

What is Macro Economics | Merits and Demerits of Macro Economics

Macroeconomics is a branch of economics that focuses on the behavior and performance of an economy as a whole. It deals with aggregate measures and phenomena such as total production, income, employment, inflation, and economic growth.

Macroeconomists study the interrelationships among these factors and use various models and theories to analyze and predict economic trends. Here are different definitions of macroeconomics:

What is Macro Economics | Different Definitions

Alfred Marshall define macroeconomics as "the study of man in the ordinary business of life; it enquires how he gets his income and how he uses it."

John Maynard Keynes says "Macroeconomics is a branch of economics that deals with the total workings of the economy. It deals with the aggregate changes in economic output, employment, and prices."

According to **Paul A. Samuelson**: "the study of the behavior of the whole economies or aggregates, such as the total amount of goods and services produced, total income earned, the level of employment of productive resources, and the general behavior of prices known as macroeconomics"

Different Variables of Macro Economics

Following are the macro-economic variables.

1. Theory of Income and Employment

In this part of macroeconomics, different income concepts and determination of national income and employment are studied. The controversy between a classical and Keynesian school of thought is a prominent part.

2. Cyclical Fluctuation

The instability of the economy is brought under discussion in this part of macro-economics. Cyclical fluctuation or the recurrence of the periods of boom and depression is also a part of it.

3. Monetary Policy

Theories, tools and objectives of monetary policy are discussed in this part with a view to overcome cyclical fluctuations or to achieve economic stability.

4. Fiscal Policy

Fiscal policy finds a prominent place in Keynesian approach to macroeconomics. In this part, we study sources of government revenue, principles of taxation, items of public expenditure and public debt and its management etc.

5. International Trade

BUSINESS STUDIES NOTES

What is to be studied here are different theories of international trade, the balance of payments and the problems thereof, the role of international financial institutions etc.

Merits and Demerits of Macroeconomics

Macroeconomics, as a branch of economics that focuses on the economy as a whole, has both merits and demerits. Understanding these can help in evaluating its significance and limitations.

Merits of Macro Economics

Following are the advantages of the study of Macro-economics.

1. Decisions regarding the growth of aggregate saving and investment, reducing tax rates, raising wage rates, control of inflation etc cannot be taken at an individual or micro level. Macro-economic decisions are required to be taken at the national level.
2. Big industrial ventures and public welfare programmers are also required to be taken up at a macro level.
3. Planning of the economy as a whole is essential to check wastage of resources and also to promote the level of employment.
4. Products can be traded at cheaper rates under the principle of specialization and comparative advantage in international trade which increases the welfare of the whole world.
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6. National economic policies essentially coordinate economic decisions being taken at the individual level.
7. General economic problems explosion, for oil e.g. crisis, inflation balance and of depression payments in problems the world etc. market, can only trade be addressed at a macro level.

Demerits of Macro Economics

1. Macro-economic problems may not truly represent the situation at the individual or micro economics. For example, some firms may face losses in the boom period and conversely, they may be accumulating profits in a precise of depression. Hence countercyclical measures at the national level may not suit to these micro economic units.
2. Stabilization measures at the national level may not have a positive impact on different segments of an economy.
3. Macro-economic decisions may even damage the interests/goals of individual economic units.

Conclusion

Macroeconomics provides valuable tools for understanding and managing economies, it has limitations due to its simplifications and the complexity of real-world economic systems. Careful consideration of these merits and demerits is essential in both its application and policy formulation.