

10-13 key points (keynesian economics)

1. Keynes thought that the spender should be the government. According to his theory, the government should buy goods and services. This would encourage production and increase employment.
2. Keynesian economics focuses on using active government policy to manage aggregate demand in order to address or prevent economic recessions.
3. Keynes's two beliefs to end the Great Depression which consumers need to spend more money and buy goods and services as this would encourage production and increase employment. Also, businesses need to increase output.
4. Classical economics was eventually replaced with more updated ideas, such as Keynesian economics, which called for more government intervention.
5. Keynes advocated for increased government expenditures and lower taxes to stimulate demand and pull the global economy out of the depression.
6. The Classical theory, if aggregate demand in the economy fell, the resulting weakness in production and jobs would precipitate a decline in prices and wages. A lower level of inflation and wages would induce employers to make capital investments and employ more people, stimulating employment and restoring economic growth.
7. The fiscal multiplier commonly associated with the Keynesian theory is one of two broad multipliers in economics. Also, the money multiplier is less controversial than its Keynesian fiscal counterpart.
8. Pros and cons of Fiscal policy
 - Pros
 - can direct spending to specific purposes
 - can use taxation to discourage negative externalities
 - short time lag
 - Cons
 - may be politically motivated
 - tax incentives may be spent on imports
 - can create budget deficits

9. Pros and cons of monetary policy

- pros
 - interest rate targeting controls inflation
 - can be implemented fairly easily
 - central banks are independent and politically neutral
 - weakening the currency can boost exports
- cons
 - effects have a time lag
 - technical limitations

10. Keynesian economics is a form of demand-side economics that encourages government action to increase and decrease demand and output that focuses on changes in the economy over the short run.

11. Saving is important to the economic progress of a country because of its relation to investment. If there is to be an increase in productive wealth, some individuals must be willing to abstain from consuming their entire income.

12. Keynes believed individual should save less and spend more, raising their marginal propensity to consume to effect full employment and economic growth

13. While saving were strictly linked to income sources by Classical and Post-Keynesian theories, simple partial equilibrium models explain individual saving decisions in the light of private investment returns and labour-income dynamics.