

- a.) Keynes' theory is demand side theory, encouraged government to spending and reduce taxes to stimulate demand by state intervention policy.
- b.) The classical economic cannot explained Great depression because Keynes' theory believes if all demand in the economy decrease (lower prices of goods and wage) will stimulate employer to invest and hire more labor, but the truth employers do not hire employees to produce products that cannot be sold.
- c.) Keynes support fiscal policy against, he suggested that the government spend more and reduce taxes to reduce the budget deficit which will increase consumer demand, it will lead to increase economic activity and reduction in unemployment
- d.) Pros - Stimulate consumption and investment. Decrease interest rates encourages business and individuals to borrow more, it will improve economic system, Increase employment and service need.
Cons - As the interest rate approaches 0, this stimulus by reducing the interest rate become less effective people will hold cash more than invest
- e.) Pros - increase total productivity and generate more income, employees willing to spend will result in increased GDP. The idea is The spending from one consumer become income for the business
Cons - Misrepresented the relationship between saving, investment, economic growth.
- f.) Macroeconomic theory about total spending in an economy and its impact on productivity, employment and inflation focuses on using active government policy to manage aggregate demand in order to address or prevent economic recessions.
- g.) Excessive saving is detrimental to the economy because the more stagnant money in the economy, the less money in the economy will stimulate growth except saving money for education or retirement.
- h.) Neoclassical economic model are based on the assumption that investment is financed from household saving. Accordingly, capital accumulation will be maximized by policies aimed at increasing household saving rate and capital imports. These model also predict that capital should flow from rich to poor countries, attracted by higher rates of return.