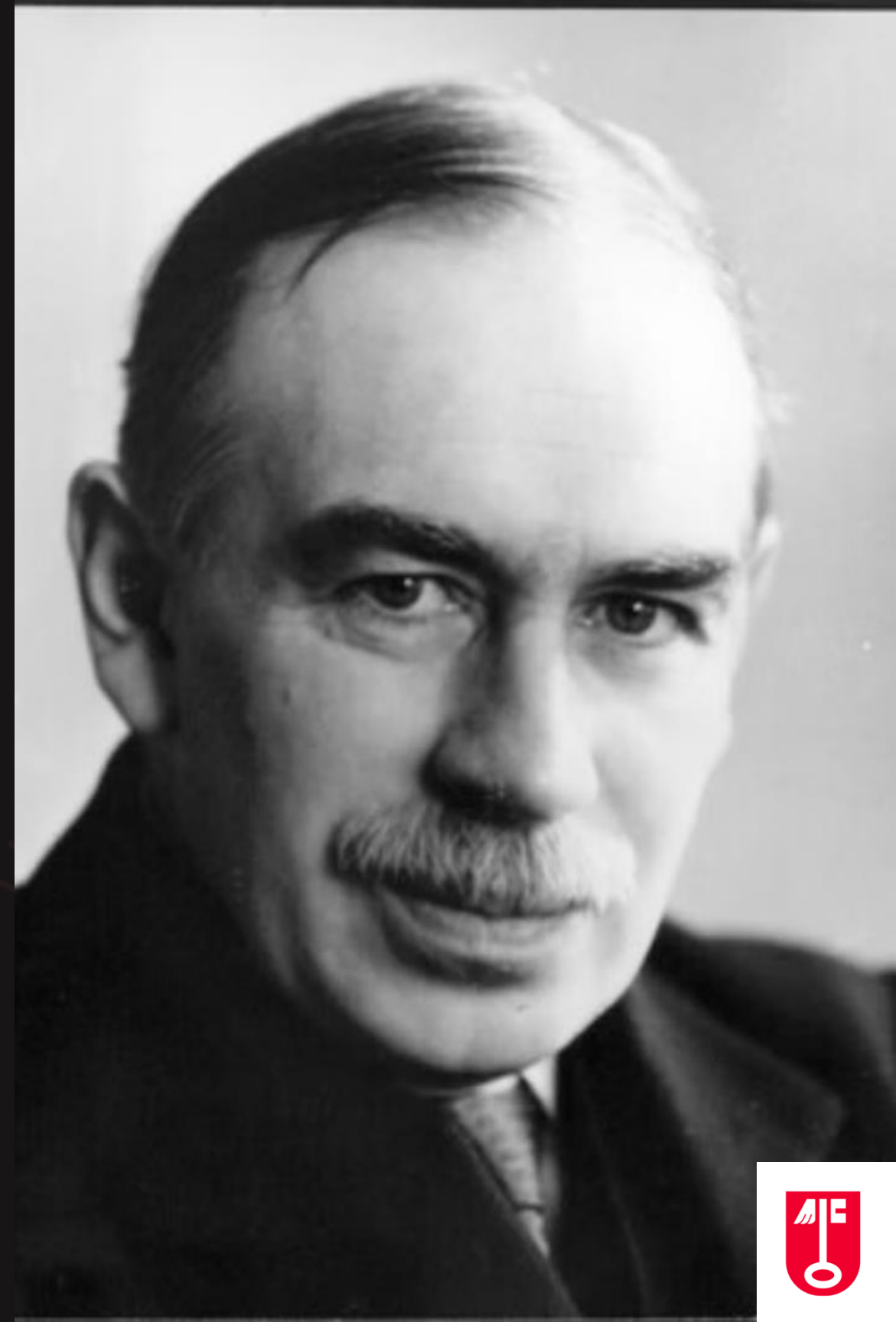


# Keynesianism: Understanding the Economic Theory

Today I'm going to talk to you about Keynesianism, an economic theory developed by John Maynard Keynes in the 1930s. You'll see how this approach has profoundly changed our understanding of the economy and the role of the state.



