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- Keynes' perspective on Great Depression
  - keynes believed that the Great Depression could not be explain by classical economic theory as he portrayed it in his book.
  - keynes seemed to counter the theory from other economists. They had argued that after a widespread economic downturn, businesses and investors who took advantage of falling prices for their own interests would return output and prices back to equilibrium.
  - keynes rejected the idea that the economy would return to a nutural state of equilibrium. He argued that when the economic downturn sets for whatever reason, the fear and grief that it surprises businesses and investors, it tends to become self-fulfilling and can lead to over time. The sustained of economic activity is distressed and unemployment.
- Keynes' perspective on the Classical Economics
  - Keynes argued against his construction of classical theory, that during recessions business pessimism and certain characteristics of market economics would exacerbate economic weakness and cause aggregate demand to plunge further.
- Possible solutions to Great Depression
  - The government should undertake deficit spending to make up for the decline in investment and boost consumer spending in order to stabilize aggregate demand.
  - He proposed that the government spend more money and cut taxes to turn a budget deficit, which would increase consumer demand in the economy. This will lead to an increase in overall ecomomic activity and decrease in unemployment.
- Pros and cons of monetary policy
  - Pros : Interest rate targeting controls inflation, Can be implemented fairly easily, Central banks are independent and politically neutral, Weakening the currency can boost exports.
  - Cons : Effects have a time lag, Technical limitations, Monetary tools are general and affect an entire country, The risk of hyperinflation.
- Pros and cons of fiscal policy
  - Pros : Can direct spending to specific purposes, Can use taxation to discourage negative externalities, Short time lag.
  - Cons : May be politically motivated, Tax incentives may be spent on imports, can create budget dificits.

- What is Keynesian economics?
  - Keynesian economics focuses on using active government policy to manage aggregate demand in order to address or prevent economic recessions.
  - Keynes developed his theories in response to the Great Depression, and was highly critical of previous economic theories, which he reffered to as "classical economics".
  - Activist fiscal and monetary policy are the primary tools recommended by keynesian economists to manage the economy and fight unemployment.
- Keynes' perspective on saving and economic growth
  - keynes also criticized the idea of saving too much unless it was for a specific purpose such as retirement or education. He saw it as dangerous for the economy because money sits still, less money in stimulus growth.
- Alternative theory on saving and economic growth
  - Solow hypothesis that saving is a determinat of economic growth was confimed in countries with high and more than average income while Keynesian theory of savings as a function of growth was comfirmed in countries with low and less average incomes.
  - Classical economist believed that saving is a necessary and sufficient condition for securing investment and that the interest rate in the price that equats them. They believed that if savings go up, investment increases, and then economic growth follows.