

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.

สามคะแนนเป็นคะแนนพิเศษ หากนักเรียนคนไหนสรุปผิดบางข้อจาก 13 ข้อ ก็ยังมีสิทธิได้คะแนนเต็ม

7) Submission after deadline will not be accepted.

f 1. Keynesian Economics is the macroeconomic theory of spending and its effects on output, employment and inflation. It is for more understand the Great depression.

2. It focus on demand (short-run) 1) Economic behavior and Markets based
2) Broad nation economic aggregate variables and constructs

3. In history, Keynesian theory supported to increase government expenditures and lower taxes for help the economic depression. And it works

b 4. If aggregate demand in economy fell, the resulting weakness in production and jobs would precipitate a decline in price of wages. A lower level of inflation and wages would induce employers to make capital investments and employ more people. It called "Classical Economics"

5. Lower wages can restore full employment. But he argued that employers will not add employees to produce goods that cannot be sold because demand of their products is weak [poor business]

a 6. In Great Depression, output was low and unemployment remained high during this time. Keynesian create real-world applications. Keynes rejected the idea that the economy would return to a natural state of equilibrium and the fear that it engenders among business and investors will tend to become self-fulfilling and can lead to be a sustainable period.

c 7. The possible solution of the Great Depression is government. The government should spend more money and cut taxes to turn a budget deficit, which would increase consumer demand. It lead to increase in overall economic activity and a reduction in unemployment. The government was in a better position than market forces when it came to creating a robust economy.

g 8. Keynes did not support the idea of excessive saving. It is dangerous because the more money sitting stagnant, the less money in the economy stimulating growth. Because when people started save more money, the economy will slow down and also people have less income that make amount of saving remain the same.

h 9. Saving were strictly linked to income sources by Classical and Post- Keynesian theory. It decisions in the light of private investment returns and labor-income dynamics. The parameters of individual saving problems are jointly determined by aggregate saving and investment outcomes

10. Fiscal Policy is an injection of government spending eventually leads to added business activity and even more spending. It proposes that spending boosts aggregate output and more income. It is also about Keynesian multiplier, which is spending from one consumer is another income.

11.

Pros

- There is more Business in market
- One dollar spent in fiscal stimulus eventually creates more than one dollar in growth
- It can direct spending to specific purposes
- It can use taxation to discourage negative externalities.
- Short time lag

Cons

- A coup for government economists
- Misrepresented the relationship between saving, investment, and economic growth
- The money multiplier is less than contraversional than its Keynesian fiscal counterpart
- May be politically motivated
- Tax incentive may be spent on Imports
- It can create budget deficits

12. Monetary policy is if prices are slow to change, this makes it possible to use money supply as a tool and change interest rates to encourage borrowing and lending. Lowering interest rates is one way government can meaningfully intervene in economic systems.

13.

Pros

- Encouraging consumption and investment spending
- Having new spending → stimulates the economy
- Interest Rate targeting controls inflation
- Can be implemented fairly easily
- Central Banks are independent and politically neutral
- Weakening the currency can boost Exports

Cons

- If it doesn't have → the cycle is disrupted and market growth become more unstable and prone to excessive fluctuation.
- Effects have a time lag
- Technical Limitations
- Monetary tools are general and affect an entire country
- The Risk of hyperinflation