

Macro Economics II (Speedy Study Guides)

Speedy Publishing

ePub | *DOC | audiobook | ebooks | Download PDF

Speedy Study Guides

MACRO ECONOMICS II

Keynesian Economics
Keynesian economics is a theory of total spending in the economy (aggregate demand) and of its effects on output and inflation.

Monetarist
First monetarist proposition: sustained money growth in excess of the growth of output produces inflation. To end inflation or produce deflation, money growth must fall below the growth of output.
Second monetarist proposition: when inflation is expected to be high, interest rates on the open market is high and foreign-exchange value of a currency falls relative to more stable currencies.

Six principal tenets:
1. A Keynesian believes that AD is influenced by a host of economic decisions – both public and private – and sometimes behaves erratically.
2. Changes in AD, whether anticipated or unanticipated, have their greatest short-run impact on real output and employment, not on prices.
3. Keynesians believe that prices and especially wages respond slowly to changes in supply and demand, resulting in shortages and surpluses, especially of labor.
4. Keynesians don't think that the typical level of unemployment is ideal – partly because unemployment is subject to the caprice of AD, and partly because they believe that prices adjust only gradually.
5. Believe in an activist stabilization policy to reduce the amplitude of the business cycle, which they rank among the most important of all economic problems.
6. Keynesians are more concerned about combating unemployment than about conquering inflation.

Keynesians vs. Monetarists
Keynesian tradition
Government has the responsibility for stabilizing an unruly economy.
Developed the notion of a fiscal/monetary mix to control spending and the balance of payments simultaneously.
Monetarist tradition
Stable policy rules that reduce variability and uncertainty for private decision makers.
Government serves the economy best by enhancing stability and acting predictably, not by trying to engineer carefully-timed changes in policy actions (which is frequently destabilizing... doing the opposite of what they were supposed to do).

Neoclassical Model
The Neoclassical Model (NCM) uses the principles of economic analysis to understand how output (GDP) is determined.
In the NCM view, supply and demand result from economically rational households and firms.
NCM begins with: the assumption that an economy is made up of individual economic suppliers and demanders. Keynesians didn't begin with this assumption.

DIGITAL STUDY GUIDE

Download

Read Online

#1847504 in eBooks 2014-06-17 2014-06-17 File Name: B00M74LHCM | File size: 50.Mb

Speedy Publishing : Macro Economics II (Speedy Study Guides) before purchasing it in order to gage whether or not it would be worth my time, and all praised Macro Economics II (Speedy Study Guides):

Macro economics examines the events and forces that effects one's economy but which originates from outside of one's defined geo-economic area. Macro events may be financial events such as the faltering of an economy of another country as well as non financial events such as the effects on a societies economy as a result of a major nature event such as a flood or earthquake. A chart would help outline the key factors in a marco economic society.