

Keynes vs. Hayek Answer Key

Directions: Have the students answer the following questions in complete sentences.

1. Summarize the Chicago School of economic thought in your own words.

The Chicago School emphasizes free markets to achieve economic freedom. Markets work best when they are left alone to regulate themselves. The pressures of prices control the market and allocate resources more efficiently than government policies.

2. In your own words, summarize Keynes' views on economics.

Keynes believed that government intervention is needed to stabilize the market. He proposed that the government should use fiscal policy, which includes the use of spending, deficits and taxes, to manage demand. Spending more during recessions and less during recovery and expansion would help to balance out the booms and busts.