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1.Keynes ‘ s perspective on Great Depression

The Great Depression was a severe worldwide economic depression that took place mostly during the 1930s, beginning in the United States. Keynesian economics is sometimes referred to as "depression economics," as Keynes's General Theory was written during a time of deep depression not only in his native land of the United Kingdom but worldwide. The famous 1936 book was informed by directly observable economic phenomena arising during the Great Depression, which could not be explained by classical economic theory. Moreover ,from this situation(Great Depression) convinces Keynes to think differently about the economics theory.The two classic competing economic theories of the Great Depression are the Keynesian (demand-driven) and the monetarist explanation.Besides, Keynes was highly critical of the British government at the time, and believe the government was in abetter position than market forces . Hence , from these theories, he established real-world applications that could have implications for a society in economics crisis .

2.Possible solutions to Great Depression

There are many ways which can try to provide solution . 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.

3.Pros of monetary policy

Monetary policy means that it is a process undertaken by the central bank, currency board or the government to control the availability of money and its supply as well as the interest rates on loans and the amount of bank reserves. Its goals include addressing the problem of unemployment, maintain balance in exchange rates and stabilize the economy. There are many pros of monetary policy .

3.1)Expansionary monetary policy makes it possible for more investments come in and consumers spend more.

explain : With the banks lowering the interest rates on mortgages and loans, more business owners will be encouraged to expand their businesses since they are more available funds to borrow with interest rates that they can afford. On the other hand, prices of commodities will be lowered and the buying public will have more reason to buy more consumer goods. In the end, companies will profit while their customers are able to afford what they need like basic commodities, property and services.

3.2)Lowered interest rates also lower mortgage payment rates.

explain : Another advantage of monetary policy in relation to lowered rates is that it also affects the payments home owners need to meet for the mortgage of their homes. Reduced mortgage fees will leave home owners more money to spend. Also, they will be able to settle their monthly payments regularly. This is a win-win situation for merchandisers, creditors and property investors as well.

3.3) Central bank are independent and politically

explain: Monetary policy (mainly interest rates) used to be managed by the government. However, in recent years, there has been a trend to give monetary policy to independent Central Banks. The idea is that Central Banks will be more independent of political considerations and willing to keep inflation low – even if there are political costs to raising interest rates.

4.Cons of Monetary Policy

4.1) The risk of hyperinflation

explain:Inflationary risk refers to the the risk that inflation will undermine the performance of an investment.As an example of this inflationary risk with , just 2% inflation—an unrealistically low long-term assumption—means that something that costs $1.00 today would cost $1.22 in 10 years.

4.2) Effects have a time lag

explain :Even if implemented quickly, the macro effects of monetary policy generally occur after some time has passed. The effects on an economy may take months or even years to materialize.

5.Pros of fiscal policy

5.1)Can Use Taxation to Discourage Negative Externalities

explain :Taxing polluters or those that overuse limited resources can help remove the negative effects they cause while generating government revenue.

5.2)Short Time Lag

explain:The effects of fiscal policy tools can be seen much quicker than the effects of monetary tools.

5.3)A government can direct spending toward specific projects, sectors or regions to boost the economy

6.Cons of fiscal policy

6.1)May be politically motivated

explain:Raising taxes is unpopular and can be politically dangerous to implement.

6.2)Can Create Budget Deficits

explain:A government budget deficit is when it spends more money annually than it takes in. If spending is high and taxes are low for too long, such a deficit can continue to widen to dangerous levels.

7.What is Keynesian economics ?

Keynesian Economics was developed by the British economist John Maynard Keynes during the Great Depression of the 1930s, Keynes advocated for increased government expenditures and lower taxes to stimulate demand and pull the global economy out of the depression. Keynesian economics represented a new way of looking at spending, output, and inflations. It was highly critical of classical economics argument that natural economic forces and incentives would be sufficient to help the economy recover, and considered a "demand-side" theory that focuses on changes in the economy over the short run.

8.Keynes's perspective on saving and economic growth

Keynes also criticized the idea of excessive saving, unless it was for a specific purpose such as retirement or education. He saw it as dangerous for the economy because the more money sitting stagnant, the less money in the economy stimulating growth. This was another of Keynes's theories geared toward preventing deep economic depressions.

9.Alternative theory on saving and economic growth

The study of individual saving behaviour and aggregate saving propensities, and discusses the role of the latter in the process of economic growth .If optimal 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.

10.What is neo-classical economics

Neoclassical economics is a broad theory that focuses on supply and demand .Moreover, Neoclassical economics theories underlie modern-day economics, along with the tenets of Keynesian economics. Although the neoclassical approach is the most widely taught theory of economics, it has its detractors.

11.New Keynesian Economics

New Keynesian Economics is a modern macroeconomic school of thought that evolved from classical Keynesian economics. Furthermore,New Keynesian advocates maintain that prices and wages are "sticky," meaning they adjust more slowly to short-term economic fluctuations.

12.Keynesian Economics and Fiscal Policy

The fiscal multiplier commonly associated with the Keynesian theory is one of two broad multipliers in macroeconomics. The other multiplier is known as the money multiplier. This multiplier refers to the money-creation process that results from a system of fractional reserve banking. The money multiplier is less controversial than its Keynesian fiscal counterpart.