**THE MARSHALL PLAN – KEYNESIANISM AT WORK?**

### THE ROLE OF MONEY IN ECONOMICS

The economic theory behind the New Deal was created by John Maynard Keynes (1883–1946), who is known as the “father of modern liberal economics”. His ideas set the tone for liberal-democratic economic policy to this day.

**MY IDEA IS THAT MONEY HAS A SIMILAR ROLE IN ECONOMICS TO THAT OF THE BLOODSTREAM IN THE LIVING BODY.**

*Money has to keep circulating in the market, and as long as it does, a balanced and growing economy exists.*

Each “cell” in the body of the economy is a consumer-producer unit – an individual, a family or a business. The money spent by one unit as a consumer feeds another unit as producer, and vice versa.

### A HEALTHY CIRCULATION

1) **What was John Maynard Keynes’ idea regarding the role of money in a capitalist economy? What is the precondition for a growing economy according to Keynes?**

2) **What explanation does Keynes give for economic recession? What should be done to combat recession according to Keynes?**

Keynes claimed that recessions occur when economic units begin to accumulate money instead of allowing it to circulate. For example, when too much money is accumulated in too few hands, or when investors become wary of the future and decide to start saving money rather than investing it.

*To combat recession, the state should simply provide more money, either by lowering interest rates to encourage loans, or simply by printing more of it.*

*Having more money will encourage people to spend more, and re-establish a healthy circulation of money throughout the system.*
3) How can an economic depression be explained and how should the state act in order to fight a depression?

4) What was General George Marshall's point of view regarding the way the communist countries dealt with the economic and social crisis in Europe after WW II?
5) What were the two main purposes of the Marshall plan?

6) “The Marshall plan was pure Keynesianism at work.” Please explain what is meant with this point of view regarding the Marshall Plan. In which way did the Marshall Plan not only help Capitalism to recover in Europe but also did help the economy in the US?