Macroeconomic schools of thought

Education, School

Macroeconomic Schools of Thought Macroeconomics is concerned with issues, objectives and policies that pertain to the overall economy. It focuses on economic aggregates or grand totals that relate to the entire economy. Basically it is how all the elements of an economy function together. Macroeconomics is well thought-out into many different schools of thought, which have different views about how markets should operate. The different types of schools of thoughts given by Stephen Simpson (Macroeconomics: Schools of Thought, Investigated) are: 1 . Classical 2. Keynesian 3.

Monetarist 4. New Keynesian 5. Neoclassical 6. New classical 7. The Austrian Schools of thought. Classical Economists hold that prices, wages and rates are flexible and markets are always clear and since there is no unemployment growth depends on the supply and production factors. This means that classical economics is only based on the supply of the economy. Classical economics was demonstrated by Adam Smith in the 18th century, which states that a change in supply will eventually be matched by a hanged in demand - so that the economy is always moving towards equilibrium.

Keynesian economics was founded by the works of John Maynard Keynes. His key focus on aggregate demand which can be defined as the total amount of goods and services demanded in an economy in a given time and price level, as the principal factor in issues like unemployment and the business cycle. These economists believed that the business cycle can be managed by active government intervention through fiscal and monetary policy.

This theory is basically faced on the fact of the economy and how it affects output and inflation and the total spending in the Monetarist school, which is credited to the work of Milton Friedman, economy. Believes that the role of government to control inflation by controlling themoneysupply and that markets are typically clear and that participants have rational expectations. They reject the Keynesian saying that governments are able to manage demand and that the attempts to do so are disentangling and are likely to lead to inflation.

The monetarists believe that the amount of money in an economy is he chief determinant on the demand side of economic activity in the short run. This, to them will help to influence inflation or a recession in recession and growth. The Austrian school of thought is an older school of economics in which its economist believe that human behavior is too distinctive to model correctly withmathematicsand that minimal government intervention is best. This means that individuals choice make it extremely difficult for the evolving market because it is harder for businesses By Commence for the economy to evolve.