

Answer on Question #37870 – Economics – Microeconomics

Strengths and weaknesses of Neoclassical Economics

Strengths:

- 1) This theory created a unified system, which combined classical and marginal methodological achievements, such as “laissez—faire” principle, justification of marginal indicators etc., and the researching of man’s activity and his rational nature.
- 2) Active use of quantitative research methods for analyzing and evaluating economic phenomena and processes of individual subjects economic activity that enabled widely used mathematical apparatus.

Weaknesses:

- 1) The attention was given only to microeconomic analysis, but macroeconomic level, the problems of growth and development of the economy were ignored.
- 2) Neglects the function of aggregate demand, while claiming that only the supply can affect the demand.
- 3) Recognizing that the main instrument of regulating the economy is the monetary policy.
- 4) "Scientificization" or "mathematization" of economics – this theory ignore irrationality of life and tries to squeeze an infinite variety of economics phenomena in dry rational schemes and abstractions. It describes a man as a perfect being, which completely controls itself and its actions are aimed exclusively at achieving utility. But maximization as a strong form of rationalization not always adequately describe the behavior of economic agents in the real economic life.