



आईएफटीएम विश्वविद्यालय, मुरादाबाद, उत्तर प्रदेश

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SUBJECT - ECONOMICS

TOPIC - MEANING OF MACRO ECONOMICS

COURSE - B.A. AND B.A. B.Ed

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NAME - POOJA GUPTA

Meaning of Macro Economics

- Macroeconomics (Greek word macro = 'big') describes and explains economic processes that concern aggregates. It is a branch of economics dealing with the performance, structure, behavior, and decision making of the entire economy. Macro Economics is the study of aggregates or averages covering the entire economy, such as total employment, national income, national output, total investment, total consumption, total savings, aggregate supply, aggregate demand and general price level, wage level and cost structure. Otherwise, it is aggregative economics which examines the interrelations among the various aggregates, their determination and causes of fluctuations in them.

Definition of Macro Economics

- Prof. Ackley defines Macro Economics as

“Macro Economics deals with economic affairs ‘in the large, it concerns the overall dimensions of economic life. It looks at the total size and shape and functioning of the elephant of economic experience, rather than working of articulation or dimensions of the individual parts. It studies the character of the forest, independently of the trees which compose it.”

Scope of Macro Economics

- ❖ To Understand the working of the Economy
- ❖ In Economic Policies
- ❖ In General Unemployment
- ❖ In National Income
- ❖ In Economic Growth
- ❖ In Monetary Problems
- ❖ In Business Cycle
- ❖ For Understanding the Behaviour of Individual Units

Importance of Macro Economics

- It helps to understand the functioning of a complicated modern economic system.
- It helps to achieve the goal of economic growth, higher level of GDP and higher level of employment.
- It helps to bring stability in price level and analyses fluctuations in business activities.
- It explains factors which determine balance of payment.
- It helps to solve economic problems like poverty, unemployment, business cycles, etc., whose solution is possible at macro level only, i.e., at the level of whole economy.
- With detailed knowledge of functioning of an economy at macro level, it has been possible to formulate correct economic policies and also coordinate international economic policies.

limitations of Macro Economics

- ❖ Fallacy of Composition
- ❖ To Regard the Aggregates as Homogeneous
- ❖ Indiscriminate use of Macro Economics misleading
- ❖ Aggregate Variables may not be Important necessarily
- ❖ Statistical and Conceptual Difficulties

Difference between Micro Economics and Macro Economics

- The difference between microeconomics and macroeconomics can be made on the following counts. **The word micro has been derived from the Greek word mikros which means small.** Microeconomics is the study of economic actions of individuals and small groups of individuals. It includes particular households, particular firms, particular industries, particular commodities and individual prices. **Macroeconomics is also derived from the Greek word makros which means large.** It “deals with aggregates of these quantities, not with individual incomes but with the national income, not with individual prices but with the price levels, not with individual output but with the national output.”
- The objective of microeconomics on demand side is to maximize utility whereas on the supply side is to minimize profits at minimum cost. On the other hand, the main objectives of macroeconomics are full employment, price stability, economic growth and favourable balance of payments.

REFERENCES

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- Jhingan M.L.(2014), Macro Economic Theory, Vrinda Publication, New Delhi
- M.C.Vaish, Macro Economics Theory, Vikas Publishing House



Questions

- Q. What do you mean by the concept of macro economics? Explain in detail.
- Q. Explain the importance of macro economics.
- Q. Explain the limitations of macro economics.
- Q. Differentiate between micro economics and macro economics.



Thank you