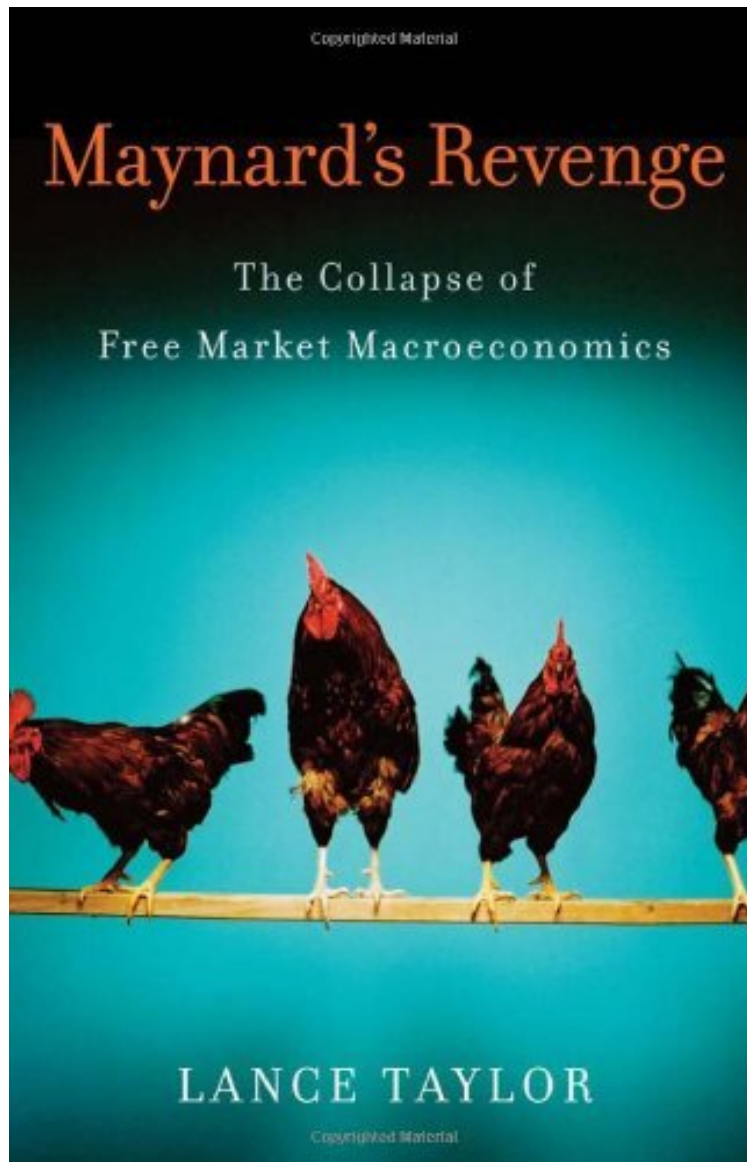


## Maynard's Revenge

*Lance Taylor*

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**Lance Taylor : Maynard's Revenge** before purchasing it in order to gage whether or not it would be worth my time, and all praised Maynard's Revenge:

8 of 14 people found the following review helpful. Maynard's Phyrrie RevengeBy AbacusBe warned this book is challenging. If you do not have a graduate degree in economics, you will probably not enjoy it. Lance Taylor covers tens of different macroeconomics models unknown outside of professional circles. The differences between some of those models are often obtuse.Lance Taylor's main arguments are that Keynes is enjoying a revival during our post financial crisis because his theories were right all along on several counts. Those include that the future is truly

