

(1.) What is Keynesian economics

- Keynesian economics is an economic theory of total spending in the economy and its effects on output and inflation.
- It was invented by the British economist John Maynard Keynes, during the Great Depression of the 1930s. It is an alternative to Say's law.
- The key concept of Keynes's law is "Demand creates its own supply".

(2.) Understanding the Keynesian economics.

- As mentioned above, Keynesian is an alternative from Say's law, which is the one of the Classical economic thinking where key concept is "Supply create its own demand", but Keynesian economics represent a new way of looking at spending, output, and inflation. Which is "Demand creates its own supply".

(3.) Keynes's law and the macroeconomics of demand.

- Keynesian economics was used to refer to the concept that optimal economic performance could be achieved - and economic slumps prevented - by influencing aggregate demand (AD) through activists stabilization and economic intervention policies by the government. Keynesian economic is well-apply in the short run.

(4.) Keynesian perspective to the Great Depression.

- Keynes rejected the idea of Classical economic theory, which is that output and prices will eventually return to equilibrium. Keynes argue that once an economic downturn sets in, the fear and gloom that it engenders among businesses and investors will tend to become self fulfilling and can lead to a sustained period of depressed economic activity and unemployment.

(5.) Possible solution for the Great Depression.

- Keynes suggest to use those demanded-side policies to respond to the Great Depression.
 - Fiscal policy ($G \uparrow$, $T \downarrow$)
 - Monetary policy ($M_s \uparrow$)

(6.) Pros / Cons of Fiscal Policy.

[Pros.]

+ Greater economics growth -

- A decrease in taxation will lead to people having more money and consuming more. this will create an increase in AD and could lead to higher economic growth

[Cons]

+ Trade deficit

- Expansionary fiscal policy can lead to higher trade deficit, as higher income leads to more expenditure on imports and a higher negative trade balance.

(7.) Pros / Cons of Monetary policy.

[Pros.]

+ Greater economics growth -

- Because the cost of borrowing money decreases, businesses make more investment \rightarrow higher economic growth

[Cons]

+ Inflation

- An increase in inflation often cause damaging to the economy, and it is difficult to stop.

(8.) Keynesian perspective on saving on economic growth.

- Savings was viewed by Keynes as having on adverse effect on the economy. If the saving rate is high (people choose to put money in the bank rather than spending on O/S), then GDP will fall resulting a economic downturn.

(9.) Keynesian perspective on unemployment

- Wages and price are flexible in Keynesian economic and full employment is not necessary as the classical economic stated. This mean that the economy seeks to find a balance between the wages worker demand and the wages business can supply.
- If the unemployment rate fall, fewer workers available, which means that workers can demand the higher wage

(10.) Alternative theory on saving and economic growth.

The parameters of individuals saving problems are jointly determined by aggregate savings and investment outcomes, and ultimately by the character of income distribution at the aggregate level.