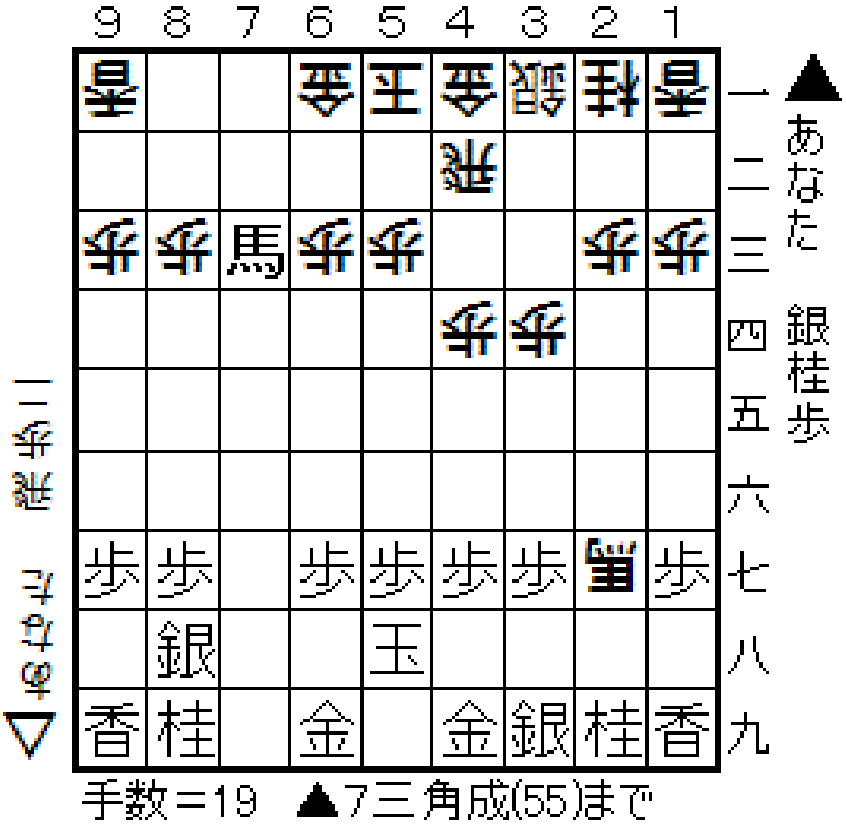
Makroekonomi Mankiw Edisi 6 31.pdf



He has also written widely on the theory of financial markets. Books What makes people spend their money? The central question of economic theory is: What determines consumption? The question is important because consumption determines the size of the economy and it determines the level of national income and therefore the standard of living. According to most economic theory, the answer to this central question is that consumption is determined by expected utility. If you think carefully, this seems like a good theory to explain consumption. After all, people spend money because they think they will get a certain level of satisfaction from it. But the theory does not have much credibility among the non-economists. At first glance, it seems plausible that people spend money for exactly the reasons economists have been thinking about economic theory. After all, people can spend a lot of money and still be unhappy. Therefore, the question has generated a lot of interest among the mathematical theorists, who prefer to ask questions like “What determines the level of economic activity?” and “What determines the rate of inflation?” than “What determines consumption?” My research in the past fifteen years has been more philosophical than mathematical, but I have continued to ask the question of what determines consumption. It is interesting to examine the history of the question of what determines consumption. In the early part of the 20th century, economists thought that income was the only thing that determined consumption. But in the 1930s, consumption theory became associated with “Calvinism,” which was a school of thought that believed that individuals were driven to be as selfish as possible and used their income to obtain the highest possible level of consumption. Consumption theory became a theory of efficiency, a theory of the consequences of selfishness. The rise of Keynesian theory revived the debate. In Keynesian theory, government spending raises aggregate consumption because the government spends money and the people receive more money. Hence, Keynesians thought the government’s spending was the ultimate determiner of the level of consumption. Government spending was the determiner because people spend their income on whatever the government spends the money on. One of the central questions of Keynesian theory is whether consumption is determined by expected utility or by income. The most recent theory is “classical” theory, which says that people spend their money according to a fixed set of psychological desires. The most famous version of classical theory says that people spend their money in order to make 82157476af