uncertain and you can't forecast it using historical data. This renders the valuation of stocks, derivatives, CDOs, and CDS and most everything else a dangerous and mindless exercise. Keynes also advanced that asset prices are totally different and can diverge widely from the prices of goods and services. Also, he refuted Say's Law by advancing that Output is determined by aggregate demand instead of aggregate supply. Because of that an economy's equilibrium can converge towards a level of low employment. This calls for Keynes government intervention on both the fiscal and monetary front to shore up an economy undergoing a recession. Thus, according to Lance Taylor had we listened more closely to Keynes we would have avoided the most recent financial crisis. Yet, one can take issue with Taylor's position on several counts. First, Keynes is in no need for revenge. Philosophically, he has dominated government policies nearly ever since the Great Depression. Indeed, the US Government among others has steadily implemented a pretty proactive Keynesian fiscal policy. Similarly, the Federal Reserve has (post Great Depression) for the most part conducted a rather expansive monetary policy as Keynes recommended (this is except for the Volcker years from 1979 - 1986, when he was fighting off double digit inflation). It is only in the halls of the University of Chicago that Milton Friedman and his followers were screaming against Keynes policies. But, the US Government never took monetarists seriously. Second, Keynes was an active proponent of very expansive monetary policies associated with very low interest rates to support investment and aggregate demand. Yet, Lance Taylor in a contradictory fashion argues that Greenspan caused both the dot.com and the housing bubbles by maintaining excessively low rates. If this was the case it would have been a very Keynesian monetary style. A closer look at Greenspan's monetary policy rate setting suggests this was not the case. During the second half of the 90s when hi-tech stocks bubbled, the Fed Funds rate was steadily at 5% or above. Greenspan lowered the Fed Funds rate only after repeated shocks at the turn of the Millennium including Y2K, 9/11, a wrenching three year stock market crash (dot.com bubble burst), and an ongoing stagnant to recessionary economy. The economy was barely out of a slump when in early 2004, Greenspan increased FF from 1% to 5% in just two years to deflate the housing bubble. If Keynes had managed the Federal Reserve during the same years as Greenspan it is likely his monetary policy would have been more expansive than Greenspan's. Leveraging Keynes wisdom Taylor states that all of modern theory is nothing but a castle of cards. It is all bunk including the Efficient Market Hypothesis, Black Scholes, and CAPM. This is due to several reasons. The main one is that per Keynes the future is truly uncertain and can't be modeled using any historical time series. Additionally, all those models rely on the Normal distribution that underestimates the frequencies of rare events. And, those models do not conform to the empirical data. However, Taylor's case is not ironclad. First, it is unclear whether Keynes truly stated that the future was so uncertain. Michael Emmett Brady, a PhD in economics, states in his review that Lance Taylor did not read Keynes A Treatise On Probability - Unabridged and instead relied on Paul Davidson's erroneous interpretation of this book where he defines Keynes uncertainty as truly unknowable (not captured by any statistical distribution). But, Brady who studied "A Treatise" states that Keynes did not think uncertainty was unknowable (nonergodic). And, instead he argued certain macroeconomic variables could be captured by statistical distributions (ergodic) other than the Normal distribution not to underestimate the frequency of rare events. Paul Samuelson takes the same position as Brady. So, there are very smart people on either side of this issue. Is Keynes uncertainty ergodic or not? Related to this issue, Keynes developed his concept of uncertainty in the 1920s and 1930s at the time when little data existed. He actually created much of the intellectual architecture of modern macroeconomics data (Flow of Funds, NIPA table, chart of accounts). So, things looked very uncertain when Keynes did not have any reliable historical time series to work with. Today, the abundance of historical data may very well have motivated Keynes to redefine his concept of uncertainty in less ambiguous and more ergodic ways. When Taylor dismantles the whole body of modern finance, reality is more nuanced than he conveys. Traders still rely extensively on Black Scholes or Cox-Ross-Rubinstein models to value options. They simply increase the standard deviation when valuing options in the tail. Others fatten the tail by layering Jump Diffusion models or Extreme Value Theory models. In other words, modern finance theory established a foundation that is still useful and is getting refined with means to more fully capture the intrinsic risk of complex financial instruments. Throwing the entire body of finance theory is a bit like stating Newton's law of gravity is obsolete because of Einstein's theory of relativity.

