

## 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.

### Keynes perspective on Great Depression

- When an economy is in a downturn for whatever reason, the fears and sorrows that arise among business and investors tend to self-cater and potentially lead to sustained periods of economic activity and the low unemployment.
- Keynes advocated an anti-fiscal policy in which, in times of economic woe, government should spend deficits to offset declining investments and stimulate consumer spending to sustain overall demand stability.

### Possible solutions to Great Depression

- Keynes proposed that if the government spend more money and reduce taxes to reduce the budget deficit, which increases consumer demand in the economy. This will lead to an increase in overall economic activity and a reduction in unemployment.

### Keynes perspective on saving and economic growth

- Keynes criticized the idea of saving too much. He sees it as detrimental to the economy because the more money is stagnant, the less money in the economy will stimulate its growth.
- Keynes believes that people should save less and spend more, raising their marginal propensity to consume to gain employment and economic growth.

### Pros and cons of monetary policy

- Pros- If prices are slow to change, it can be used as a tool and change interest rates to stimulate borrowing and lending. Interest rate cuts are one of the ways in which governments can significantly interfere with the economy, thereby spurring consumption and investment.
- The rise in short-term demand caused by a cut in interest rates stimulated the economy and revitalized employment and service demand. Then, the new economic activity will continue to help increase growth and employment.

Cons- When the interest rate approaches zero, stimulating the economy by cutting interest rates is less effective as it reduces the incentive to invest instead of holding the money in cash or a similar substitute. Interest rate adjustments may no longer be enough rate new economic activities if investment cannot be stimulated and efforts to generate an economic recovery could be stopped completely.

### Pros and Cons of fiscal policy

Pros- The injecting of government spending eventually led to increased business activity and more spending. This theory proposes that spending increases total productivity and generates more income.

Cons- The Keynesian model distorts the relationship between savings, investment and economic growth. Fiscal stimulus is less effective than the original multiplier model suggests.

### What is Keynesian economics

Keynesian is a macroeconomic economic theory of total spending in the economy and its effects on output, employment and inflation. It is considered a "demand-side" theory that focuses on changes in the economy over the short run.

## Keynes perspective on the Classical Economics

Keynes developed his theories in response to the Great Depression and was highly critical of previous economic theories, which he referred to as "classical economics".

## Alternative theory on saving and economic growth

The life cycle theories of savings and consumption are the economics theories explaining the changes in saving and consumption in the subsequent phases of the human life cycle. There are two main approaches 1) indicating the dependence of the level of savings and consumption on the average level of income over a long period of human life. or 2) on psychological factors, in particular self-control and willpower, mental accounting and framing effect.