Economic Theories

1) Keynesian economics is a macroeconomic economic theory of total spending in the economy and its effects on output, employment, and flation.

2) During the Great Depression, Keynes, challenging the ideas of classical economics that held that free markets would, in the short to medium term, automatically provide full employment, as long as workers were flexible in their wage demands.

3) "The first new deal" concentrated on rebuilding the economy from the top down. The Agriculture Adjustment Act paid farmers to produce less.

4) The National Industrial Recovery Act set up a frame for new deal. Furthermore, the authority used millions of dollars to reform seven states along the Tennessee River, creating many new jobs with high wages.

5) Social Security was created, and the Nation Youth Administration as well as the Works Projects Administration were set up for getting employment rates up.

6) Nation Labor Relations act of 1935 attempted to stop employers from using intimidation to break up unions. This worked magnificently and wages rose.

7) The signficant pro of Monetary policy can bring out the possibility of more investments coming in and consumers spending more.

8) The con of Monetary policy does not guarantee economy recovery, Moveover, it can take time to be implemented. Ultimately, it could discourage businesses to expand.

9) There are important pro of fiscal policy as follows; If use Government spending, it can direct spending towards areas in need, and make investments for the future.

10) There are essence cons of fiscal policy as follows: time lags, and tax rebates may be spent on imports, thus leaking out of the circular flow.

11) There is much debate as to whether monetary policy or fiscal policy is the better economic tool, because of each policy has pros and cons to consider.

12) Keynes believed individuals should save less and spend more, raising their marginal propensity to consume to effect full employment and economic growth. In this theory, one dollar spent in fiscal stimulus creates more than one dollar in growth.

13) Theories of growth are the explanation of saver attempts to save a larger share than before, so total spending will decline. Consequently, the business will be cut back on production, thereby reducing incomes earned in production. Moveover, it may be down as total demand becomes insufficient to employ all the labor force. This will lead to severe unemployment, periods of serious inflation, or negative growth of the economy.

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