Pros in Classical Economics

Flexible Prices

CLASSICAL MACROECONOMIC MODEL Harvard Case Solution & Analysis

Cons to Classical Economics:

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

Countries That Used Classical Economics:

*The United States during the Great Depression
*Europe in the Marginal Revolution
*Germany refused to use it because of how the goverment was involved
*Russia in the 1960s.
*Cuba used it until it caused the USSR to colapse

Famous Economist

Differences between Classical & Keynesian economies

Keynesian economics

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

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

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TheCase

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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


YouTube

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