**Text 3. Read and translate the text**

**John Maynard Keynes and Keynesian economics**

One of the major breakthroughs of the 1930s, the theory of income determination, stemmed primarily from the work of John Maynard Keynes, who asked questions that in some sense had never been posed before. Keynes was interested in the level of national income and the volume of employment rather than in the equilibrium of the firm or the [allocation of resources](https://www.britannica.com/topic/allocation-of-resources). He was still concerned with the problem of demand and supply, but “demand” in the Keynesian model means the total level of effective demand in the economy, while “supply” means the country’s capacity to produce. When effective demand falls short of productive capacity, the result is [unemployment](https://www.britannica.com/topic/unemployment) and [depression](https://www.britannica.com/topic/depression-economics); conversely, when demand exceeds the capacity to produce, the result is [inflation](https://www.britannica.com/topic/inflation-economics).

Central to Keynesian economics is an analysis of the determinants of effective demand. The Keynesian model of effective demand consists essentially of three spending streams: consumption expenditures, investment expenditures, and government expenditures, each of which is independently determined. (Foreign trade is ignored.) Keynes attempted to show that the level of effective demand, as determined in this model, may well exceed or fall short of the physical capacity to produce goods and services. He also proved that there is no automatic tendency to produce at a level that results in the full employment of all available human capital and equipment. His findings reversed the assumption that economic systems would automatically tend toward [full employment](https://www.britannica.com/topic/full-employment).

By remaining focused on macroeconomic aggregates (such as total consumption and total investment) and by deliberately simplifying the relationships between these economic variables, Keynes achieved a powerful model that could be applied to a wide range of practical problems. Others subsequently refined his system of analysis (some have said that Keynes himself would hardly have recognized it), and it became thoroughly [assimilated](https://www.merriam-webster.com/dictionary/assimilated) into established economic theory. Still, it is not too much to say that Keynes was perhaps the first economist to have added something truly new to economics.

**Questions:**

1. Who is John Maynard Keynes? What economic problems is he interested in?
2. What problems does Keynesian economics cover?
3. Why is Keynes considered to be the first economist who “have added something truly new to economics”?
4. Does his theory influence on the modern economy?