

The short-run and of the macro economy

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



Economics

1. The Short-Run (Keynesian) And Of The Macro Economy

Classical and Keynesian theories are two of the economic school of thought, and each has different approaches to the economic studies that involve monetary policy, government spending and consumer behavior (Arnold 56).

The long run neoclassical theories deal with coming up with solutions for problems in the economy, which are long term and they are mainly developed from the effects of inflation, government restrictions and taxes.

They are based on the assumption that there is a free market where no restrictions from the government are present, and they will make use of policies in use currently and determine how new theories will improve or alter the free market environment (Arnold 69). Conversely, Keynesian theory gives focus on immediate outcomes in the economic theory and will focus on short term policies set by the government and how they can be used to improve the economy (Arnold 71). The Keynesian theory is built on the belief that the government will be responsible for the economy and will lay down policies that will put the economy in a favorable state. These will include policies such as monetary and fiscal policies, which are used to regulate the economy. The neoclassical theory is based on a free market hence the forces of demand and supply shape the economy.

2. Differences between change in quantity demand and shift demand

A change in quantity demanded is generally the increase or decrease in demand that is brought about by a change in price of the product which results to a change in quantity demanded. This implies that the change in the quantity demanded will be altered only because of a change in price

whereas shift in demand is caused by other factors other than price. Change in quantity demand involves a movement along the demand curve where as shift in demand involves a shift in the demand curve either to the left or right.

Work Cited

Arnold, Roger A. Macroeconomics. Belmont: Cengage Learning, 2008. Print.