

**Vivekanand College, Kolhapur (Autonomous)**

**Department of Economics**

**Subject- Business Economics (Macro)**

*Topic- Macro Economics- Meaning and Scope*

**Mr. Ashish Bhasme**



# What is Macro Economics?

- The word Macro is derived from the Greek word “Makros”.
- It means large or aggregate or total
- So Macro-economics studies the aggregates covering the entire economy such as total employment, national income, national output, total investment, total savings, total consumption, aggregate supply & demand, general price level.

# History of Macro Economics

- Macro approaches to study economy is comparatively new and is of a recent origin. It is modern approach.
- The term macro-economics was introduced by Ragnar Frisch in 1933.
- But this approach did prevail even before the evolution of micro economics.
- 16<sup>th</sup> & 17<sup>th</sup> century Mercantilist & 18<sup>th</sup> century Physiocrats tried to analyze the concept of national income & wealth.

## Cont...

- Even classical economist Prof. Adam Smith, Prof. Ricardo and Prof. J. S. Mill also discussed the determination of national income & wealth. But all were combined with 'Micro Economics'.
- The neo-classical economist, especially Prof. Marshall & Pigou, relegated Macro-Economics to the background. Their macro analysis ruled the world of economics till the great depression of 1930.
- The terms '*micro-*' and '*macro-*' economics were first coined and used by Ragnar Frisch in 1933.
- Until the publication of Keynes's '*The General Theory of Employment, Interest and Money*' in 1936, little attempt was made to analyze the working of the economic system as a whole.


# Cont...

- Keynes used macro approach to analyse economics problems.
- Hence credit for development of Macro- economics approaches goes to Lord Keynes.

- **Definition-**

*“Macro Economics deals not with individual quantities as such, but with the aggregates of these quantities, not with the individual incomes but with the national income, not with individual prices but with the price level, not with individual output but with the national output”*

**- Prof. Kenneth Boulding**



*“Macro economics is the branch of economics which considers the relationship between large aggregates such as the volume of employment, total amount of saving, investment, national income.”*

*- Prof. J. L. Hansen*



# Scope of Macro Economics

- **Theory of Income and Employment-**
- **Theory of General Price Level and Inflation-**
- **Theory of Growth and Development-**
- **Demand and supply of money-**
- **Public Finance-**
- **macro economic policies- (Monetary, Fiscal)-**
- **Investment Function -**
- **Consumption Function-**
- **Business Cycles-**