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- Keynesian economic was invented during the great depression. This theory focused on demand-side which is spending of people that effect output, employment rate, and inflation.

- Due to classical economic which is minimize the government action, Keyne argue with it because during the downturn economic, people fears to spend money that cause the economy didn't adjust to equilibrium as classical economic should be.

- In order to boost economy people need to spend money instead of saving because saving make money staged on the person. So, economic growth take a long time because money not flow in the economy.

- Keyne perspective about solution to slove problem during great depression is government should induce people to spend money by fiscal policy or monetary policy because when people spend money it make money in the economy flow. But during great depression government set a high cost of living and tax that make people spend less.

- Fiscal Policy is injection of government to increase spending of people due to multiplier effect that is "One man spending is others income" Fiscal policy induce people to spend (C↑) that make AE increase then the GDP increase too. So, fiscal policy is rely on MPC of consumer.
- The consumer's spending is misconcern about saving, investment, and economic growth. When people spend a lot, they didn't save and invest. But saving system and investing will make economic growth in term of big picture. So, they need to concern about monetary market too.

- Monetary Policy focused on money in economy and interest rate that controled by the central bank. The economy didn't stabilized themselves very quickly, so central bank should provide monetary policy. When CB lowering interest rate, it make people want to invest more.
- The liquidity trap may occured when interest rate is very low that make people prefer to hold money on hand due to return from interest rate from bond is very low. When this problem occured the monetary policy will no longer effective.

- The saving of people depend on individual income, when people richer they save more money that make money in the economy flow out from the cycle. When too much money gone out from the economy, the economic growth will less than before because of less money in the economy.

- From Harrod Domar Model rate of econ. growth = $\frac{\text{level of saving}}{\text{capital output ratio}}$ that mean when people save more money, it make economic growth rate increase.
- Some theory said saving = investment because when people save money, bank will lead to firm that make investment part increase.

- A lower level of inflation and wages would induce employers to employ more people that make economic growth.
- Some economist argue that lower wage can restore full-employment due to demand curve is downward slope like normal demand curve, So, employer will not hire more labor due to demand for product is less.