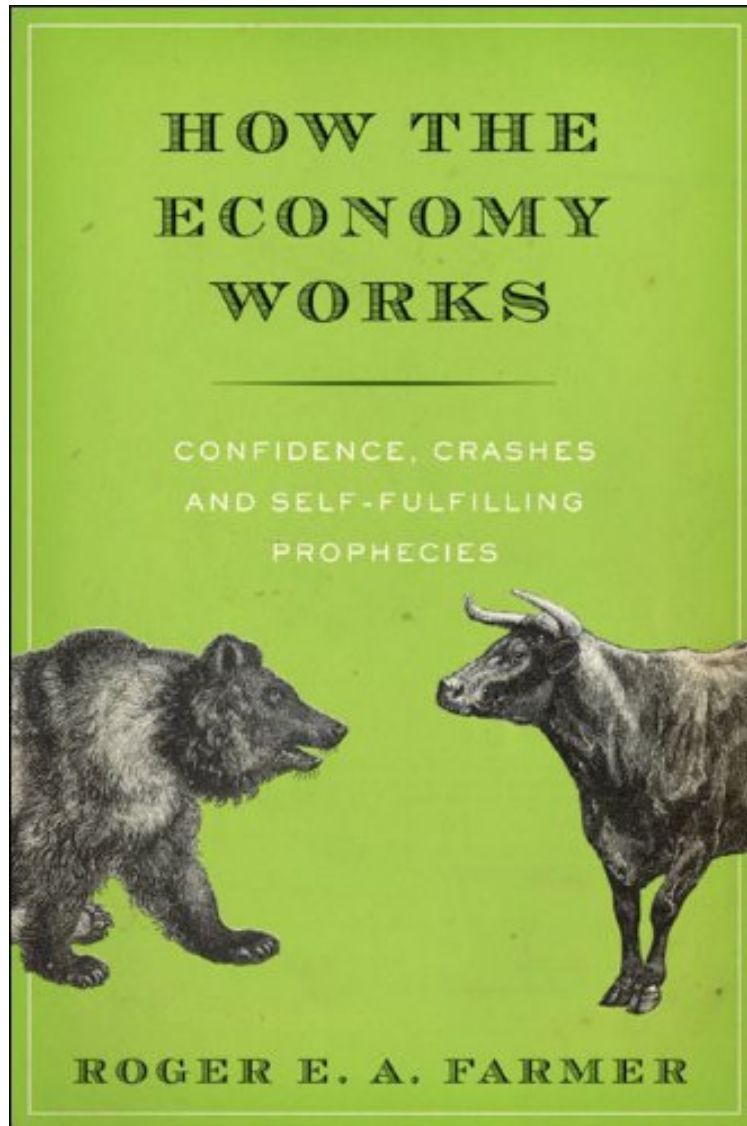


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How the Economy Works: Confidence, Crashes and Self-Fulfilling Prophecies

Roger E. A. Farmer

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Roger E. A. Farmer : How the Economy Works: Confidence, Crashes and Self-Fulfilling Prophecies before purchasing it in order to gage whether or not it would be worth my time, and all praised How the Economy Works: Confidence, Crashes and Self-Fulfilling Prophecies:

2 of 3 people found the following review helpful. Unhelpful attempt to popularize his researchBy A. McQuoidFarmer's research is really interesting, but this book is a failed attempt to translate that research to a popular audience. He has interesting ideas that macroeconomists should take seriously, but this book is a waste of time for

professionals and non-professionals alike. Hopefully someone will popularize his work since Farmer truly is the heir to Keynes.0 of 1 people found the following review helpful. Thanks So Much!By ChrisThis item arrived very quickly. The item arrived exactly as I expected. Thank you very much for the timely fulfillment.1 of 1 people found the following review helpful. Dry but informative. Useful history of economic thoughtBy Abhinav AgarwalThis is a short, sort-of-a history of economic thought, from classical, Keynesian, to rational expectations, and more. Useful to have as a reference of sorts.This is more of a walk through the economic theories of the last century or so, starting off with classical economics, its failure that led to the development of Keynesian economics, its primacy till the 60s, rise of Milton Friedman and the development of the rational expectations theory. Along the way you get a glimpse into the heavyweights of economics and their contributions to the field. Like Phelps, the co-father of the "natural rate hypothesis", Milton Friedman and "monetarism", Bill Phillips and the "Phillips curve", Arthur Pigou and his enumeration of (at least) six causes of business cycles, and so on.A short read, and informative, but its dry handling of an admittedly dry subject does not help.

"Of all the economic bubbles that have been pricked," the editors of *The Economist* recently observed, "few have burst more spectacularly than the reputation of economics itself." Indeed, the financial crisis that crested in 2008 destroyed the credibility of the economic thinking that had guided policymakers for a generation. But what will take its place?In *How the Economy Works*, one of our leading economists provides a jargon-free exploration of the current crisis, offering a powerful argument for how economics must change to get us out of it. Roger E. A. Farmer traces the swings between classical and Keynesian economics since the early twentieth century, gracefully explaining the elements of both theories. During the Great Depression, Keynes challenged the longstanding idea that an economy was a self-correcting mechanism; but his school gave way to a resurgence of classical economics in the 1970s-a rise that ended with the current crisis. Rather than simply allowing the pendulum to swing back, Farmer writes, we must synthesize the two. From classical economics, he takes the idea that a sound theory must explain how individuals behave-how our collective choices shape the economy. From Keynesian economics, he adopts the principle that markets do not always work well, that capitalism needs some guidance. The goal, he writes, is to correct the excesses of a free-market economy without stifling entrepreneurship and instituting central planning.Recent events have shown that we cannot afford to treat economics as an ivory-tower abstraction. It has a direct impact on our lives by guiding regulators and policymakers as they make decisions with far-reaching practical consequences. Written in clear, accessible language, *How the Economy Works* makes an argument that no one should ignore.