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Allister Heath joins the Hayek Club [1]

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Today's a big day for the Hayek Club ? Allister Heath, editor of City AM, is our newest recruit. The Hayek Club, you'll recall, is the collection of pundits, economists and politicians who have accepted a loosely Hayekian narrative to explain the Great Recession. (It's inspired by Greg Mankiw's remarkably popular Pigou Club [3] ? nobody asks to join; membership is thrust upon them.) In his Editor's Letter today on the Nobel Prize winners, Heath writes [4]:

> While a lot of the new classical economists? conclusions were right, and they did actually warn about bubbles, the way they reached them and their methodology and philosophical understanding of the limitations to knowledge were flawed. People aren?t as rational as they assumed. They also wrongly downplayed the role of the money supply in causing cycles.
>
> Hence why I find the second category of non-Keynesian economics more interesting: the latest incarnation of the more traditional classical school, including the better Austrian thinkers, whose conclusions are similar but whose approach is much more realistic. Keynes was wrong, as yesterday?s Nobel prize winners rightly point out, a lesson many need to rediscover. But he wasn?t always wrong for the reasons Sargent and Sims thought.

The whole article is worth a read. It's great to see serious, mainstream thinkers like Heath giving the Austrians another look. He joins a growing club of heavyweights, including the Chief Economist of Deutsche Bank [5], an influential backbencher [6], a former President of the Kansas City Federal Reserve Bank [7], and many others. The road to widespread acceptance is long and winding, but the Austrians may be getting there.

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