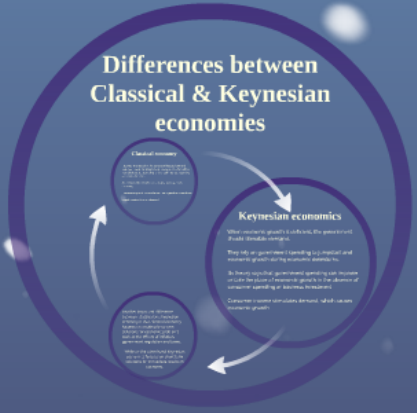
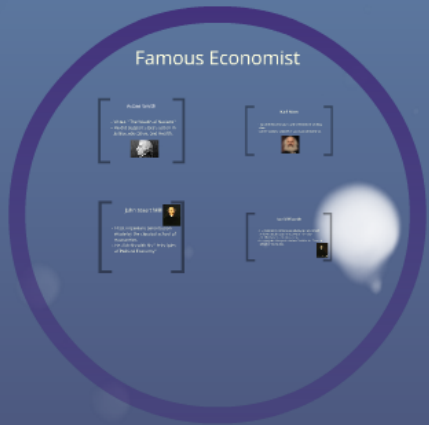
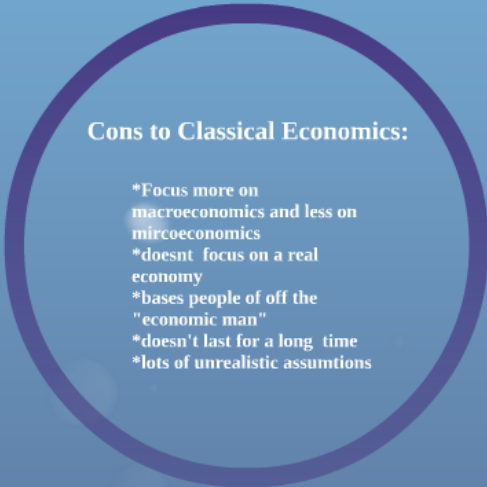


CLASSICAL MACROECONOMIC MODEL Harvard Case Solution & Analysis



Pros in Classical Economics

Full employment and efficiency can be achieved without government intervention

Adam Smith believed that the wealth of a nation is based on the productivity of resources and is best achieved when the producers, consumers, and resource owners are left alone with their own actions or in other words no government intervention

Flexible Prices

this assumption will allow sellers and buyers to achieve **equilibrium** balance throughout the economy

→ where a market has neither surplus or shortage

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Focuses on creating long term solutions or goals for our economy rather than short term solutions

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The Case

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Classical Economics History

Traced back to Adam Smith, 1776.

. Classical economic principles were adjusted to macroeconomic occurrences and delivered a guide for macroeconomic policy until the start of the Great Depression in 1929. Classical economics dropped out of service in the 1930s essentially because it did not effectively clarify the occurrence of high rates of unemployment throughout the Great Depression.

The term 'Classical Economics' was implemented by Karl Marx through the early 1800s



Cons to Classical Economics:

- *Focus more on macroeconomics and less on microeconomics
- *doesn't focus on a real economy
- *bases people off the "economic man"
- *doesn't last for a long time
- *lots of unrealistic assumptions