6304640300 Ithitath Limlomwongse

# 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.

## Keysian economics

- A macroeconomic theory of total spending in the economy and its effects on output, employment, and inflation.
- Considered a "demand-side" theory that focuses on changes in the econonoy over the short run.

## Keynes' perspective on the Classical Economics

- During recessions business pessimism and certain characteristics of market economies would exacerbate economic weakness and cause aggregate demand to plunge further.

## Possible solutions to Great Depression

- Advocated for increased government expenditures and lower taxes to stimulate demand and pull the global economy out of the depression.
  - Focuses on using active government policy to manage aggregate demand in order to prevent economic recessions.
  - Advocated a countercyclial fiscal policy.

## Keynes' perspective on Great Depression

- Once an economic downturn sets in, the fear and gloom that it endangers among businesses will tend to become self-fulfilling and can lead to a sustained period of depressed economic activity and unemployment.

## Fiscal policy

Pros

- Spending boosts agregate output and generates more income.
- Provide justification for politically popular spending on a national scale,

Cons

- Fiscal stimulus is far less effective than the original multiplier model suggests.

## Monetary policy

Pros

- Boosts short-term demand in the economy.
- Respond to the needs of the market and require governmental intervention to stay on track.
- Employment's growth increases.

Cons

- Lowering interest rates become less effective because it reduces the incentive to invest rather than simply hold money in cash,
- Interest rate manipulation may no longer be enough to generate new economic activity.

## Alternative theory on saving and economic growth.

- In neoclassical economics, economic growth depends upon saving. In the absece of exogenous circumstances, savings would not only depress the marginal productivity of capital forcing the economy towards a stationary state.

## Keynes' perspective on saving and economic growth

- If aggregate demand in the economy fell, the resulting weakness in production and jobs would pecipitate a decline in prices and wages.
- A lower level of inflation and wages, stimulating employment and restoring economic growth.

## Keynes was critical the British government

- He proposed that the government spend more money and cut taxes to turn a budget deflict, which would increase consumer demand in the economy.

## Keynes criticized the idea of excessive saving.

- The more money sitting stagnant, the less money in the economic stimulating growth.

## Fiscal policy was the dominant paradigm in academic economics for decades.

- Milton Friedman and Murray Rothbard showed that the Keynesian model misrepresented the relationship between saving, investment, and economic growth.

## Classical economics

- Keynes developped this theories in response to the Great Depression.

# Activist fiscal and monetary policy

- Are the primary tools recommended by Keysian economists to manage the economy and fight unemployment.