Module-I

1. MACRO ECONOMICS

Q:1. Define Macro economics. Explain the Scope of Macro economics?

(A) **MACRO ECONOMIS :-** The term 'Macro' was first Used by Ragner Frisch in 1933 which means 'Large' It was Popularised by J.M. Keynes in his book - "The General Theory of Employment Interest and Money" in 1936.

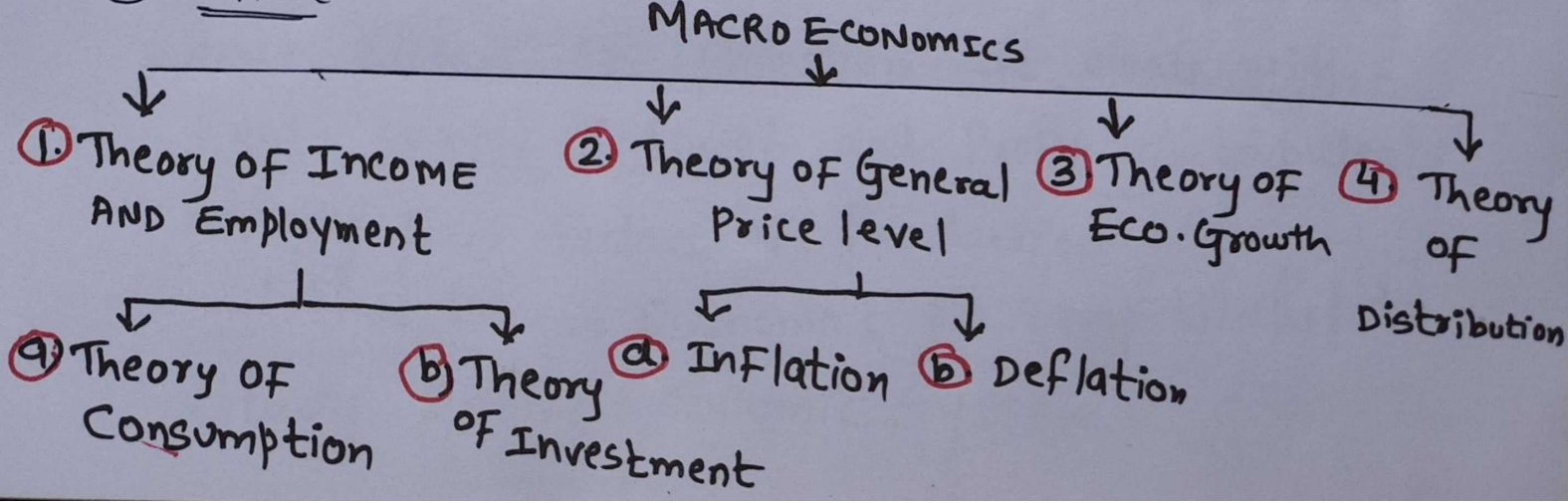
Macro economics is the study of economy as a whole and analyses its functioning. It deals with the behaviour of aggregates such as - National Income, employment level, general Price level etc.

(B) **Meaning**

1) Prof. Carl-Shapiro - "Macro Economics deals with the functioning of economy as a whole".

2) J.L. Hansen - "Macro economics is the branch of economics which study relationships between Large aggregates such as - Volume of employment, Total Saving, investment, National Income etc".

(C) **Chart**



(D) Scope of Macro Economics :-

1. **Theory of Income and Employment** :- Macro economics explains theory of Level of Income and Employment, Total Output, Total National Income. This theory explains Level of employment with the help of Consumption Function and Investment Function. In Macro Economics we also study Various Trade Cycles.

2. **Theory OF General Price Level** :- Macro Economics helps to study the Change in General Price Level.
   " A Rise in general Price level is called Inflation ".
   " A Fall in general Price level is called Deflation ".
   Macro Economics studies Problems, Causes, effects and Govt. Policies related to Inflation and Deflation.

3. **Theory OF Economic Growth** :- Macro economics Suggest Theories for Economic Growth and Development. It Suggests → Full Utilisation of Resources to reduce Poverty, Unemployment, Inequalities of Income etc.

4. **Theory OF Distribution** :- Macro Economics helps in better allocation of resources among Four Factors of Production. It deals with - Rent, Wages, Interest and Profit distributed among Four factors of Production.

Thus Macro Economics is Very Useful to Study Entire Economic System.

Q:2 Discuss the importance of study of Macro Economics?

IMPORTANCE OF MACRO ECONOMICS :- Study of Macro economics is very useful to Policy makers, business firms, International agencies, researchers, etc.

1) **Functioning of an Economy :-** Macro economics is the study about actual functioning of an economic system. It helps in Understanding the behaviour of aggregates in Large economic system.

2. **National Income :-** Circular Flow of National Income, Methods of measuring National Income etc. Can be easily Understand with the help of Macro economics

3. **Level of Employment :-** The study of macro economics helps to Understand the level of employment income, Output in an economy.

4. **Economic Fluctuations :-** Many Economic Fluctuations like Fluctuations in Income, Output, employment, Profits, Price etc. can be easily Understand with the help of Trade Cycles. It also explain Govt. measures to control them.

5. **Economic Development :-** Study of Macro economics helps Us to Understand the Problems of developing Countries like- Poverty Unemployment, Inequalities of Income and wealth etc. It also suggest better measures to achieve economic Development.

6. **Study OF MACRO Economic Variables :-** In macro economics, we study Various macro economic Variables. The main economic Variables are – Output, employment, general Price level, Agg. Demand, Agg. supply, Agg. Investment etc.

7. **Performance OF an Economy :-** National Income data are mostly Used to measure Performance of an Economy. Thus Various Theories of Macro economics helps us to analyse the Performance of an economy.
(e.g) Capital market, money market achievements etc.

8) **To Forecast Future Trends :-** Macro economics Provide the Foundation to Policy makers to forecast Future trends like – Interest Rates, Exchange rate, growth rate, Price level, income and employment level etc.

9) **To Understand Economic Environment of Business :-** For taking effective business decisions, Macro economics play an important role.
(e.g) Rato OF Interest, general Price level, Trade cycles, level of income & employment, investment level etc. all ~~are~~ have major impact on Performance of business Units

10) **To make Political Choices :-** People can make Political Choices on the basis of macro economic Variables and Judge government on the basis of their achievements
(e.g) Political leaders win Votes by Poomising economic benefits like – employment, income, Price control, Social welfare etc.

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