

# Discussion questions



Discussion Questions..... Are you a Keynes or Hayek Economist? Questions for Video 1

1. Who do the bartenders " Ben" and " Tim" represent in the video? Why are they pouring liquor? What does the liquor represent? (Hint: Animal Spirits) Bartenders " Ben" and " Tim" represent appointed government officials in the video. Ben represents Ben Bernanke, Chairman of the Federal Reserve, and Tim represents Tim Geithner, President of the Federal Reserve Bank. The liquor represents the monetary dollar that is being dispensed into the economy.

They are pouring liquor because they are signifying what the Federal Reserve organizes by increasing the quantity of credit that is being used in order to get the economy stimulated.

2. The chorus of the rap has Keynes saying " I want to control markets" and Hayek saying " I want to set [markets] free. " Is either of those positions right or wrong in all circumstances? Under what circumstances is more government intervention in markets warranted, and under what circumstances should the government stay out as much as possible?

The positions are not always right or wrong in all circumstances. Each position is suitable for the given circumstance. If the economy is not able to get itself out of recessionary gap within a certain amount of time, then government interference is needed to help stimulate the economy by increasing government consumptions. When the economy is in a deep recessionary gap, then government interference in markets is necessary. I do think that if an economy is prospering well on its own, the government should back off until they are needed.

Questions for Video two: 1. What are the critiques that Keynes offers of Hayek? What are the criticisms that Hayek proposes about Keynes? Does one side seem to have a much stronger argument than the other, or do they both suggest that the theory's view of the world is still incomplete? The critiques that Keynes offers Hayek are that spending evens out the economy, that war reduced the unemployment rate and that the economy desires assistance to get it out of the recessionary gap.

The criticisms that Hayek offers about Keynes are that war cause destruction, food was scarce and that Keynes' theories produces a false steadiness in the economy and that helping the financial institution will only help the political agendas and not the people. 2. Do you think the financial crisis of the past few years was caused by people who thought more like Keynes or more like Hayek? Why? I believe that the last decade or so was caused by people who though like Keynes. I believe the Keynesian model is responsible for this.

The Keynesian model states that a decrease in aggregate demand can lead to a stable equilibrium with substantial unemployment. The Keynesian Model is important not so much for its ability to capture the details of recessions, but for its ability to demonstrate the possibility of a stable equilibrium at less than full employment. Many people have used more money that what they have in their savings or checking accounts, some even spend more than they can pay back, this demonstrates a decrease in aggregate demand.