

- Keyne's perspective on Great Depression
Once an economic downturn sets in, for whatever reason, the fear and gloom that it creates among businesses and investors will tend to become self-fulfilling and can lead to a sustained period of depressed economic activity and unemployment.
- Possible solution to Great depression
The government should undertake deficit spending to make up for the decline in investment and boost consumer spending in order to stabilize aggregate demand.
- Monetary Policy
Pros: Lowering interest rate to generate active economic demand.
Cons: Prices do not react quickly, sometimes it doesn't always lead to direct economic improvement.
- fiscal policy
Pros: One dollar spent in fiscal stimulus eventually creates more than one dollar in growth.
An injection of government spending eventually leads to added business activity and even more spending.
Cons: Fiscal stimulus is far less effective than the original multiplier model suggests
- What is Keynesian economics
"Depression economic", during recessions structural rigidities and certain characteristics of market economies would exacerbate economic weakness and cause aggregate demand to plunge further.
- Keyne's perspective on saving and economic growth
Excessive saving is 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 (Google)
Classical economic : Saving is a necessary and sufficient condition for securing investment and that the interest rate is the price that equates them.
- Keynesian economics is considered a "demand-side" theory which focuses on changes in the economy over the short run.
- Keynes didn't believe in the natural equilibrium of the market, he believed that the government could do better than market force in creating a robust economy.
- Keynesian multiplier related to the MPC which the spending from one consumer becomes income for a business that then spends on equipments,

worker's income, etc. which worker's income will be spent and the cycle continues.

- Eventually, other economists, such as Milton Friedman and Murray Rothbard, proved that the Keynesian model misrepresented the relationship between savings, investment and economic growth.
- Keynes highly believed that 'Economies do not stabilize themselves very quickly and require active intervention that boosts short-term demand in the economy.'
- Interest rate manipulation may no longer be enough to generate new economic activity if it cannot spur investment, and the attempt at generating economic recovery may stall completely. This is a type of liquidity trap.

