

# Keynesian theory

Law



Explain which perspective, Keynesian or Austerity, is better policy for government during a recession. The perspective adapted by the article "Austerity leads to austerity!" and the video "Risk on, austerity wins in Greece" adopts the perspective of austerity. The article "Austerity leads to austerity!" was arguing to minimize idle capacity while the video "Risk on, austerity wins in Greece" implied that it is bad for Greece to agree to make concession to the European authorities. These perspective of stimulating production and disagreement to austerity measures during economic downturns in Greece are consistent to Keynesian economics.

The article "Austerity leads to austerity!" argued that there is no need to apply austerity measures because "We have no logical need for layoffs, pay cuts, and forced days off". In addition this measure is also counterproductive because it only increases idle capacity. The demand needed to produce in full capacity can be filled by foreign countries through exports. The video on the other hand implied that giving in to the demands of IMF of cutting jobs and expenditures will not be good to Greece. The analogy of honey badger was used to illustrate the "nobody care" attitude of investors towards Greece and that the world economy can get over it if Greece will eventually default to its loans by agreeing to European authorities.

In general, the Keynesian economic policy is a better policy during recession because it pump prime and stimulate the economy for growth. In the case of Greece however, it is deemed not a good policy because it has been on the deficit (or been overspending for twenty years) that a change for austerity measure is needed to fix the economy and learn fiscal discipline.

#### References

Austerity Leads To... Austerity! (n. d.). Retrieved March 14, 2015, from <https://assignbuster.com/keynesian-theory-essay-samples/>

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