

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.

Q : what is keynesian economics?

1.) Keynes theory was the first to sharply separate the study of economic behavior and markets based on individual incentives. This theory was about total spending in the economy and effects on output, employment, and inflation.

Q : How keynesian theory works?

2.) Keynesian theory is considered a demand-side. Keynes advocated for increased government expenditures and lower taxes to make economic performance successful, and economic slumps prevented by influencing aggregate demand.

Q : Keynes's perspective on Great Depression.

3.) Keynes said we should not encourage people to spend their money, thereby leaving the economy unable to recover. Instead, he proposed that the government spend more money and cut taxes to turn a budget deficit to increase consumer demand in the economy.

Q : Keynes's perspective on classical Economics.

4.) Keynes argued against his construction of classical theory, that during recession business and certain characteristics of market economies would exacerbate weakness and cause aggregate demand to plunge further.

Q : Possible solutions to Great Depression.

5.) Keynes advocated a countercyclical fiscal policy in which, during 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.

Q : What is monetary Policy?

6.) Monetary Policy is policy which makes price, wage, and employment quickly respond to the needs of the market, when economy cannot quickly stabilize themselves.

Q : Pros and cons of monetary Policy.

7.) 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 encouraging consumption and investment spending. However, this cycle is disrupted and market growth becomes more unstable and prone to excessive fluctuation.

Q : What is fiscal policy?

8.) Fiscal policy is policy that Keynes believed individuals should save less and spend more, raising their marginal propensity to consume to effect full employment and economic growth. One dollar spent in fiscal stimulus creates more than one dollar in growth.

Q : Pros and cons of fiscal policy.

9.) The fiscal stimulus proposes that if workers are willing to spend their income, the resulting growth in the GDP could be greater than the initial stimulus amount. However, most acknowledge that fiscal stimulus is far less effective than the original multiplier model suggests.

Q : Keynes's perspective on saving and economic growth

10.) Keynes saw excessive saving as dangerous for the economy because the more money sitting stagnant, the less money in the economy stimulating growth.

Q: Alternative theory on saving and economic growth.

11.) The relationship between savings and economic growth is studied using contemporaneous correlation and dynamic models. As a result of the theory shows that a higher level of national savings led to higher investment and consequently caused higher economic growth.

Q: Keynes's perspective on natural equilibrium when economy downturn.

12.) Keynes rejected the idea that the economy would return to natural state of equilibrium. Because the fears and gloom among businesses and investors will tend to become self-fulfilling and can lead to a sustained period of depressed economic activity and unemployment. He believed the government was in a better position than market forces when it came to creating a robust economy.

Q: other economists' perspective about equilibrium in economy.

13.) They argue that businesses responding to economic incentives will tend to return the economy to a state of equilibrium unless the government prevents them from doing so by interfering with prices and wages, making it appear as though the market is self-regulating.
