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DISC 2305

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10/09/2014

People are often blaming their governments for what goes wrong with the economy, but maybe the paradigms of the time are at fault. Neoclassical and Keynesian economics are the two mainstream branches of the science, and they both have their benefits and shortcomings. Neoclassicists believe in a *laissez-faire* market with no government intervention, leaving the price to the free-market, while Keynesians think that the government should regulate markets. Despite their differences, the two schools of thought overlap on certain points. If Keynesian economics merely extends the Neoclassical model, is it really a paradigm change, or is it just “normal science” to the initial paradigm? Most of Keynes ideas are new and some are even the polar opposite of the Neoclassical ideas, and today his model supersedes the older one, so it is safe to say that Keynesian economics is an example of a paradigm change.

The paradigm of the Neoclassical market started be questioned when the anomaly of the Great Depression happened. Wages were cut to allow for more workers, but the problem still remained. Furthermore, people were saving money to protect themselves from instability of economies. Keynes attempts to fix these drawbacks by proposing a system where wages are not cut to increase the workforce, and where spending is encouraged to keep a healthy economy.

The main difference between Neoclassical economics and Keynesian economics is the representation of the long-run aggregate supply curve. The Neoclassical one is simply a straight vertical line representing the maximum production of a country. According to this school of thought, the economy is always at its full level of output because the free market adjusts itself to be as efficient as possible, and changing the demand does not change the quantity produced. Some natural unemployment is always there, but in a perfect world, that is the only kind of unemployment. The anomaly with this paradigm is that there are significantly more jobless people than there should be. The Keynesian solution to fix the model is to add another part to the graph. There are three stages in such an economy: unused potential, overheating, and full employment. Due to market failure, the economy has a lot of unemployment. As the aggregate demand increases, so will the supply of labor, to fill this wasted potential. After a while, though, the economy will start “overheating”, meaning that the country is starting to near its maximum potential of production, and it becomes more expensive to produce more, slowing down the rate of growth. The full employment part of the graph is identical to the Neoclassical model, which suggests that the Keynesian model is built as an extension to the older model.

In the Neoclassical school of thought, ideally, the government is not supposed to intervene, and just let the self-regulating free market run its course. Some things that are commonly seen as negatives, such as depression and busts, are actually perfectly normal parts of the business cycle. Sometimes, however, the economy has a hard time recovering from these periods, and the consequences are more drastic than normal. In these cases, neoclassicists would just wait it out, as the economy will spring back once it enters the growth part of the business cycle. The Keynesians, on the other hand, believe that the way to fix an economy in such a state, with unused potential, is to increase the aggregate demand. Since individuals are reluctant to spend in times of crisis, the government is encouraged to spend lots of money to boost the nation’s demand.