

# Keynes economic analytical essay

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Another reading by Keynes that I found constructive was *The End of Laissez-fairer*. It is amazing to me how someone such as Keynes can have these brilliant ideas, which we can use till this day. In the reading, I analyze and review some of his ideas on free markets, and the solutions to the problem of laissez-fair. I find Keynes's readings somewhat beneficial in our efforts to improve employment, stability and immediate and long term prosperity as well. Only half off his theory was ever applied in our economy but his influence in society will sat for generations.

Money, Keynes proves why he is one of the few economists who have significantly affected the course of history. Even though much of his ideas were often misinterpreted throughout his life, Keynes offered lively new insights into the nature and origin of economic theories. A recent American economist, Paul Grumman wrote a synopsis on Keynes's most well-known writing *The General Theory of Employment, Interest, and Money*, which was published in 1936. The article begins to articulate how Keynes worked to break down the prior ideas of traditional economics and point UT its inadequacies, which became obvious during the downturn of the economy.

Judging by the current condition of our economy, this article is relevant in preventing mistakes in our society today. Some of the ideas which Keynes pronounces are ones that could benefit our economy. However, Keynes's theories are that of past times, and many things have not been considered since his writing on the *General Theory*. During his era, Keynes felt a new approach was needed, and through his work in *The General Theory*, he sought to bring this transformed stance to light and make sense of the economic crisis that surrounded him.

Keynes entire social theory is based upon the concept of human behavior in regards to their money and the expectations of what the future is to be. I found that relevant to my workplace and our economy in the sense that money motivates workers. I also believe that money motivates our current government and this leads to a sense of corruption. Keynes took to his efforts in shifting the economic ideas from those of the classical model to one of a more hands on approach. In his book, Keynes speaks to three main ideas.

One being the inclination to consume, second is the state of one's liquidity preference as determining the rate of interest, and last the marginal efficiency of capital or the anticipated return on their investment in capital assets. I looked up another recent article on Paul Grumman where he discussed the modern policy makers in much of the Western world and how they believed they "knew better, that we should focus on deficits, not Jobs, even though our economy had barely begun to recover" (Grumman 2012).

Grumman argues that because most of the Western policies makers have this anti-Keynesian belief, Keynes ended up proving them right all over again 2010 and early 2011. He clearly illustrates that the political leaders in 2011 were more concerned with the short-term deficits, which were not the main problems and in turn caused the real problem of the economy collapsing into mass unemployment. Even though Grumman is pro Keynesian theories, I feel it is difficult to get current economists to commit to Keynesian theories when cash is rolling in for them.

In other words, it seems to me that the government and the people that run it are one way thinkers. Many people think Keynes was a socialist because he suggested that governments should run deficits, however I don't believe this is the case. He supported that governments run deficits as a way to stimulate the economy during recessions and depressions. His approach, and what he is knows best for is fiscal policy. He preached on spending when it will do the most good and tax when it will do the least harm (Rhodes 2012). If you gave the money to the rich they would save it.

If you gave the money to the poor, they would spend it. Money given to the poor would do more to stimulate the economy. The End of Laissez-fairer is important because the proponents of the theory of laissez fairer are the driving force behind analogy of influential people's conduct in free markets like " giraffes with the longest necks to starve out those whose necks are shorter" to be over-simplified (Keynes 1926). In Laissez-fairer, the basic idea is that human well-being may be most effectively encouraged by the simple process of leaving them alone, so long as they abstain from force and fraud.

The principle gained support from Adam Smith's theory that the natural effort of every individual to better his own condition' (Smith 1776). Keynes felt there was a lack of consideration for units of production which is imperative to the units of consumption. Monopolies would interfere with the bargaining, and the internal economies tended to aggregate production which Keynes argued, " the simplified hypothesis does not reflect what is natural therefore ideal" (Keynes 1926).

