

Reflection exercise 8

New Ideas from Dead Economists

January 26, 2022

- 1 Classical economists asserted that the invisible hand would do its job and therefore government would have no role to play to reduce the severity of economic downturns. Give your arguments for why you agree or disagree with this view.
- 2 What were the two main points on which Keynes criticised classical economics? Briefly explain.
- 3 Until the early 1930s, there was no Macroeconomics, the economics that studies how the overall economy functions. Keynes is seen as the father of Macroeconomics. After reading the chapter on Keynes, what stood out to you as the major reasons why he was so important for Macroeconomics?

4 Briefly explain how the following concepts are useful for policymakers.

- Aggregate Demand
- Marginal Propensity to Consume (MPC)
- Multiplier
- Sticky prices (wages)
- Fiscal policy
- Monetary policy
- Automatic stabilizers

5 Having read the classical and Keynesian economics now, what do you think is the appropriate role of the government in the economy? Give at least 3 reasons for your position.

6 National Bureau of Economic Research has a committee called Business Cycles Dating Committee that maintains the chronology of the US business cycles. Check out their FAQ page [here](#). I urge you to take a look at their work to learn more about the history of US business cycles.