

Book Report on “Keynes: The Return of the Master”

This book by Robert Skidelsky is divided into three parts. The first part provides information about the series of events that led to the emergence of the economic crisis which happened in 2007-2009. Skidelsky points out that the economic crisis can be characterized by the tremendous decline in the values of important assets as part of the loss of confidence and trust of many Americans in the housing and mortgage industry. This decline of the housing and mortgage industry eventually paved the way for the emergence of the liquidity problems that affected the financial sector, which in turn also had a negative impact on the US economy. Skidelsky points out that the economic crisis happened because there weren't any control measures that were implemented to prevent the problem from getting worse. This was further aggravated by the bankers panicking as well as the ineffectiveness of the credit-rating organizations. These actors are guided by economic principles, and that it is the latest developments in economics that are the true reasons as to why the crises happened.

Skidelsky also makes it a point to discuss the perspective of Keynes regarding the issue of too much dependence on mathematics. Skidelsky believes that this is wrong as the mathematical models will frequently rely on the truthfulness of their fundamental assumptions. Skidelsky mentions that the current form of macroeconomics has become too dependent on mathematical models that it is already disregarding the important influences of other fields of study like politics and history. This explains why Skidelsky believes that macroeconomics has become too difficult to depend on anymore to make the right forecasts and provide excellent recommendations especially in times of crisis.

The second part of the book is the discussion of Skidelsky about the life of Keynes particularly as it connects to his economic principles. Skidelsky provides details about Keynes's direct participation with the markets as an investor as well as his participation or influence on the government's legislators. The author takes note of the fact that Keynes put on the importance of uncertainty. Keynes also mentioned that it is actually demand and not supply is the most important factor that influences the lack of sufficient jobs. Skidelsky noted that Keynes believed that there is the presence of insufficient jobs because the demand for skilled workers is not very strong. Keynes also suggested that there must always be a low interest rate in order to ensure that there could be a huge amount of savings that can be produced by the government which it can use in turn towards the establishment of more job opportunities for the people.

Skidelsky also made sure to make a detailed discussion of the Golden Age of Capitalism (1951–1973). The Golden Age of Capitalism was a time when many countries experienced tremendous economic growth at the conclusion of World War II. Many countries were able to provide sufficient jobs for their people, and what was amazing was that even those countries that experienced tremendous destruction during World War 2 were able to achieve excellent economic growth. Skidelsky noted that it was the Keynesian policy that was being followed by most countries during the Golden Age of Capitalism and this contributed to their economic success. Skidelsky was able to prove that high inflation is not necessary in order to achieve economic growth.

The last part of the book is where Skidelsky discusses the philosophical and ethical perspectives of Keynes and the way they are connected to the present ideas and implementation of capitalism (Skidelsky 133). Skidelsky states that the negative liberty is an integral part of the latest manner of thinking. This pertains to the idea that society as well as the people in charge of leading it is not obliged to make any decision regarding what is the best for the people. Instead, they can just allow the people to have the freedom to go after whatever they want to have or achieve in their lives. In connection to the economy, the present perspective perceives capitalism as a conclusion in itself or the demonstration of the people's desire through the market. This is in opposition to the perspective of Keynes that capitalism is a means instead of being an end. As such, it is obliged to enable the people to have the opportunity to go after the best life that they could possibly live through living morally and peacefully.

In terms of the political perspective of Keynes, Skidelsky points out the concept of prudence which is connected to the perspectives of uncertainty by Keynes. Keynes believed that because the future is difficult to forecast, it is unacceptable for the government officials to execute programs that produce short-term pain to the people for potentially long-term advantages.

Skidelsky believes that if Keynes is still alive today, he would make a recommendation to change the way people think about macroeconomic policy and concentrate more on balanced growth. Keynes would also urge the government to guarantee that there would be an effective flow of investment to safeguard the economy from the unexpected developments.

REFERENCE

Skidelsky, Robert. 2009. *Keynes: The Return of the Master*. New York, NY: Public Affairs