

Answer on Question #38281 – Economics - Other

Task

Strengths and weaknesses of classical economics

Solution

Classical economic theory does not deal with the dynamics of growth, but rather with the functioning of markets as resource allocation mechanisms in which demand functions interact with supply functions to determine prices that balance supply and demand, so sustaining market equilibrium.

Strengths: its focus on production draws our attention to the centrality of work in capitalist society.

Weaknesses: by focusing on the factory and on market exchange, it pretty much ignores all other social spheres, even though they may be intimately linked to the "economy" as it understands it.