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.

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7) Submission after deadline will not be accepted.

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• The Great Depression inspired keynes to think differently about the nature of the economy. From these theories, he established real world applications that could have implications for a society in economic crisis.

• Classical economic thinking held that cyclical swing in employment and economic output create profit opportunities that individuals and enterpreneurs would have an incentive to pursue, and in so doing correct the imbalances in the economy. Keynes believed that classical economic can't explain Great depression

• Reduction in interest rates (monetary policy) and Government investment in infrastructure (fiscal policy) He argued that when there is a economic downturn government should undertake deficit spending and stabilize aggregate demand.

• Pros of monetary policy are interest rate targeting controls inflation, can be implement fairly easily, central bank are independent and politically neutral, weakening the currency can boost exports, more investment and increase spending. Cons of monetary policy are effects have a time lag, technical limitations, monetary tools are general, affect an entire country and the risk of hyperinflation and may discourage business to expand.

• Pros of fiscal policy are short time lag, can direct spending to specific purpose and use taxation to discourage negative externalities. Cons of fiscal policy are tax incentives may be spent on imports, may be politically motivated and can create budget deficits

• Keynesian economics focuses on using active goverment policy to manage aggregate demand in order to address or prevent economic recessions. keynesian is macroeconomic theory of tatal spendin in economy and it effect on output, employment and inflation.

• Keynes and his followers believed individuals should save less and spend more, raising their marginal propensity to consume to effect full employment and economic growth. In this theory, one dollar spent in fiscal stimulus eventually creates more than on dollar in growth.

• A major factor impacting economic growth in a given society is the level of savings. Classical economists believed that the existence of savings is a necessary and sufficient condition. They believed that if savings go up, investment increases because the interest rate and economic growth will be imminent. Even though there is an obvious relationship between savings and economic growth, the direction of causality is not assured.

• Activist fiscal and monetary policy are the primary tools recommended by keynesian economists to manage the economy and fight unemployment.

- Keynes advocated a countercyclical fiscal policy in which, during periods of economic woe, the government should undertake deficit spending to make up for the decline in investment and boost consumer spend in order to stabilize aggregate demand.
- Keynes argued against his construction of classical theory, that during recessions business pessimism and certain characteristics of market economies would exacerbate economic weakness and cause aggregate demand to plunge further.
- The magnitude of the Keynesian multiplier is directly related to the marginal propensity to consume. Its concept is simple. Spending from one consumer becomes income for a business that then spends on equipment, worker wages, energy, meterials, purchased services, taxes and investor returns.
- Keynesian economics focuses on demand-side solutions to recessionary periods. The intervention of goverment in economic processes is an important part of the Keynesian arsenal for battling unemployment, underemployment, and low economic demand.