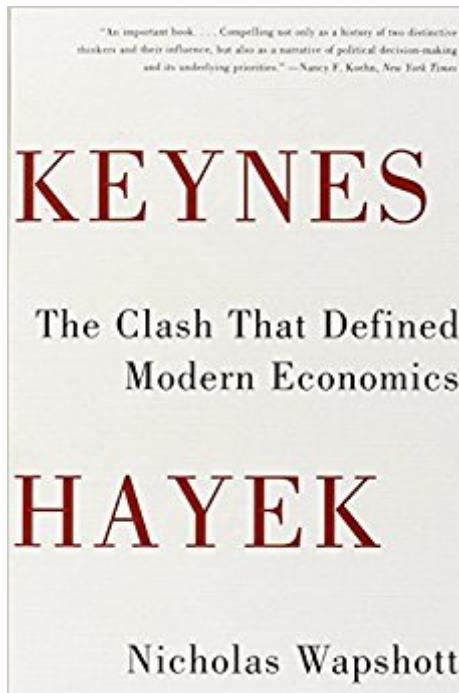




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# Keynes Hayek: The Clash That Defined Modern Economics



## Synopsis

â œI defy anybodyâ •Keynesian, Hayekian, or uncommittedâ •to read [Wapshottâ™s] work and not learn something new.â •â •John Cassidy, The New Yorker

As the stock market crash of 1929 plunged the world into turmoil, two men emerged with competing claims on how to restore balance to economies gone awry. John Maynard Keynes, the mercurial Cambridge economist, believed that government had a duty to spend when others would not. He met his opposite in a little-known Austrian economics professor, Freidrich Hayek, who considered attempts to intervene both pointless and potentially dangerous. The battle lines thus drawn, Keynesian economics would dominate for decades and coincide with an era of unprecedented prosperity, but conservative economists and political leaders would eventually embrace and execute Hayek's contrary vision. From their first face-to-face encounter to the heated arguments between their ardent disciples, Nicholas Wapshott here unearths the contemporary relevance of Keynes and Hayek, as present-day arguments over the virtues of the free market and government intervention rage with the same ferocity as they did in the 1930s.

## Book Information

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## Customer Reviews

A long overdue and well-researched book that usefully gathers together much hitherto scattered information. --John CassidyI heartily recommend Nicholas Wapshott's new book, Keynes Hayek: The Clash that Defined Modern Economics.... Many books have been written about Keynes, but nobody else has told the story properly of his relationship with Hayek. Nick has filled the gap in splendid fashion, and I defy anybody Keynesian, Hayekian, or uncommitted to read his work and

not learn something new. --John Cassidy  
Nicholas Wapshott 's new book, Keynes Hayek, does an excellent job of setting out the broader history behind this revival of the old debates. Wapshott brings the personalities to life, provides more useful information on the debates than any other source, and miraculously manages to write for both the lay reader and the expert at the same time. Virtually every page is gripping, and yet even the professional economist will glean some insight...

--Tyler Cowen  
Nicholas Wapshott 's Keynes Hayek is a smart and absorbing account of one of the most fateful encounters in modern history, remarkably rendered as a taut intellectual drama.

Wapshott brilliantly brings to life the human history of ideas that continue to mold our world. --Sean

Wilentz, The Rise of American Democracy  
As we face off against the Great Recession, the only book you need to understand the debate raging in the streets today: economic freedom versus government intervention. An essential primer on the two men who shaped modern finance. "I

heartily recommend Nicholas Wapshott s new book, Keynes Hayek: The Clash that Defined Modern Economics.... Many books have been written about Keynes, but nobody else has told the story properly of his relationship with Hayek. Nick has filled the gap in splendid fashion, and I defy anybody Keynesian, Hayekian, or uncommitted to read his work and not learn something new.

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"Mr. Wapshott has

written an important book. It is compelling not only as a history of two distinctive thinkers and their influence, but also as a narrative of political decision-making and its underlying priorities. Underlying Mr. Wapshott s analysis are vital questions for this moment in American history: What kind of society do we want? And what do we owe to our fellow citizens and our collective future? --Nancy F.

Koehn  
Nicholas Wapshott s Keynes Hayek is a smart and absorbing account of one of the most fateful encounters in modern history, remarkably rendered as a taut intellectual drama. Wapshott brilliantly brings to life the human history of ideas that continue to mold our world. --Sean Wilentz,

The Rise of American Democracy  
Nicholas Wapshott brings the Keynes-Hayek fight of the twentieth century back to life, making the clash both entertaining and highly relevant for

understanding economic crises of the twenty-first century. --John B. Taylor, Stanford University,

Getting Off Track  
In the fluency of his writing and his ability to make complex financial questions easily comprehensible, Nicholas Wapshott has done economics itself a great service, by opening the subject up to the general reader, as seen through the prism of one of the most important

intellectual gladiatorial contests of modern times. --Andrew Roberts, *The Storm of War: A New History of the Second World War*"

I reported the rise and reign of Margaret Thatcher at close quarters and wrote a great deal about her rejection of Keynes in favor of Hayek. Then I wrote a book about Reagan and Thatcher, whose political marriage was founded on a shared belief that Hayek was right. So the story of Keynes and Hayek is a subject that has been long on my mind. Nicholas Wapshott - interviewed in *The New York Sun* --This text refers to an out of print or unavailable edition of this title.

