Keynesian Economics

Keynesian Economics holds the view that the government can shape economic conditions and policies through changes in government spending and taxes. This approach, named after the economist John Maynard Keynes, suggests that aggregate demand is a crucial determinant of economic activity. The effectiveness of fiscal policy is a function of the size of the government and the responsiveness of the private sector to changes in government spending.

In the context of the Great Depression, Keynes argued that traditional monetary policies were ineffective because banks were not lending and businesses were not investing. He proposed that the government could stimulate the economy by increasing its spending on public works and social programs. Keynesian theory is based on the idea that government intervention is necessary to stabilize the economy and prevent depressions.

Keynesian policies have been used by many governments around the world, both during and after economic crises. The theory has been influential in shaping economic policy and continues to be a subject of debate among economists today.