeed, trying to instill false confidence will actually backfire on Geithner, Summers and the boys and make the crisis worse.

Why?

Because psychologists say that – [until government and business leaders prove they can behave responsibly, and until the perpetrators of financial fraud are held accountable – real trust will not be restored and the economy will not recover.](#)

Trying to put a happy face on a grim situation, continuing to do things which are transparent attempts to instill false confidence, and leaving in power the people who caused the crisis reinforces the market’s convictions that (1) government and business leaders are behaving irresponsibly instead of addressing the fundamental problems and (2) there is no

accountability.

So people's trust declines still further, thus substantially delaying any chance of a sustainable economic recovery.

In other words, by trying too hard to instill confidence, the powers-that-be actually undermine it and exacerbate the financial crisis.

Keeping quiet about how bad things are won't help. As the leading independent economists and financial experts all say, the three things that will help are:

1. Honestly addressing the causes of the crisis
2. Honestly addressing the necessary - if bitter - medicine needed to get out of the crisis
3. Holding responsible those who caused the crisis

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