

Keynes' perspective on Great Depression

Keynesian economics is considered a "demand-side" theory that focuses on changes in the economy over the short run. The Great Depression inspired Keynes to think differently about the nature of the economy, during the 1930s in an attempt to understand the Great Depression, Keynes advocated for increased government expenditures and lower taxes to stimulate demand and pull the global economy out of the depression. He developed his theories in response to the Great Depression, and was highly critical of classical economic arguments that natural economic forces and incentives would be sufficient to help the economy recover.

Possible solutions to Great Depression

Many things were also done to try to provide solutions. The government spent a lot of money on job creation programs. The Civil Works Administration and Public Works Administration created many construction jobs. The government tried to help farmers by paying them not to grow crops as a result of the Agricultural Adjustment Act. The banking industry and investment industry were reformed. Also, Keynes introduced the concept of price stickiness, which means that workers resist lowering their wages in the face of falling demand for labor.

Pros and cons of monetary policy

Monetary policy refers to the actions taken by a country's central bank to achieve its macroeconomic policy objectives.

Pros - Interest Rate Targeting Controls Inflation, Can Be Implemented Fairly Easily, Central Banks Are Independent and Politically Neutral and Weakening the Currency Can Boost Exports .

Cons - limit of technical, the tool of monetary are simple and affect the country and can cause the Hyperinflation

Pros and Cons of Fiscal Policy

Fiscal policy refers to the tax and spending policies of a nation's government. Many fiscal policy tools are based on Keynesian economics and hope to boost aggregate demand.

Pros - have specific purpose and can directly spending it, can dissuade negative externalities by using taxation,

Cons can be politically motivated , using tax incentives on imports and can be cause of budget deficits.

What is Keynesian economics?

Keynesian economics is an economic theory of total spending in the economy and its effects on output and inflation.

Following Keynesian economics was used to refer to the concept that optimal economic performance could be achieved and protect the economic to not be slumped by other factors. The Law of Keynes always tell about demand creates supply.

For example, in Keynesian cross we find AE which shows us about aggregate demand and then we set $Y = AE$ show we produce what people demand that shows how demand creates supply.

Keynes' perspective on saving and economic growth

According to the previous answer that told about what is Keynesian economics. It always represent a new way for spending, output and inflation. Its perspective held " cyclical swings in employment and economic output would be modest and self-adjusting" which means that no matter what happen the economic would find the way for best solution same as economic theory but when the Great Depression happened, Keynes started to think differently about the nature of the economy. He argued that once an economic downturn sets in, for whatever reason, investors will tend to become self-fulfilling and can lead to a sustained period of depressed economic activity and unemployment so it's hard to return to the equilibrium. And for the idea of saving, he thinks that normal save is ok but if excess it's dangerous for the economy because the more money sitting stagnant, the less money in the economy stimulating growth.

Alternative theory on saving and economic growth

The study of individual saving behavior and the role of the latter in the process of economic growth. While savings were strictly linked to income sources by Classical and Post-Keynesian theories, simple partial-equilibrium explain individual saving decisions in the light of investment returns and labour-income dynamics. If saving decisions are embedded in a dynamic general equilibrium framework of analysis, however, the parameters of individual saving problems are jointly determined by aggregate savings and investment outcomes, and ultimately by the character of income distribution at the aggregate level. The paper shows none formal and substantial between some aspects of past theories and recent development.

What is the things that the economists concern as economics woes?

Keynesian economists focus on lower interest rates as a solution to economic woes, but they generally try to avoid the zero-bound problem. As interest rates reach zero, encourage the economy by deducting interest rates becomes less effective because it reduces the incentive to invest than hold money in cash or close substitutes like short term Treasuries.

The difference perspectives between classical economists and Keynes

Monetarism has classical theory be like the basis,, which only concentrates on controlling the money supply, through monetary policy. Keynesian economics suggests governments to use fiscal policy, especially in a recession, he place a greater role for expansionary fiscal policy (government intrusion) to defeat recession.

The argument between the notion by some economists and Keynesian economics

They disputes the notion held by some economists that reducing wages can restore full employment, by arguing that employers will not definitely add more employees to produce goods because the demand is low and cannot be sold easily. Same as, poor business conditions may cause companies to reduce capital investment, rather than take advantage of lower prices to invest in new plants and equipment. This would also have the effect of reducing overall expenditures and employment.

Keynes criticizes about British government's solution

The British government has cut welfare spending and increase taxes to balance the national books. Keynes said that this would not encourage people to spend money therefore the economy sill unstimulated and unable to return to normal. In his opinion he think that government should spend more money to increase consumer demand for recovering unemployment.

Keynesian economics for preventing economic slump

Keynes influencing aggregate demand through activist stabilization and economic intervention policies by the government.

How other interventionist policies control the labor supply

Interventionist policies can directly control the labor supply by changing tax rates to increase or decrease the money supply indirectly, changing monetary policy, or placing controls on the supply of goods and services until employment and demand are restored.