

9.22: Introduction to Comparing the Keynesian and Neoclassical Perspectives

What you'll learn to do: compare and contrast the Keynesian and Neoclassical perspectives



Macroeconomists over the last two centuries have often divided into two groups: those who argue that supply is the most important determinant of the size of the macroeconomy while demand just tags along, and those who argue that demand is the most important factor in the size of the macroeconomy while supply just tags along.

As you now know, neoclassical economists emphasize Say's law, which holds that supply creates its own demand. Conversely, Keynesian economists emphasize Keynes' law, which holds that demand creates its own supply. Many mainstream economists take a Keynesian perspective, emphasizing the importance of aggregate demand, for the short run, and a neoclassical perspective, emphasizing the importance of aggregate supply, for the long run. In this section, you'll see how these various approaches apply to various situations, particularly differing in the short term and the long term.

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