In chapter IV of *The End of Laissez-faire*, Keynes discussed how he objected the "compact" conferring perpetual rights on those who have or those who acquire" and he argued that "more often individuals acting separately to promote their own ends are too ignorant or too weak to attain even these" (Keynes 1926). Based off these notions, it shows how Keynes differed with traditional economists. Some even thought he was a socialist. To find a solution for laissez-fair, Keynes suggested a balance with intervention.

Economists needed to "refresh the Agenda of government from the Non-Agenda," or to distinguish what the State should do to direct the public from what it should leave, with as little interference as possible to individual exertion (Keynes 1926). Keynes advised that the most important agenda of the State is to prepare innovative undertakings which individuals cannot take on their own. He considered that size for the unit of control is somewhere between modern state and the individual.

It was interesting to see how Keynes discovered that big institutions like major banks, public utility enterprises, and insurance company's shareholders are completely disconnected in the management process. This is applicable to the current statute of our economy today in that the minority shareholder does not have control in the decision making process of a corporate business. I believe this also plays a role in one of the reasons why the United States faced the recession in 2008.

The outbreak of the housing bubble was caused by the major banks which would give out loans to anyone and everyone. The bankers were greedy to make sales and cared only to benefit themselves rather than caring about

what damage they were causing to the economy. In chapter IV of *The End of Laissez-fairer*, Keynes talks about the fundamentals of economics greatest evil, " the fruits of risk, uncertainty, and ignorance. "(Keynes 1926). Many years have passed since Keynes mentioned this yet the economy being the way it is now proves that his presumptions were correct.

Keynes argued, " Particular individuals, fortunate in taxation or in abilities, are able to take advantage of uncertainty and ignorance, and for the same reason, big business is often a lottery, and great inequalities of wealth, unemployment come about" (Keynes 1926). He suggested that remedy " lies outside the operations of individuals" (Keynes 1926). To me, this statement is suggesting that the government (public sector) needs to take action in stabilizing output over the business cycle. As I concluded reading *The End of Laissez-fairer* it was apparent that Keynes left debates open around the morality of an individual's money motives.

He mentioned that, " different persons, according to their choices of professions, find the show us other phases of social organization in which this motive has played a much smaller part than it does now'. After reading these two articles I came up with a couple questions that in my opinion, Kennedy's views answered. How much should we let the government interfere with our economy? As well as, do we trust the government to take on the enormousresponsibilityof caring for our economy? I agree on Kennedy's view of suggesting government intervention is only needed when the economy is in a financial crisis.

However it is important to recognize that the time of depression, compared to how the society is presently, is completely different. There needs to be slight adjustments on the way government intervene and seek to get out of the recession at this time. References Keynes, John. " John Maynard Keynes, The End of Laissez-fairer (1926). " Panache. Org : Index. Panache, 1926. Web. 20 Jan. 2012.. Grumman, Paul. " Paul Grumman: Keynes Was Right. " Economist's View. 30 DCE. 2011. Web. 27 Jan. 2012.. Rhodes, Celli. " What Is Keynesian Economics? " Weeklies: Clear Answers for Common Questions. Conjecture Corporation, Jan. 2012. Web. 29 Jan. 2012.. Smith, Adam (1776). Book 'V, Chapter V Of Bounties . Retrieved 25 January 2012, from An Inquiry into the Nature and Causes of the Wealth of Nations Web Site: <http://www.Economic.Org/library/smith/> " was john Maynard Keynes a Socialist? " Celebrities - Wicking. Com : Write, Share, Earn. Dynamic Lethargy Films, 29 Cot. 2010. Web. 25 Jan. 2012. [Http://www. Peachier. Org/economy/Counterrevolutionary's. HTML](http://www.Peachier.Org/economy/Counterrevolutionary's.HTML)> Ghana, VIVO'. " On Keynes " The End of Laissez Fair"" come VA. Word press, 26 Jan. 2010. Web. 27 Jan. 2012..