

PRINCIPLES OF ECONOMICS

B.Com Hons Part-I

TOPIC -

MACRO ECONOMICS

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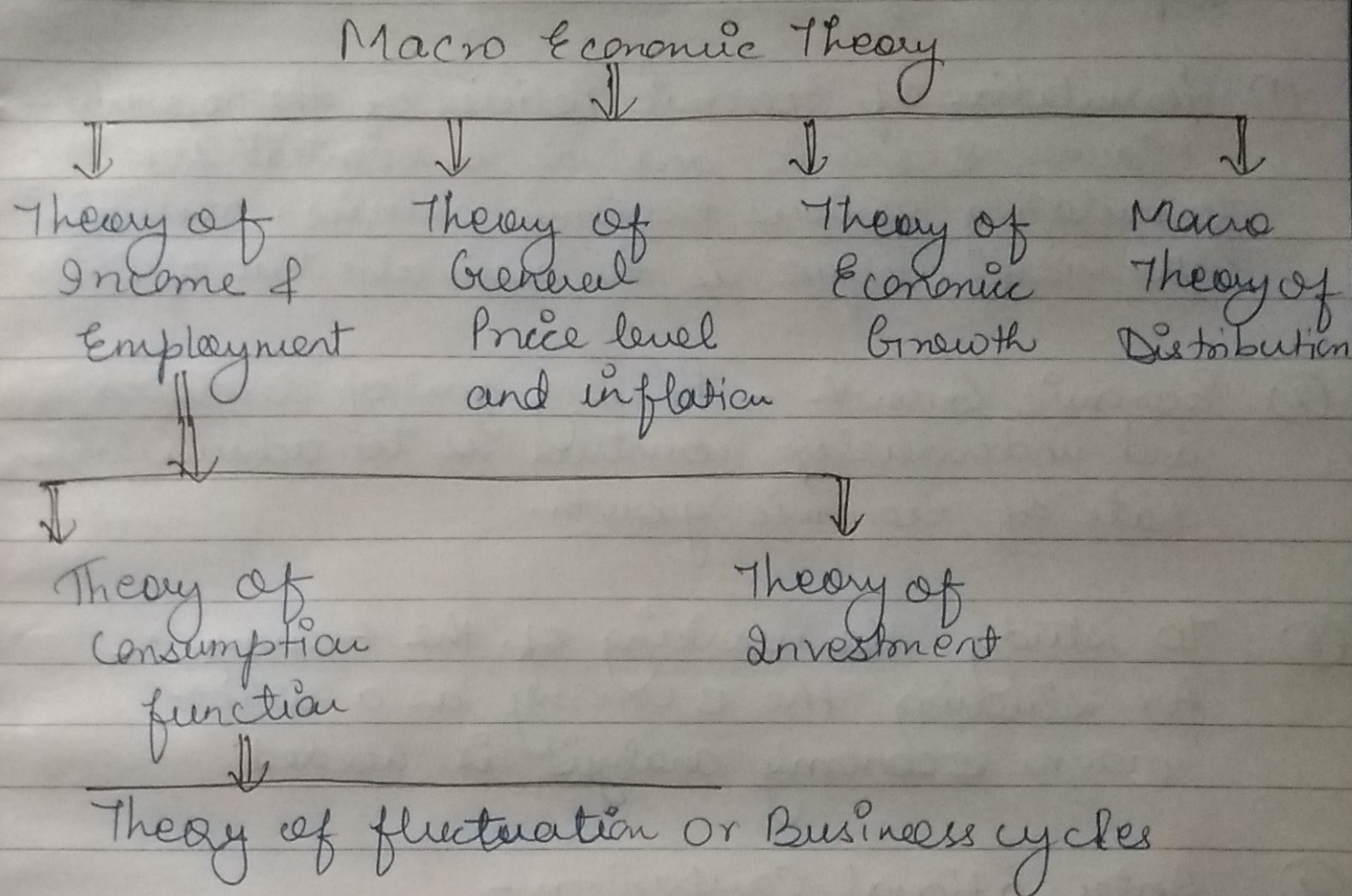
• Meaning.

Macro economics is a branch of economics which is concerned with the aggregate economic activity. Macro economics analyses the behaviour of the economics system in its totality. The term macro economics is derived from the Greek word 'Makros' which means 'large'. This is why macro economics goes by the name of 'aggregate economics'. Macro economics seeks to establish and analyse the functional relationships among the large aggregates of an economy, such as total consumption, total investment, aggregate employment, the demand for money, supply of money and the general price level.

• Definitions :-

- According to Schultz, "National Income analysis is the main tool of macro economics".
- According to Boulding, "Macro economic deals not with individual quantities, but with the aggregates of these quantities, not with individual income but with not with individual prices, but with price levels, not with individual output, but with national output".

• Branches of Macro Economics :-



• Characteristics of Macro Economics

- ① Study of Macro units - It studies the macro units of the economy like national income, total production, total employment, general price level etc.
- ② Macro tools - It covers macro tools like fiscal Policy, monetary policy and income policy
- ③ Related to whole Economy - It does not study individual unit but it related to the economy as a whole.

• Importance of Macro Economics :-

- ① Formulation of Economic Policies of the government -
Macro economic analysis is essential for formulating various economic policies. Maximise the social welfare is the main objective of state.
- ② Economic Growth - Primary goal of developed and underdeveloped countries is to achieve higher rate of economic growth.
- ③ To study the working of the Economy :-
for studying the economy as a whole, macro economy analysis is needed.
- ④ International Comparison -
The factor related with the comparison of economic progress in different countries are the part of Macro Economics. Comparison between national income, consumption, saving, investment become the basis for international comparison.
- ⑤ Helpful in studying Micro Economics -
A proper appreciation of individual problems can only be made if an overview of the entire economic system is made.