Chayanon Kamthornkittikul 6304640219 There are 3 page.

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a.) What is keynesian economics?

b.) Keynes' perspective on the Classical Economics

c.) What is Classical Economics and the perspective of otha economists.

d.) Keynes' perspective on Great Depression

e.) Possible solution to Great Depression

f.) The reason to use fiscal policy and what is fiscal policy

G.) The advantage of using fiscal policy

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Homework.

(a)
* Keynesian economics is a macroeconomic economic theory that focuses on demand side, which means total spending in the economy can directly affect output, employment, and inflation. Keynesian think that if people are willing to spend more money, that will stimulate a lot of bussiness to hire more workers and product more outputs, leading to decreasing in unemployment. When there are increasing in aggregate demand, that will make the price of goods increase, leading to inflation and the growth in economy.

(b)
* Keynesian thinks that his theory can effectively boost the economy in Great depression.

(c)
* Some economists are more likely to believe in classical theory. they believe that businesses and investors will take the adventage of low input price, wages and inflation, which can stimulate employment and make economic return into a state of equilibrium.

(d)
* However the Great Depression seem to counter the classical theory, since at that time people tend to loss confidence to spend money and make investment, leading to decreasing in aggregate demand. Due to the weak in demand, employers will not hire more employees to produce goods that cannot be sold. Most companies seem to reduce capital investment

Based on Keynesian's theory, the key to boost the economy is to increase total spending and he believes that the govenment pays an important role to stimulate the economy.

(e)
* During the Gread depression, the govenment should undertake deficit spending by using fiscal policy to reduce tax or increase govenment spending, which can encourage people to spend more money and full-fill a budget deficit

(f) * The reason to use fiscal policy is that fiscal policy is relate to multiplier effect.

(G1) * If the govenment increases spending, that will increase national income, which means workers will have more income. That will stimulate workers to spend more money. Moreover, if workers are willing to spend their extra income, that will be relate to marginal propensity because spending from one consumer will become income for a business that spend on equiment, worker wages, energy materials, purchased services, taxs, and investor return. This cycle can be expandend by spending from people and reducing taxs. As a result, this will lead to full employment, and the growth in GDP.

*(G2) the disadvantages of using fiscal policy

If the government uses only fiscal policy, that will be too slow to stabilize and boost the economy, including wage, employment, and price

*(H) What is the Monetary policy.

Center bank will use money supply and the change in interest rate as a tool to increase the speed of boosting short-term demand in order to boost and stabilize economy.

*(I1) The advantage of using Monetary policy.

When the government decrease interest rate, that will make money supply droup, because people will want to save less and spend more money, which can stimulate the demand of consumption and investment spending, leading to increasing in price. Moreover, with lowering interest rate, people will want to consume more, leading to borring and lending. When people borrow money from banks, that will increase the money in economy.

*(I2) The disadvantage of using Monetary policy

If monetarist economists make interest rate too low or zero-bond, that may reduce the incentive to invest rather than reduce the demand of holding money in cash, which means the money supply will decrease and the economy will become recession.

*(J) The way to restore the economy when lowering interest rates fails to deliver results.

The government can implement fiscal policy to change tax in order to increase or decrease money supply. Other interventionist policies, including controling the labor supply, changing monetary policy, or placing controls on the supply of goods and services, can boost the economy and make employment and demand restore

*(K) Keynes' perspective on saving and economic growth.

Keynes believes that excessive saving does not help to stimulate the economy. In fact, this idea seems to be dangerous for the economic growth because the more money sitting stagnant, the less money in the economy stimulating growth. As a result, he thinks that it will be better at the time, if people spend more and save less money.

*(L) Alternative theory on saving and economic growth

The level of saving is equal to the level of investment. if people save more money, the banks will have more money to lend out to the people and firms for investment. As a result, that will increase the money supply, which can make economic growth.

The Harrod-Domar model of economic growth suggest that the level of savings is a key factor determining economic growth rates.