10 of 10 people found the following review helpful. Excellent! By Kurt A clear and concise critique of mainstream economics. This book is a condensed version of Taylor's advanced Macroeconomics text "Reconstructing Macroeconomics: Structuralist Proposals and Critiques of the Mainstream." MR is intended for a wider audience and is not bogged down by complex mathematical derivations. Still, this book is by no means basic, and one should already have a strong foundation in economics to get through it - his writing can be dense and he assumes the reader already has a grasp of certain concepts beforehand. If you are daring enough, Reconstructing Macro is worth a look to see Taylor's breakdown of the critiques, which are mathematically and historically robust. I actually took an Advanced Macro class with Taylor at the New School for Social Research, and can personally vouch for his expertise. Maynard's Revenge is well worth your time and money! 20 of 22 people found the following review helpful. Insightful, informative and excellently written. By anonym Lance Taylor's "Maynard's Revenge" does many things, and it does them brilliantly. The book presents a history of economic thought, an economic history, and macroeconomics. Most of all, it is a to-the-point analysis of how economics as practiced since the 70s has failed to correctly inform policy and institutional change as well as exacerbate market

failures. The outcomes of this failed economics are fully being felt today by millions of unemployed Americans. For the non-economist Taylor "translates" in English otherwise (unnecessarily) complicated economic models and explains how they may not be compatible with the real world. Data and graphs as well as policy anecdotes make for a very enjoyable reading. For the economist the book will reveal new insights with every reading. Overall, the sinful marriage between politics and economics, often described with quite some wit, is something this and future generations should probably really worry about. Highly recommended!

This book's title gives it to you straight: it's about how the collapse of 2008 brought Keynes back with a bullet. Taylor's principal aims are, first, to show how ineffective and inappropriate are the dominant approaches to macroeconomics of the past 30-40 years (which have been succinctly summed up as 'pre-Keynesian theory after Keynes'); and, secondly, to show how Keynes and post-Keynesian writers, whose ideas in recent years have been greatly downplayed and even ridiculed by the bulk of the profession, contain the proper bases on which to erect both understanding and effective policy proposals.

Lance Taylor has written a tome for our times. It is engaging and forceful, the analysis is of the highest order, and the exposition of very complex ideas is wonderfully clear. (Geoffrey Harcourt, University of New South Wales) There is a need for a careful analysis of why exactly much of mainstream macroeconomics is irrelevant and problematic, and whether a more useful and realistic kind of economic analysis exists which can provide a better understanding of real world events. Lance Taylor's book fills this need, providing an authoritative presentation of a more useful and realistic kind of macroeconomic analysis and deftly mingling theoretical analysis and critique with discussions of basic economic concepts. It is essential reading for anyone interested in how the economy works and how to make it work better and more humanely. (Amitava Dutt, University of Notre Dame) Maynard's Revenge offers a broad rigorous account of the creation, consolidation, and eventual eclipse of Keynesian theory, as well as the phoenix-like return of Keynesianism. With his nose to the empirical ground, Lance Taylor compellingly builds his case that Keynes was correct about how to do macroeconomics in our world. But Taylor goes beyond Keynes, showing how 'ideas from the Master' have been extended by his many disciples into an impressive body of thought." (Servaas Storm, Delft University of Technology, The Netherlands) [A] combative and tightly argued book on the collapse of the recent consensus in economics. Taylor strives to reinstate not just Keynes but an entire school of economics... The tone of the book fluctuates between being clinically academic and sharply polemical, a delightful combination often seen in the writings of Keynes himself... The deeper point Taylor makes is that much of modern economics is actually derived from insights provided by economists in previous ages. He powerfully illustrates this in almost every chapter in his book. (Niranjan Rajadhyaksha Mint 2011-04-02) This volume is useful, and even entertaining, when viewed as a paean to Keynes and his ideas. (E. Kacapyr Choice 2011-05-01) About the Author Lance Taylor is Arnhold Professor of International Cooperation and Development at the New School for Social Research.