

SUBJECT- PRINCIPLES OF ECONOMICS

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MACRO-ECONOMICS

* Definition:

- 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.
- Macroeconomics is the study of the performance, structure, behaviour, and decision-making of an economy as a whole. It focuses on the national, regional, and global scales to maximize national income and provide national economic growth.

* Concept of Macroeconomics:

- The term 'Macro' has been derived from a Greek word 'macro' meaning 'large'. Thus, macro-economics is the study and analysis of an economy as a whole.
- The study of the performance, structure, behaviour and decision-making of an economy as a whole, rather than individual markets.

- Macroeconomists focus on the national, regional and global scales.
- For most macroeconomists the purpose of this discipline is to maximize national income and provide national economic growth.
- This growth further increases utility and improve standard of living for the economy's participants.

* Macro-Economics involves the study of:

- The behaviour of an economic system as a whole
- Aggregate and average covering the entire economy
- Behaviour of large aggregates such as - total employment, national product, national income, price-levels etc.

* Macro Economics deals with problems such as:

- Unemployment in the country
- Inflation / deflation.
- Economic growth
- International trade
- National output
- National expenditure
- Level of saving and investment

* Scope of Macro Economics:

The scope of Macro Economics lies in the study of analysis of the following:

- Theory of employment
- Theory of Income
- Theory of price level
- Theory of growth

- Theory of distribution
- Theory of national income

* Nature of Macro-Economics:

- It is a study of national aggregates
- It studies economic growth
- It ignores individual difference between aggregates.

* Important of Macro-economic Analysis:

- It never neglect the relationship between demand & supply as in case of micro-economic analysis.
- It always gives the complete picture about the economy as whole hence it helps to understand working of the whole economy.
- Macro-economic has increased the utility of economics.
- It can be used for the development of micro-economic theories.
- It helps in formulation of economic policies.
- It studies and analyses growth and development in an economy.

Difference between Micro economics and Macro-economics:

Basik	Micro-economics	Macro-economics
Meaning	It studies individual units of an economy	It studies the economy as a whole
Fields of study	It studies individual economic unit such as: a consumer, a firm, a household, an industry a commodity etc.	It studies national aggregate such as: national income, national output, general price level, level of employment etc.

Problems	It deals with micro-problems such as determination of price of commodity, a factor of production, satisfaction of a consumer etc.	It deals with problems at a macro level like problems of employment, trade cycle, international trade, economic growth etc.
Nature	It is based on disaggregation of units. It considers individual differences between different units.	It is based on aggregation of units. It does not consider individual differences between aggregates.
Objectives	<ul style="list-style-type: none"> maximize utility maximize profits minimize costs static analysis 	<ul style="list-style-type: none"> Full employment Price stability Economic growth Favourable balance of payment situation
Methodology	<ul style="list-style-type: none"> Does Not explain the time element Equilibrium conditions are measured at a particular period. 	<ul style="list-style-type: none"> Dynamic analysis i.e., it is based on time lag, rates of change, past and expected values of variables.