What is macroeconomics? definition and principles

[Economics](), [Macroeconomics]()

What is Macroeconomics? Macroeconomics vs.. Microeconomics Why Study Macroeconomics? Influential macroeconomic events Macro Economic Policy Key Macroeconomic Variables Rules of the Class Either you speak or the instructor. No cell phones/laptops Attendance can be taken any time during the session. Ђ Do not enter the class room after the scheduled class time You can leave the classroom in between a session UT are not allowed to enter again in that session Rules for Examinations Minimum Pass Marks - 30. F Grade There will Quizzes, Mid term and End term examinations and an Individual Assignment Quiz would be pre - announced No undue request for make up quiz Macroeconomics By Villas-Ganja Grading Pattern (Tentative) 1. Quizzes 1. Mid Term 15 1. End Term 35 1 .

Assignments and Class Participation 20 How to Understand Economics Possible suggestions: A study in w Resource optimization w Resource management w Resource Allocation More generic way- An exercise in Constrained Optimization. Why constrained nomination not resource optimization - Resources need not be the only constraint. Other constraints could be political economy constraints, governance constraints, constraints etc. Implications of Unfair Practices Any body found adopting unfair means in any examination will get negative marks equivalent to the maximum marks allotted for that examination. Ђ Suspicion of adopting unfair means is enough. You will follow the written guidelines in examination Question paper and Answer sheet (need not be announced during the examination) Ђ Assignments will be subject to plagiarism test. Tolerance limit per cent What is Macroeconomics? Macroeconomics Deals with the economy as a whole. Macroeconomics focuses on the determinants of national income, deals with aggregates such as aggregate consumption and investment, and looks at the overall level of prices instead of individual prices. Ђ Macroeconomics may be defined as that branch of economic analysis which studies the behavior of not one particular unit, but of all the units combined together. The following are the fields covered by macroeconomics: Fields of Macroeconomics Ђ Theory of Income, Output and Employment with its three constituents, namely, S the theory of consumption function, S the theory of investment function and Theory of Prices with its constituents of the theories of inflation and deflation. Theory of Economic Growth dealing with the long-run growth of income, output and employment. Ђ Macro Theory of Distribution dealing with the relative shares of wages and profits in the total national income. Macroeconomics... Try to figure out why overall economic activity rises and falls Try to understand what determines the level and ate of change of overall prices Study other variables that play a major role in determining the overall levels of production, income, employment, and prices The words Micro and Macro have Greek origins Micros and Makers. Micros implies small and Makers large. Ђ Microeconomics is concerned with the most 'Elemental' economic units, like consumer, firm, input, market and industry. Microeconomics vs.. Macroeconomic The micro-macro distinction in economics is not based solely on size. Ex: Studying pricing policy of GE-Realm of microeconomics Burundi - Realm of Macroeconomics Ђ Microeconomics focuses on decisions of individual units however large they may be; Macroeconomics concentrates on behavior of entire economies, no matter how small. Macroeconomics study the overall price level, unemployment rate and other things that we call economic aggregates.

Economic aggregates Economic aggregates is an abstraction that people use to describe some salient features of the economic life. Although we observe prices of individual products, we never see the price level. Domestic product/national output is also an abstract notion, though it represents he total production in an economy, it is unobservable. The process by which real objects such as computers, wheat, wine are combined into an abstraction called total domestic product is aggregation Limitations of Aggregation Ignores distinction amongst the different products. Ђ Although composition of demand and supply in different markets matters, it may be of little consequence for the economy wide issues such as growth, inflation, unemployment etc. - the issues that concern macroeconomics During economic fluctuations, markets for different products tend to move up or down together. Macroeconomics vs.. Microeconomics Let's look more carefully at the difference between microeconomic and macroeconomic questions. Go to business school or take a job? What determines the salary offered by Citibank to Cheerier Cajon, a new Columbia MBA?

S. And the rest of the world? In macroeconomics, the behavior of the whole macroeconomic is, indeed, greater than the sum of individual actions and market outcomes. Example: Paradox of thrift: when families and businesses are worried about the possibility of economic hard times, they repaper by cutting their spending. This reduction in spending depresses the economy as consumers spend less and businesses react by laying off workers. As a result, families and businesses may end up worse off than if they hadn't tried to act responsibly by cutting their spending.

Why Macroeconomics Matters Cultural Literacy waybills to follow and participate in public debates and discussions waybills to understand news reports on changes in the economy Self-Interest wefts of the macroeconomic on our daily lives wunderkinds of changing opportunities as the economy lectures CivicResponsibilityhumor informed voting humor responsible macroeconomic policy Influential Macroeconomic Events The first and most important macroeconomic event was theGreat Depressionof the sass. Between 1929 and 1933, a $1, 000 investment in the stock market fell to a value of $150. W Massive bank failures and unemployment rates approaching 25% devastated the American economy, with similar downturns spreading all over the world. W Business investment dropped from nearly 18% of gross domestic product in 1929 to under 4% in 1933. The Effect of theDepressionЂ Before the Depression, it was assumed that labor, capital, and output markets would keep the economy near full employment, with small fluctuations in wages, prices, and interest rates helping the economy to adjust to disruptions. The Depression forced economists to reconsider this view of capitalist economies. British economist John Maynard Keynes led the profession in providing an explanation for periods of prolonged unemployment. Depression Puzzle Herbert Hoover(1930) The fundamental assets of the nation has been unimpaired.... The gigantic equipment and unparalleled organization for reduction and distribution are in many parts even stronger than two years ago' Franklin Roosevelt(1933) Our distress comes from nofailureof substance.

We are stricken by no plague of locusts, Plenty is at our doorsteps but a generous use of it languishes in the very sight of the supply. Keynesian

Diagnosis Keynes - Failure in the immaterial devices of the mind - Psychologyand expectations w For some reason people had got it into their heads that the economy is in trouble and they need to save to prepare for the future. Actual output remained short of potential because f shortfall in demand. Ђ It is the governments' responsibility to manage demand through monetary and fiscal policy Response to Depression Enactment of the Glass Stella Act in 1933. Enactment of FIDE Act. Concept of Deposit Insurance was introduced. Repealing of Glass Stella Act by the Gram- Leach-Bailey Act (GLIB), also known as the Financial Services Modernization Act of 1999. The GLIB Act of 1999 allowed commercial banks, companies were allowed to consolidate. Many think repealing of the Glass Stella Act was responsible for great Financial Crisis of 2007.