

MACROECONOMICS AT WORK EXERCISE

KEYNESIAN ECONOMICS

REFERENCE: 'Capitalism's Savior' (by Christopher Farrell), *Business Week*, 12 April 2004, p. 8.

CHAPTERS RELEVANT TO THIS EXERCISE: 1 and 18

OVERVIEW

John Maynard Keynes was a British economist whose book, *The General Theory of Employment, Interest and Money*, published in 1936, marks a major step in the development of Economics as a discipline. His work became the foundation of a broad school known as Keynesian economics. As well as an academic who had a fundamental influence on public policy debates, and a successful participant in financial markets, Keynes was also well known for his association with the arts and major literary figures of the time.

QUESTIONS

1. What is meant by the claim in the article that Keynes's lasting achievement is "the invention of macroeconomics"?
2. Explain the "economic orthodoxy" of the time.
3. What role did government spending have in Keynes's economic theories?
4. What is meant by the statement "there are no true believers in laissez-faire left"?
5. How is the observation that "Japan's long stagnation in the 1990s" was essentially the result of 'timid policymakers' relevant to a discussion of Keynes's ideas?
6. What is the relevance of the observation in the article of Keynes's association with artists and intellectuals?