

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.

สามคะแนนเป็นคะแนนพิเศษ หากนักเรียนคนไหนสรุปผิดบางข้อจาก 13 ข้อ ก็ยังมีสิทธิได้คะแนนเต็ม
- 7) Submission after deadline will not be accepted.

1. Keynesian economics is a macroeconomic economic theory of total spending in the economy and its effects on output, employment, and inflation. Moreover, Keynesian economic is considered a "demand side" theory that focus on changes in the economy over the short run.
2. Keynes' perspective on Great Depression is that Keynes advocated a countercyclical fiscal policy in which, during periods of economic woe, the government should undertake deficit spending to make up for the decline in investment and boost consumer spending in order to stabilize aggregate demand.
3. Keynes rejected the classical economic that once an economic downturn set in, for whatever reason, the fear and gloom that it engenders among business and investors will tend to become self-fulfilling and can lead to a sustained period of depressed economic activity and unemployment. Moreover, if we use classical economic, to make economic through the equilibrium, it takes a long time in this theory.
4. Keynes proposed the solution in the Great Depression that the government spend more money and cut taxes to turn a budget deficit, which would increase consumer demand in the economy. This can lead to an increase in overall economic activity and a reduction in unemployment.
5. Keynes also criticized the idea of too much saving because he saw it as dangerous for the economy. To clarify, the more money in saving, the less money in the economy.
6. Keynes was not as optimistic about the natural equilibrium of the market. He believed the government was in the better position than market forces when it came to creating a robust economy.
7. In fiscal Policy theory, this propose that spending boosts aggregate output and generates more income. Also, if workers are willing to spend their extra income, the resulting growth in GDP can be increase.
8. Multiplier related to the marginal propensity to consume. That is spending from one consumer become income for a business that then spend on equipment, worker wages, and purchased services.

9. Keynes believes that people should save less and spend more to raise their marginal propensity to consume to effect full employment and economic growth.
10. However, other economists showed that the Keynesian model misrepresented the relationship between saving, investment, and economic growth.
11. In monetary policy, lowering interest rate is one way governments can intervene in the economic system, therefore it encourages consumption and investment on people.
12. Without intervention, Keynesian theorists believe, this cycle is disrupted and market growth becomes more unstable and fluctuation. So that, keeping interest rate low can stimulate the economic cycle by encouraging people and firms to borrow more money to invest.
13. Monetarist economic aims to managing the money supply and lower interest rate, but they generally try to avoid zero-bound problem. As interest rate approach zero, the interest rate will be less effective because it reduce the incentive to invest rather than simply hold money in cash. Therefore, interest rate may not longer be enough to generate new economic activity. This is a type of liquidity trap.
14. In Keynes theory, if we save more, demand less, output less, income also less. That why, saving more does not make change in saving. And also economic will grow slowly because of less output will produce.
In classical theory, when saving exceeds investment, the interest rate falls to discourage saving and encourage investment, so that output and economic growth will be higher. So, if we save more, it will make more investment and more output.