John maynard keynes

Business

We always feel privileged as economics seems to be more relevant as time goes by.

Economics facilitates our understanding of the societies' well being; it explains various daily interactions between individuals, governments and companies; and it provides a guide to understanding the social and political trends that shape the world. This paper describes various aspects of one of the world's great economists, John Maynard Keynes. The background of John Maynard Keynes John Maynard Keynes was born in the year 1883 to a middle class English family. He lived for 63 years. In his thirties, Keynes spent his time studying and writing economic theory, although the time that he dedicated to the theory was small compared to a professional economist. He spent most of his time grappling with real world problems as they occurred, and this required a practical approach.

His father John Neville Keynes wrote many economics and logic books, while his mother was one of the first female graduates of Cambridge University. By competitive examination, John Maynard Keynes won a place at Eton, where he performed well, particularly in mathematics. At Cambridge University, he developed a very strong interest in economics. For instance, he wrote the article, which appeared in Indian economic affairs in 1909. He also wrote many letters to the Economist newspaper.

Keynes became more of a political economist for he had the decided preference for the practical application of theory, rather than theorizing in a vacuum (Wood 578-582). What schools of thought the economist belonged to? John Maynard Keynes was a product of the " Neo-Classical" school of economic thought. This school of thought was influenced by Professor Alfred Marshall of Cambridge University and other Neo-Classical economists such as Jevons, Wicksteed, Wicksell, Menger, Mill and J. B. Clark (Mustapha 139). Keynes' ideas are the basis for the Keynesian economic school of thought.

The neo-classical thought has been rmarkably tenacious in the field of regional economics, where it provides a normative view on the operation of regional economies; whereas on the other hand, the Keynesian thought provides a better account of what actually does occur (Meade 58). The Keynesian economics embraced a wide variety of models, which employed methods of different nature. The models range from theories of the long-run determinants of prices and growth theories of decision making under uncertainty, usually considered as short-run models (Meade 66). What theories did the economist create or advance? Keynes came up with The General Theory of Employment, Interest and Money, through which he was able to break the long-established Classical traditions and thereby he brought something that has become fashionable. In this theory, Keynes questioned the full employment output assumption of the Classical and Neo-Classical economics.

For instance, Keynes found out that it is impossible to ignore the causes of unemployment and turned his attention to the analysis of the actual determinants of the actual employment or output levels (Keynes xvi-xvii). This theory contained two very important ideas. First, it gave the notion of aggregate demand as the sum of private investment, consumption and government spending. In an economy characterized by foreign trade it is also important to include the impacts of imports and exports in the calculation of the aggregate demand. Second, Keynes introduced an idea that there could be underemployment equilibrium in capitalist economies and that in the situations of underemployment, full employment could be achievable through the help of government spending (Keynes xxi-xxii).

Through The General Theory, Keynes continued that economic behaviors are determined by the probability distribution representing agents' strength in a set of competing hypotheses about the world's present and future state. It is also determined by the degree of confidence of the agents as reflected in their assessment of the evidential base, from which the competing strength of belief is derived. The interaction of these determinants establishes a general taxonomy of choice situations that includes the case of perfect uncertainty and risk (Chick 102). What were the economist major contributions to the school of economics? Prior to The General Theory, Keynes's major contribution to economics is making more precise the manner, in which the then-standard theory of money/the quantity theory worked. The basic propositions of the quantity theory of money are that for propositions of equilibrium money is neutral, in the sense that prices, incomes and output do not depend on the quantity of money; that the level of prices is determined by the quantity of money; and that a decentralized economy is basically stable. His attitude was that these quantity-theory propositions were valid, but that the theory was vague and imprecise regarding the processes and mechanisms, by which the long run outcomes were achieved, and that more had to be found on how the economy behave in between the equilibrium positions before the theory could be accepted fully (Minsky 2).

Through his theory, Keynes refined the problems of economic theory as the determination of aggregate demand and employment in the short run within a framework that explicitly recognizes that it is dealing with economies that are experiencing crises and booms. Keynes introduced appropriate analysis tools such as the liquidity preference and consumption function, as well as employed concepts, such as uncertainty, that were unfamiliar to mainstream economics. His theory showed that real variables depend in the essential way on financial and monetary variables and that the price does not only depend on the quantity of money (Minsky 3-4). Conclusion Generally, this research has reinforced my belief that John Maynard Keynes did provide the fundamental wherewithal for understanding the nature of the malfunctioning of our sorts of economies and the contents of sensible and effective policies for remedying them.