

14.2: Introduction to Keynesian and Neoclassical Policy Prescriptions

What you'll learn to do: compare viewpoints on government spending and taxes between the Keynesian and Neoclassical perspectives



In previous modules, we've learned about both the Keynesian and Neoclassical perspectives on the macro economy. Neoclassicals take a laissez-faire approach to macro policy. They believe that the economy is self-correcting, and doesn't need government intervention. Indeed, we will see that Neoclassicals believe that government intervention is counterproductive. Keynesians take a more active approach. They believe that the economy takes too long to correct itself and that government has a responsibility to speed things up and minimize the adverse effects of unemployment, inflation and other economic problems.

In this section, we will drill down into the two perspectives to develop a more nuanced understanding of their strengths and weaknesses. In the process, we will create a stronger understanding of both the power and the limits of fiscal and monetary policy.

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