

POL2012: Theories and Models in Political Economy

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Keynsian Economics

Lord Keynes (1883-1946)

- A Treatise on Money (1930)
- The General Theory of Employment, Interest and Money (1936)



Unemployment

- Neoclassical Economics
- The Great Crash (and subsequent Depression)



The Great Crash

- What would you do?

Crisis of Demand

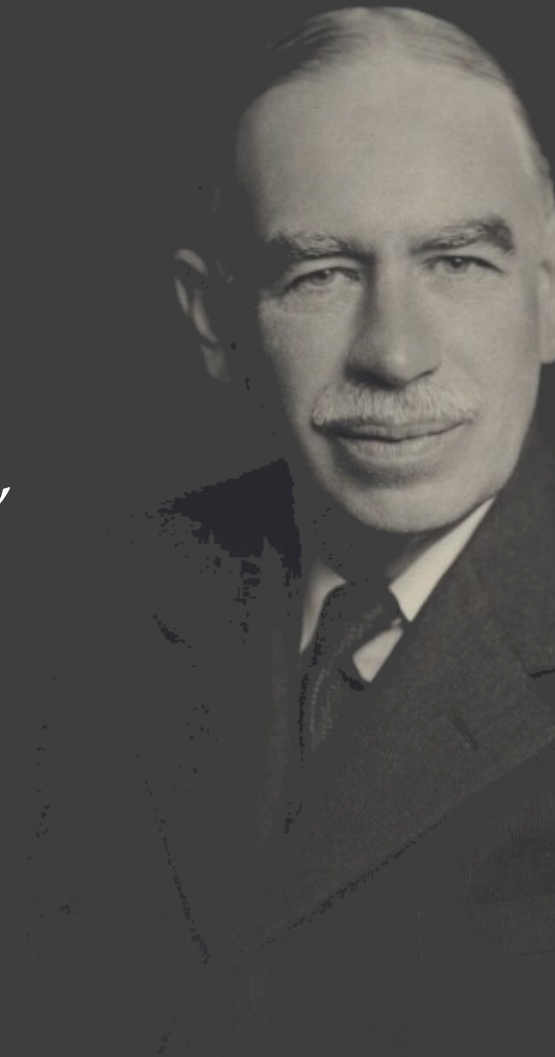
- Wages are not flexible
- But, that is not the problem!



Keynes's Solution:

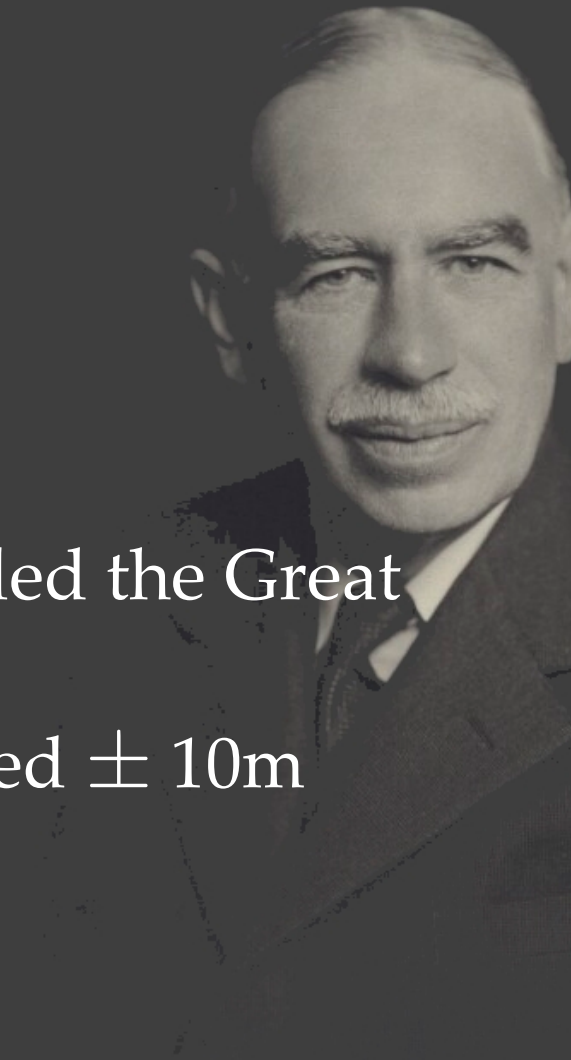
$$Y = C + I + G + X - M$$

- Step 1: Be the State
- Step 2: Increase aggregate demand



“Pre-Keynesians”?

- FDR's New Deal
- Stalin provided full employment and avoided the Great Depression!
- ... But instituted structural change that killed $\pm 10m$



“The true protagonist of the Keynesian ideas.” - Galbraith (1977)



Keynes's confusing legacy

- Post-Keynesianism
 \neq Neo-Keynesianism
 \neq New Keynesianism