*Keynes Hayek* is not an easy book to write, nor, for a lay audience, an easy book to fully understand. The early discussions between the two economists often centre on the definition of concepts: if they didn't understand each other imagine the non-specialist reader! In fact this perhaps is the principal defect of the book: much more space should have been dedicated to explaining both the technical terms and the concepts they dealt with. I am still unclear, for example, what exactly is meant by "saving" and "investment" and what the precise relationship between them is. Happily these problems become less important as the book develops and takes a broader view. The "clash" between Keynes and Hayek is a useful lens to describe the evolution of economic thought over the last century and permits a certain lightness of touch when discussing the "dismal science". In general, in spite of some repetition and the odd irritating use of a hackneyed phrase, the book is a profitable read

I have read some of the major primary texts from both of these economists. I lean more towards the Englishman, who is one of the top three economists ever, with Marx and Smith. By including the Austrian, I was worried that Hayek's importance would be oversold. Thankfully, Wapshott presents an even-handed look at the relative waning and waxing of both economist's influence in the western world in the time since their first encounters. I recommend this as a nice background read for people of all persuasions.

Prof. Wapshott does a great job of not getting too technical in this history of the two prominent types of economics. The Classical school versus the Keynesian models. I think he is fair in his handling the fact that the vast majority of the economist in the world follow the Keynes model and how this was an easy to win political battle, when one model says let them go bust and the boat will right itself and the other says, throw them money and work until the boat rights itself. Our current heads of the

Fed etc are using the idea with QE policies that borrow and spend money with the intent of saving the debt burdened system with more debt. He makes a pretty good argument that these two systems have to be held in tension and not followed blindly, a'la the 1970-80's with stagflation. Cured by the Classic school, you have to take the pain to gain. Short answer is he does not waste all of your energy on mathematical models and charts.

How can we approach economic questions, thus politics, daily life, social questions, without a better understanding of these giants of the professional calling? Both are abused by unthinking devotees, fanatics who attribute mystical excellences upon them as they seek to project views and perspectives. A decent selection of economic principles espoused by both men is essential to synthesize a newer, fresher approach to solving severe economic problems as they arise. Everything seems to split into left/right, black/white camps, plaguing the human condition. Seeking economic wisdom does not require more fantasy or fanaticism by followers. This book does enlighten. Keynes invested wisely and amassed adequately. Hayek never worked in private business, nor invested in markets. Keynes presided over international gatherings and great insurance groups. Hayek had to bludge for a pension paying job to support retirement and two family's needs. Keynes appeals to adventurous groupthinkers, while Hayek ignites greed, hoarding and cornering instincts. Both had suffered agonies in war association, without fully understanding the inner mysteries of personal adjustment. We need some of the things they explained, not as prescriptions, dogma, quotes, but as components of a new and necessary wisdom, if we are to face a crushing, intimidating future of financial blizzardry.

As with most political topics, most people with enough interest to write a book probably have a definite position. It is to the authors credit that the reader cannot discern that position. He is able to be enthusiastic in his description of the presumed merits of each of the positions of these 2 pivotal characters. This is achieved partly by the back and forth historical approach of the book and the use of well balanced adjectives. Since readers of this book will also, no doubt, have definite political positions around this very topical issue, the reader should be forewarned that there will be whole chapters that may be difficult to get through, regardless of their position. This is a win for the book and its author! This is not the false balance seen in the current media, where every report a misdeed of one political party must be immediately countered with some example of a misdeed of the other political party, relevant or not, so they can avoid the criticism of bias. I felt I learned much from the book! Not only the difference between Hayek and Keynes, but also the difference between

Hayek and Milton Friedman. Well Done.

Absolutely an excellent read. Learned a lot about Keynes, especially his early years and excellent insights into the stupidity of the economic pressures put onto Germany after WWII. Hayek's thinking comes out very clearly also. I came to the conclusion that neither was right, nor wrong and the problem is more Ying & Yang than either allow for. Highly recommend to the non-specialist who wants to finally get clear insight into the 20th Century arguments about how an economy works.

If you only have time to read one book to help understand the fundamental faceoff still affecting global economics (and politics) today, this would be a highly reasonable choice. It covers enough theory to be meaty but eschews falling into dense technical and mathematical arguments, instead opting to provide highly relevant historical context around the key ideas that leave modern civilization grappling with the core dialectic arguments to this day.

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