

# Keynesian school of macroeconomic

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Keynesian school of Macroeconomic thought appeals to me the most. Therefore, it is necessary to outline its main ideas related to monetary and fiscal policy. It is important to know that this theory is based on ideas of famous British economist John Keynes and it is rooted in the 20th century. Keynesian economy claims that mixed economy is the best type of managing fiscal and monetary policies, where special attention is paid to private sector and state. Keynesians doesn't think that both state and private sector should operate on their own and, therefore, their policy differs significantly from laissez-faire economy. Such idea is the most appealing to me, because I think that every sector should be under thorough control. (Blinder 2003)

The next moment to mention is that Keynesians believe macro-level trends are able to dominate over the micro-level of individual behavior. In contrast to classical theory, Keynesians promote an idea that aggregate demand for good is of great importance in economy and is its main driving force. Speaking about fiscal and monetary policies, Keynesians aim at raising saving in order to lower the demand for labor and products. For example, they stated that there were many ways for the government to ensure effective management of national economy.

Instead of paying attention to unbalanced budgets, Keynesian theory suggests countercyclical fiscal policies, “ which acted against the tide of the business cycle: deficit spending when a nation's economy suffers from recession or when recovery is long-delayed and unemployment is persistently high”. (Blinder 2003) Therefore, the government should solve short-term problems. Also Keynesians think that fiscal stimulus or deficit

spending may actuate production. Rather interesting idea is that government should be complementary. And fiscal expansion is possible only in case of slack in labor market.

However, Keynesian theory is criticized because of unbalanced view of monetary policy. For example, it is suggested that their approach to economy is rather collectivist which requires centralized planning and, in such a way, it may lead to totalitarian abuses. Keynesians are more concerned with considerations instead of executing. (Blinder 2003)

#### References

Blinder, Alan. (2003). Keynesian Economics. Retrieved February 15, 2007, from <http://www.econlib.org/library/Enc/KeynesianEconomics.html>