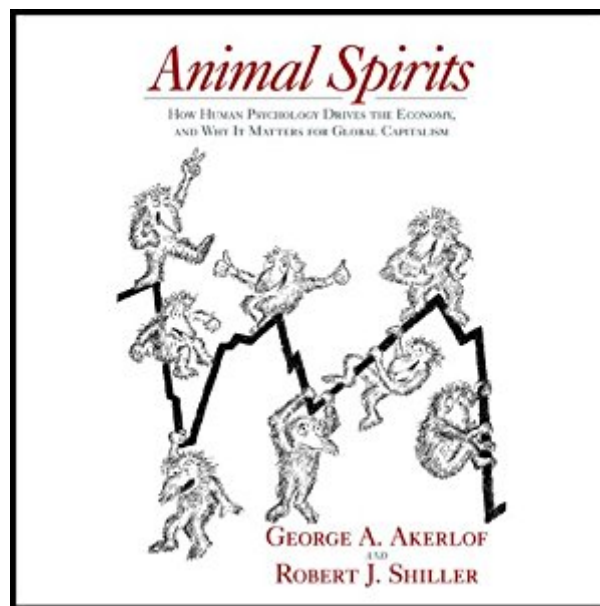


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# Animal Spirits: How Human Psychology Drives The Economy, And Why It Matters For Global Capitalism



## Synopsis

The global financial crisis has made it painfully clear that powerful psychological forces are imperiling the wealth of nations today. From blind faith in ever-rising housing prices to plummeting confidence in capital markets, animal spirits are driving financial events worldwide. In this audiobook, acclaimed economists George Akerlof and Robert Shiller challenge the economic wisdom that got us into this mess, and put forward a bold new vision that will transform economics and restore prosperity. Akerlof and Shiller reassert the necessity of an active government role in economic policy-making by recovering the idea of animal spirits, a term John Maynard Keynes used to describe the gloom and despondence that led to the Great Depression and the changing psychology that accompanied recovery. Like Keynes, Akerlof and Shiller know that managing these animal spirits requires the steady hand of government—simply allowing markets to work won't do it. In rebuilding the case for a more robust, behaviorally informed Keynesianism, they detail the most pervasive effects of animal spirits in contemporary economic life—such as confidence, fear, bad faith, corruption, a concern for fairness, and the stories we tell ourselves about our economic fortunes—and show how Reaganomics, Thatcherism, and the rational expectations revolution failed to account for them. Animal Spirits offers a road map for reversing the financial misfortunes besetting us today. Read it and learn how leaders can channel animal spirits—the powerful forces of human psychology that are afoot in the world economy today. --This text refers to an out of print or unavailable edition of this title.

## Book Information

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## Customer Reviews

Economists, in pursuit of mathematical precision, seem to have forgotten that not everything can be easily counted. Traditional economic theory centers on the premise that people make perfectly rational decisions. People, however, are not so rational. Despite many attempts, not every variable that goes into our decision-making process can be easily quantified, weighted, and stuffed into a formula. As any non-economist knows psychology -- and its hard to measure variables -- plays a large role in how people make decisions. George Akerlof and Robert Shiller's book, *Animal Spirits*, offers an accessible look at how traditional economics can be expanded by incorporating some basic concepts from psychology. The term "animal spirits," originally coined John Maynard Keynes in the 1930's, describes how impulses and emotions naturally lead to economic boom and bust cycles. Traditional economists seem to have ignored even the most primitive of these spirits. Economists create impressively complex formulas attempting to accurately describe the state of the economy and predict future trends. However, there are just too many unquantifiable variables - feelings, emotions, intuition, and confidence- to accurately incorporate all available information into a simple neat equation. Incorporating psychology into economics may not sound like much of a breakthrough. But Akerlof and Shiller have stepped outside of current economic thought to gently nudge animal spirits back to the discipline. The first part of the book offers five examples of animal spirits: confidence; corruption; money illusion; stories; and fairness. While there are many more psychological factors at work in decisions, these offer a step in the right direction.

Let me edit my review slightly. Please notice the first words of my original review: "Given such accomplished economists." I don't think it's unreasonable to hold these authors to a very high standard. Because I know that they could have done a much better job of organizing their thoughts, and given the stakes involved at an early stage in the development of financial crisis when policy makers were in dire need of good advice, I was very critical. Consider this - in a book on "Animal Spirits" there is very little on entrepreneurship! BTW Keynes did not originate the term, and Adam Smith was not an uncritical apologist for capitalists. Milton Friedman was not a blind apologist for corporations, and Ronald Reagan was not as radically free-market as people these days think. Gosh, how many times do these things need to be said? Given such accomplished economists, and being sympathetic to behavioral economics I expected better from this volume. The book has obviously been rushed to print. There are numerous errors. Just to give a few examples: They present Adam Smith as the father of the rational economic man model when in fact he was the author of "The Theory of Moral Sentiments" (a masterwork of psychology) and certainly never

claimed that emotions did not matter for economics. They present Keynes as having "animal spirits" at the center of his theories which is not true. They do not even give the background to the phrase, which was more than two hundred years old at the time Keynes wrote. They completely misrepresent the work of Milton Friedman generally and with respect to the Great Depression specifically. They even get his ideas about money illusion wrong.

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