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.

6304640334
Jiratha Machamnean

- Keynes though that Great Depression make economic downturn, it means that the economy not state in equilibrium, which output low and unemployment remained high. When economic downturn, it makes businesses and investors tend to become self-fullfilling and can lead to depressed economic activity and unemployment.
- Classical economic suggest that lower wages can restore full employment but Keynes dispute that employers will not add more workers or employees to produce more goods and services that could be sold because the demand in economy is very low and many companies reduce investment. Moreover, Classical economic could not make people spend more money.
- Keynes advocated for increased goverment expenditures and lower taxes to stimulate demand which would increase consumer demand in the economy, reduction in employment and pull the global economy out of Great depression. In additional, Keynes used active goverment policy to manage aggregate demand, influencing aggregate demand and economic Intervention policies by the goverment to prevented economic downturn, and advised a countercyclical fiscal policy by goverment should undertake deficit spending to make up for the decline in investment and boost consumer spending in order to stabilize aggregate demand.
- Monetary policy (Pros):
  - Monetary policy is an important part for flight with unemployment and low economic demand which can stall to recover the economic. The policy can use money supply by lower the interest rate which is the way to intervene in economic, encourage businesses and individuals to investment and restore employment

  Monetary policy (Cons):
  - The economies don't stabilize themselves quickly and they require active intervention that boosts short-term demand in the economy so this policy can stimulate an economy is short term it has no long-term effect.
  - Wages, employment and price don't react quickly and only change when monetary policy interventions are made. This policy will lower tax so it can cause a zero-bound problem that can suggest that if this problem happen it will become less effective
- Fiscal policy (Pros):
  - The important components of the fiscal policy are multiplier effect, related to the marginal propensity to consume, and this policy suggested that spending can boost aggregate output and generated more income meaning that If workers or employees are spending their money it can make growth in GDP. Spending from one consumer becomes income for a business that will spend to wages of workers, taxes and investor return etc. that workers income can spent and the cycle continuous. This policy seen much quicker that the effect of monetary policy.

  Fiscal policy (Cons):
  - Raising taxes can be unpopular and political dangerous to implement.
  - When the spending in cycle spent on imports that means we sending money abroad instead of keeping it in the local economy and if spending high and taxes are low for too long, a deficit will continuous to dangerous levels.
- Keynesian economics focuses on demand side and advocates for increased goverment expenditures and lower taxes to stimulate demand and pull the global economy out of the recession. Keynesian think that spend money can boost aggregate output and generate more income if workers are willing to spend their extra income, the resulting growth in the GDP these can make a cycle continuous. Keynes represented a new way of looking at spending, output and inflation and stimulating growth lead to keynes idea that suggest everyone to spending money.
- Keynes believe that when people spending their income It can boost the economy so he saw that saving can make bad economy because the more money you save, the less money in economy stimulating growth because If people spending their money it can make growth in GDP by one man's expenditure is another man's income and the cycle in circular flow will continuous.
- In classical economics, saving was an increasing function of the rate of interest and investment was a decreasing function of the interest rate. Saving and investment functions gave the equilibrium level of saving. In the neo-classical synthesis with prices variable, the IS and LM curves yield an aggregate demand curve which conjunction with output determined by a perfectly inelastic aggregate supply curve that means the saving function Is an important determinant of the price level.
- During recession, the British goverment want to increased welfare spending and raised taxes to balance the national books but Keynes argued
- Multiplier effect is the ratio of change. Small multiplier is good when the economy is bad and large multiplier can make large fluatuations.

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- Classical economic was eventually replaced with more update Idea, such as keynesian economics, which called for more goverment intervention.
- Zero bound problem is a tool where a central bank lowers short-term interest rates to zero to stimulate the economy.
- When lowering interest rate fail, Keynes argued that other strategies must be employed. Other policies control the labor supply, tax rate and supply of goods and services until they can restore the employment and demand.