

Keynse v friedman

[Literature](#), [Russian Literature](#)



Full Teachers Keynes vs. Friedman (differences in economic viewpoints) 21 November (word count = 339) John Maynard Keynes (1883-1946) is a giant in the field of macroeconomics. He did what no other economist of his time was able to do and that is to influence the economic and political policies of many governments due to the strength of ideas and economic theories. In particular, he advocated for strong government action to guide a countrys economy whenever the private enterprise sector is not able to revive a flagging economy or sustain the recovery. One key idea of Keynes which deviated from classical economics was to compute for demand in the aggregate which in turn determines the level of employment. A weak aggregate demand could cause unemployment to rise and starts a negative cycle of boom and bust in economics. The general thrust of a government whenever there is a threat of recession is to intervene and use fiscal and monetary tools to mitigate the ill effects of a recession. A key recommendation of Keynes during a down economic cycle was stimulus spending by the government by deficit spending which at first glance is counter-intuitive as it requires spending using money that a government does not have in the first place and might cause inflation and devaluation. If his ideas were adopted earlier, it could have made the Great Depression less severe and shorter.

Milton Friedman (1912-2006) is a famous American economist in his own right and he won the coveted Nobel Prize in Economics in 1976 for challenging the ideas of Keynes. In particular, he argued there is always a persistent unemployment that government policies can only reduce to a certain extent. The trick, he argues, is give free market capitalism free rein

in promoting jobs and thereby increase in the process the level of aggregate consumption or the so-called aggregate demand of Keynesian economics. He denounced Keynesian economics as as socialism with his famous remark that “ there is no such thing as a free lunch.” He sees government intervention as interference of free markets and a dangerous act (Friedman 14).

Work Cited

Friedman, Milton. There is no such thing as a free lunch. Chicago, IL, USA: Open Court Publishing Company, 1975. Print.

Due: November 24, 2014 @ 10: 41 a. m.