# The Problem: Why Did Keynes Revolutionize Economics?

## Old Beliefs

Before Keynes, people thought markets fixed themselves. In bad times, prices and wages would drop, boosting demand and jobs. So, the government didn't need to get involved.

## Depression Problems

The Great Depression proved this wrong. It caused huge job losses and business failures. The old ideas didn't work, so a new economic plan was needed.



# Keynes' Key Idea: The Importance of Demand

## 1 Demand Drives the Economy

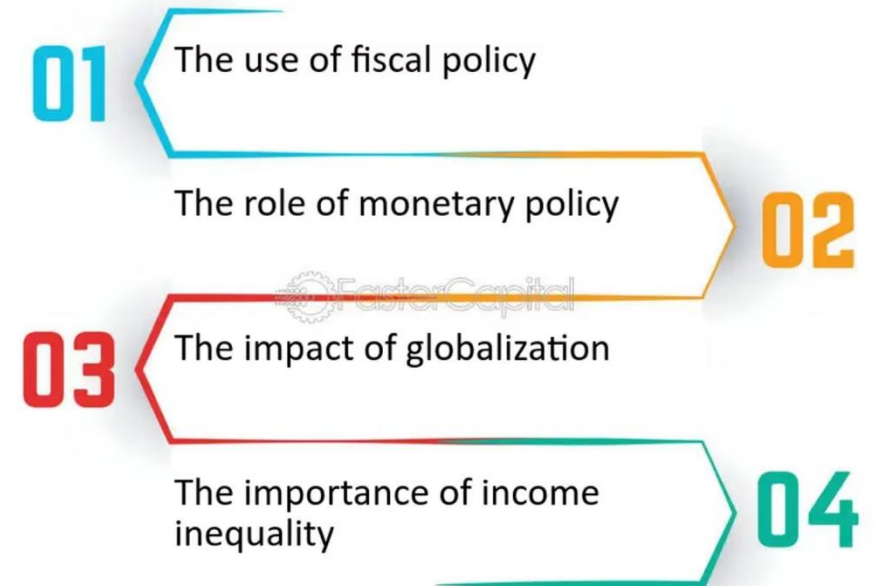
Keynes observed something essential: what drives the economy is not just production but, above all, demand.

## 2 The Vicious Cycle

If people don't buy, businesses can't sell, so they cut production and lay off workers... which makes the crisis even worse.

## 3 Breaking the Cycle

To break this vicious cycle, Keynes proposed a solution: state intervention.





# The Solution: The State as an Engine for Recovery

When the economy slows down, the government must intervene to stimulate activity by spending more:



## Infrastructure Investment

Investing in roads, schools, hospitals...



## Financial Support

Helping households and businesses through

tax cuts, social benefits

The idea is simple: if the state spends, it creates activity, businesses start hiring, consumers regain purchasing power, and growth resumes.





# The Multiplier Effect: A Snowball Effect

## Government Investment

One euro invested by the state  
doesn't just circulate once!

## Further Hiring

Businesses in turn hire more  
employees...

## Job Creation

For example, if the government  
funds a major construction project,  
it creates jobs.

## Increased Spending

These workers spend their wages,  
benefiting businesses



This is known as the multiplier effect.

# Keynes Today: Still Relevant?

## Post-World War II

After World War II, many countries successfully applied Keynes' ideas to rebuild their economies.

1

2

## 1970s Crisis

In the 1970s, a new crisis challenged this approach, with the simultaneous rise of inflation and unemployment.

## 2008 Financial Crisis

But in 2008, during the financial crisis, many governments returned to Keynesian policies by injecting money into the economy.

3

# Conclusion: Keynesian Economics

## Essential Intervention

Government action is crucial in economic crises, providing necessary stimulus.

## Demand is Key

Stimulating demand prevents economic downturns, ensuring economic stability.

## Global Influence

Keynesian ideas still drive economic policy today, shaping economic decisions worldwide.

Keynesian economics emphasizes the significant role of government intervention in boosting demand and securing economic recovery during crises. Its central principles continue to impact economic policies on a global scale.



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# Thank You

Thank you for your attention!





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