

New Classical Theory

New Classical Theory - New classical macroeconomics, sometimes simply called new classical economics, is a school of thought in macroeconomics that builds its analysis entirely on a neoclassical framework. Specifically, it emphasizes the importance of rigorous foundations based on microeconomics, especially rational expectations. New Classical Theory During the 1980s, mainstream economic theory rejected Keynesianism and returned to its Classical market roots, with its emphasis on market freedom and a limited role for the state. The new classical macroeconomics is a school of economic thought that originated in the early 1970s in the work of economists centered at the Universities of Chicago and Minnesota—particularly, Robert Lucas (recipient of the Nobel Prize in 1995), Thomas Sargent, Neil Wallace, and Edward Prescott (corecipient of the Nobel Prize in 2004). The New Classical Macroeconomics: Principle, Policy Implication and Criticism! Introduction: . The new classical macroeconomics is an attempt to repudiate and modify Keynesian and monetarist views about the role of macroeconomic stabilisation policy in the light of the classical school of thought.