

YouTube Title: Fight of the Century: Keynes vs. Hayek Round Two

Link: <http://www.youtube.com/watch?v=GTQnarzmTOc>

Video Length: 10:10

***The Economy Today* Chapter 18: Theory Versus Reality**

***The Economy Today* Learning Objective 3: The constraints on policy effectiveness**

Key Terms: Fiscal policy, fiscal stimulus, multiplier, aggregate demand

Topics: John Maynard Keynes, F.A. Hayek

Summary

This video depicts the battle of ideas between John Maynard Keynes and F.A. Hayek in a courtroom and in a boxing ring.

Economic Application

Although the Great Recession ended in the summer of 2009, job growth was slow, and the recovery seemed fragile. The characters portraying Keynes and Hayek provide opposing viewpoints on the impact of government stimulus spending during economic downturns and their perspectives on economic prosperity.

Multiple-Choice Question

Which of the following best describes the Keynesian perspective?

- a) Policies should be steady and predictable
- b) The government should manage aggregate demand with changes in taxes and government spending
- c) The money supply should be used to raise or lower the price level so that output and employment gravitate to their natural levels
- d) Incentives to work, invest, and produce should be created.

Discussion Question

What are the arguments in favor of a “hands off” policy versus “hands on” policies?