Homework

(Deadline: TO BE DECIDED AFTER MID-TERM)

Instructions:

1) Read the following article:

https://www.investopedia.com/terms/k/keynesianeconomics.asp

2) You are to summarize the article into 10-13 key points (ประเด็นสำคัญ), which are accompanied by brief explanations.
3) Your work must be within one and a half pages. One page is preferred.
4) Your work has to be HAND-WRITTEN on IPAD or SCANNED PAPER(S).
5) **Your key points MUST be about economic theories (not Keynes' biography) and cover the following notions.**
    a. Keynes' perspective on Great Depression
    b. Keynes' perspective on the Classical Economics
    c. Possible solutions to Great Depression
    d. Pros and cons of monetary policy
    e. Pros and cons of fiscal policy
    f. What is Keynesian economics?
    g. Keynes' perspective on saving and economic growth
    h. Alternative theory on saving and economic growth (Google!)
6) You will be fully awarded 10 marks (10%) for 10 correct and accurate key points. The extra 3 key points are for 3 extra marks in case some of your conclusions are incorrect.

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7) Submission after deadline will not be accepted.

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f) Keynesian economics is theory about total spending in the economy and its effects on output, employment, and inflation. moreover, It is considered a "demand-side" theory that focuses on changes in ecohomy over the short-run.

a) Keynes advocated for increased government expenditures and lower taxes to Stimulate demand and pull the global economy out of the depression. If the government increased welfare spending and raised taxes, this would not encourage people to spend their money. He proposed that the government Should spend more money and cut taxes to turn a budget deficit to increase consumer demand in the economy.

b) Keynes argued against his construction of classical theory, that during recession business pessimism and certain characteristics of market economies would make economic weakness and cause aggregate demand to plunge further.

c) Keynes advocated a countercyclical fiscal policy during the depression in which the government should undertaken deficit spending to make up for the decline in investment and boost consumer Spending in order to stabilize aggregate demand.

d) Lowering interest rates can encourage consumption and investment spending. However, this cycle is disrupted and market growth becomes more unstable and prone to excessive fluctuation.

e) If workers are willing to spend their extra income, the resulting growth in the GDP could be greater than the initial stimulus amount. However, most acknowledge that fiscal stimulus is far less effective than the original multiplier model suggests.

g) Keynes believed individuals should save less and spend more, raising their marginal propen-Sity to consume to effect full employment and economic growth.

h) While savings were strictly linked to income sources by classical and keynesian theories, simple partial-equilibrium models explain individual saving decisions in investment returns and labor-income.

1) Keynes rejected the idea that the economy would return to a natural state of equilibrium. He argued that economic downturn set in, the fear and gloom that it engenders among businesses and investors will tend to become self-fulfilling and can lead to sustained period of depressed economic activity and unemployment.

2) The concept of the Keynesian multiplier is spending from one consumer becomes income for a business that then spends on equipment, worker wages, energy, materials, purchased services, taxes and investor returns. That worker's income can then be spent and the cycle continues.

3) Keynes criticized the idea of excessive saving, unless it was for a specific purpose such as retire-ment or education. He saw it as dangerous for the economy because the more money that does not use the less money in the economy stimulating growth.

4) Keynes was not as optimistic about the natural equilibrium of the market. He believed that the government was in a better position than market forces when it came to creating a robust economy.

5) As interest rates approach zero, stimulating the economy by lowering interest rates becomes less effective because it reduces the motivation to invest rather than simply hold money in cash or close substitutes like short term Treasuries.