Economic Game Changers: John Maynard Keynes | Worksheet

Matching

Match the definition in Column A with the term in Column B.

______ A decade of poverty, unemployment, and bank closures.
______ Rise easily but resist coming back down.
______ More spending during downturn, less during upturn.
______ Trained experts and government can steer.
______ Booming decade of prosperity that ended with a crash.
______ Total spending makes output and jobs.

a. Roaring Twenties
b. Great Depression
c. Aggregate Demand
d. Sticky Wages
e. Intellectual Elitism
f. Keynesian Economics

Multiple Choice

1. **A wave of layoffs leaves many households with less income to spend. What's the most likely direct effect on the broader economy?**
    a. Aggregate demand falls, so businesses further scale back production and hiring.
    b. Aggregate demand rises, since fewer workers means more profit for businesses.
    c. Aggregate demand is unchanged because consumer spending doesn't factor into it.
    d. Wages and prices adjust instantly, so the economy corrects itself before any effect occurs.
2. **According to Keynes, how should the government respond when the economy slows and unemployment rises?**
    a. Reduce government spending until businesses recover on their own.
    b. Require businesses to produce more goods.
    c. Increase government spending to support aggregate demand.
    d. Wait for wages to rise so people can spend more.
3. **If wages resist falling even as a business's sales decline, which is the most likely outcome for that business?**
    a. The business raises pay for its remaining workers to keep morale high.
    b. The business waits, expecting wages to adjust downward within a few weeks.
    c. The business raises its prices instead of changing anything about wages.
    d. The business lays off some workers rather than cutting pay for everyone.
4. **Which president of the U.S. introduced the New Deal?**
    a. Franklin Delano Roosevelt
    b. Theodore Roosevelt
    c. Calvin Coolidge
    d. Herbert Hoover

Application

Imagine your parents started giving you $50 a week for gas, just until you “got your first paycheck.” You've now had a steady job for eight months, but you still rely on that $50 for gas

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every week. Would you willingly give up that extra cash from your parents? Why or why not? Now, think about the government that receives trillions in taxes, and how politicians are often voted into office because of their promises of aid and relief to this and that cause. Explain how Keynes failed to consider what governments really do with money once they get it.

Historical Context

1. Social Security and unemployment insurance were created as emergency measures during the Great Depression under Roosevelt's New Deal. Yet, they're still in place today, funded through ongoing taxation nearly a century later. According to Keynes, what should the government have done by now?

2. How does Keynes's view of experts running the economy compare with the vision, expressed in America's founding documents, of a government whose power is limited and checked by the people themselves?

Exit Ticket:

What is the central idea of Keynesian economics in a sentence or two?

Economic Game Changers: John Maynard Keynes | Answer Key

Matching

Match the definition in Column A with the term in Column B.

b. A decade of poverty, unemployment, and bank closures.
d. Rise easily but resist coming back down.
f. More spending during downturn, less during upturn.
e. Trained experts and government can steer.
a. Booming decade of prosperity that ended with a crash.
c. Total spending makes output and jobs.

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1. **A wave of layoffs leaves many households with less income to spend. What's the most likely direct effect on the broader economy?**
    a. Aggregate demand falls, so businesses further scale back production and hiring. ✅
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Example Student Response:

No, I probably wouldn't give it up — it's not my money, and in reality, I'd probably be totally dependent on that extra $50 a week. Governments work the same way: politicians spend other people's tax money, not their own. This is why the New Deal continued spending for years without ending the Depression or the unemployment issue. For example, the economy didn't recover until World War II forced massive production and put people back to work. Even with that, though, the New Deal ideas are still in play with Social Security and several other aid programs. Adding in government spending to fix a hurting economy doesn't work — it takes real production and solid, dependable jobs to get the needle moving again.

Guidance for Grading:

- [ ] The student applies the idea of spending other people's money to their reasoning.
- [ ] The student supports their explanation with at least one piece of evidence from the lesson, such as the New Deal, WWII, or another example.
- [ ] The student reaches a clear, well-reasoned conclusion about whether government spending can revive a stalled economy.

Historical Context

1. Social Security and unemployment insurance were created as emergency measures during the Great Depression under Roosevelt's New Deal. Yet, they're still in place today, funded through ongoing taxation nearly a century later. According to Keynes, what should the government have done by now?

   Example answer:

   Keynes believed government should spend during downturns but pull back and save once the economy recovers. Since the economy has recovered many times since the 1930s, his own theory suggests these 'emergency' programs should have been scaled back long ago and savings set aside — instead, they became permanent, and the debt is greater than ever.

2. How does Keynes's view of experts running the economy compare with the vision, expressed in America's founding documents, of a government whose power is limited and checked by the people themselves?

   Example answer:

Keynes trusted experts and officials to manage the economy better than ordinary people managing their own choices. America's founding documents reflect the opposite instinct — that power should be limited and checked by the people, because concentrating decision-making in a small group of experts risks overriding the choices of millions of individuals and has ended in disaster time and time again.

Exit Ticket:
What is the central idea of Keynesian economics in a sentence or two?
Example answer:
Keynesian economics is the idea that the government should actively manage the economy by spending more during downturns and pulling back during good times to keep output and employment stable.