

MACRO ECONOMICS

PAPER 3

B.A PART 2

Macroeconomics is a part of economic study which analyzes the economy as a whole. It is the average of the entire economy and does not study any individual unit or a firm. It studies the national income, total employment, aggregate demand and supply etc.

Nature of Macroeconomics

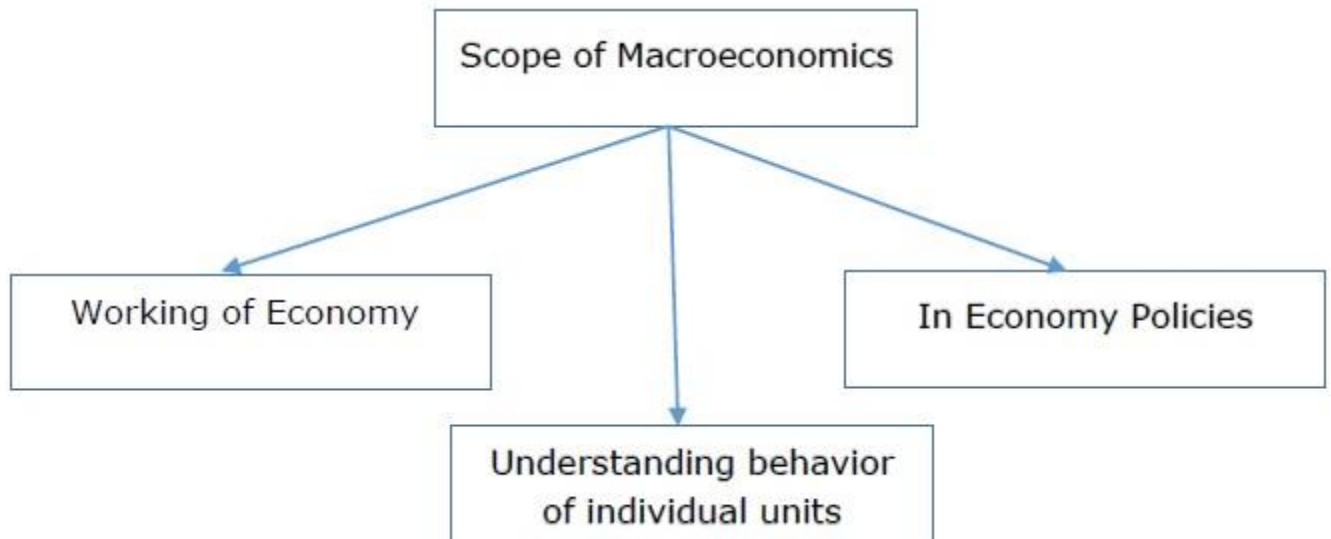
Macroeconomics is basically known as theory of income. It is concerned with the problems of economic fluctuations, unemployment, inflation or deflation and economic growth. It deals with the aggregates of all quantities not with individual price levels or outputs but with national output.

As per G. Ackley, Macroeconomics concerns itself with such variables –

- Aggregate volume of the output of an economy
- Extent to which resources are employed
- Size of the national income
- General price level

Scope of Macroeconomics

Macroeconomics is much of theoretical and practical importance. Following are the points covered under the scope of macroeconomics –



Working of the Economy

The study of macroeconomics is crucial to understand the working of an economy. Economic problems are mainly related to the employment, behavior of total income and general price in the economy. Macroeconomics help in making the elimination process more understandable.

In Economy Policies

Macroeconomics is very useful in an economic policy. Underdeveloped economies face innumerable problems related to overpopulation, inflation, balance of payments etc. The main responsibilities of government are controlling the overpopulation, prices, volume of trade etc.

Following are the economic problems where macroeconomics study are useful –

- In national income
- In unemployment
- In economic growth
- In monetary problems

Understanding the Behavior of Individual Units

The demand for individual products depends upon aggregate demand in the economy therefore understanding the behavior of individual units is very important in macroeconomics. Firstly, to solve the problem of deficiency in demand of

individual products, understanding the causes of fall in aggregate demand is required. Similarly to know the reasons for increase in costs of a particular firm or industry, it is first required to understand the average cost conditions of the whole economy. Thus, the study of individual units is not possible without macroeconomics.

Macroeconomics enhances our knowledge of the functioning of an economy by studying the behavior of national income, output, savings, and consumptions.