

macro aspects like growth. Economics has been further divided into more branches and fields as should in the chart below:

2.2 BRANCHES OF ECONOMICS

1. Classical economics

Classical economics is often considered the foundation of modern economics. It was developed by Adam Smith, David Ricardo, Jean -Baptist Say. Classical economics is based on:

- Operation of free markets. How the invisible hand and market mechanism Can enable an efficient allocation of resources.
- Classical economics suggest that generally, economics work most efficiently when government intervention is minimal and concerned with the protection of private property, promotion of free trade and limited government spending.
- classical economics does not recognize that a government is needed for providing public goods such as defense, law and order and education.

2. Keynesian economics

Keynesian economics was developed in the 1930s against a backdrop of the Great Depression. The existing economic orthodoxy was at a loss to explain the persistent economic reason (e.g., Paradox of thrift, negative multiplier, and low confidence).