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John Maynard Keynes v. Friedrich

August von Hayek - I

Lead: They represent two distinct approaches to political economy. John Maynard Keynes and Friedrich August von Hayek are perhaps the most influential economists of the modern era.

Intro.: *A Moment in Time* with Dan Roberts.

Content: Lord Bertrand Russell, himself no slouch among the intelligentsia of the 20th century, said John Maynard Keynes's "intellect was the sharpest and clearest that I have ever known. When I argued with him,

I felt that I took my life in my hands, and I seldom emerged without feeling something of a fool.”

J.M. Keynes grew up in an academic home and never completely left that environment. He studied at Eton and King’s College, Cambridge, entered the civil service, and, like many neo-liberals, never soured on the ability or desirability of the government to improve the lives of the governed. He believed that with intellectual concentration the solution to society’s problems could be found.

He first achieved international prominence with his critique of the Versailles Treaty and he accurately predicted the results precipitated by

harsh Allied reparations against Germany: hyper-inflation, the Nazi revolution, and World War II. His philosophical and economic inquiry focused on the question of probability and the role of government spending during times of economic distress. He began to articulate what became to be known as Keynesian economics. Simply put, during a time of economic contraction, individuals and investors are incapable of reviving business activity, often called stimulating demand, businesses are rendered impotent because of the contraction and disappearance of capital markets, and only government, engaged in counter-cyclical deficit expenditures can “spend” the economy out of a recession or depression. Governments

that tried to balance the budget during the 1930s and in the present day just prolong the agony. He was largely proven correct in that only the deficit spending associated with the preparations for World War II pulled the international economy out of depression. Next time: the road to serfdom.

From Richmond Virginia, this is Dan Roberts.

Resources

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