

KENESTAN ECONOMICS

Keynes' departure from Classical:

There are two concepts regarding the Keynesian Economics.

To some it is just classical or neo-classical based on further development. But, to others it is completely a new revolution, representing full break to classical economics. It is not easy to say which of the two is justified and correct.

Keynes has mentioned in his doctrine several points of departure from the accepted doctrines of the classical economics which are as follows:

- (i) Keynes has given greater importance to the short period equilibrium while the classical writers stressed on the long period equilibrium. He has indeed made the study of economics more realistic with the short period economic analysis, with the result that it has become more helpful to the modern economist. However, the theoretical interpretation of the problem of

employment has attracted the modern economists to give a short period analysis of the problem distribution which was not considered to be realistic by the classicists.

(ii) Schumpeter holds that the attack on savings and more emphasis on spending are two revolutionary phenomena in Keynesian Economics. The facts were also brought to light by the early writers - Halthus, Robertson and others but the credit goes only to Keynes who attacked savings with his theory of under employment and depression.

(iii) As against the classical analysis of wage and employment, Keynesian approach to wages and employment is regarded as revolutionary and realistic.

(iv) Keynes has presented the concept of money more dynamically than Mill, Marshall, Jevons and Pareto. According to him, money is like

a bridge between the present and the future.

The theory of money has occupied an important place in Keynesian General Theory.

(v) His treatment of the under employment equilibrium is based on certain assumptions which are not stable. But this concept now retains more importance at the hands of new economists.

Keynes has not considered the classical concept of full employment. He argued that in practice full employment was not possible, but there might be an equilibrium before the full employment, which he called the 'underemployment equilibrium.'

(vi) The importance of Keynesian economics as Lord Lionel Robbins believes, lies in its success in relating academic economics with the state economics. It's influence on monetary, public and fiscal policies is the mark of its success and significance.

(vii), Unlike the classical economists, Keynes seems to be more practical and effective. His approach is rather institutional that has taken into account various institutional economic phenomenon explaining high rate of interest, inadequate supply of money, over savings etc, Keynes believed that it was essential for a general theory to be useful.

(viii) As against the micro economics of the classical economists, Keynes emphasised macro economics, dealing with broad economic aggregates.

(ix) Keynes has got success in integrating the theories of money, interest and employment with the history of income. Keynes strongly emphasised the income factors and used it much more systematically in the analysis of economic change than had ever been done before.