

Macroeconomics of Finance

1. MAIN THEORIES

1.1 The General Economic Equilibrium Theory or Neo-classical Theory

- Institutions should remove all the obstacles to the working of the price flexibility.
- The **markets are always in equilibrium**. It means that demand is equal to supply.
 - The economic intuition is that if prices increases, you demand less quantity.
 - If prices increase, I am the firm and I want to supply more quantity.

1.2 Keynesian Theory

- The government should intervene to increase demand and so to help approaching the effective output to the potential one.