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B.A. Economics

Sem- 2

Paper - MDC

Topic - Meaning and Definition of Macroeconomics

Meaning and Definition of Macroeconomics

Introduction

In the modern era, the importance of macroeconomics is continuously increasing for the holistic and comprehensive analysis of economic problems. Due to many limitations of microeconomics, neither does it provide knowledge about the functioning of the entire economy nor is this analysis suitable for solving many problems of the national level, such as full employment, economic planning, international trade, foreign exchange, banking, and revenue. Apart from this, it is not necessary that the conclusions of microeconomics match with the view of the entire economy. For example, personal savings is a good quality, but national savings is a bad quality. Due to all these reasons, the global recession of 1930 exposed the shortcomings of microeconomics and promoted macroeconomic analysis.

MEANING AND DEFINITIONS OF MACROECONOMICS

Macroeconomics is that branch of economic analysis in which all the units of the economy are studied in a holistic manner. In other words, macroeconomics studies aggregates or groups related to the entire economy, such as national income, national savings, total investment, total employment, total production, total consumption, and general price level. Since the system is studied in its entirety under this, it is also called Economics of Aggregates. In this, instead of studying individual units, averages of the organisation or their aggregates, large groups of the entire economy and their averages are studied and interpreted

in such a way that their mutual relationship becomes clear. According to Prof. Boulding, "Macroeconomics does not study individual units but their aggregates (or groups).

It studies the national income instead of personal income and the price level instead of personal prices.

And instead of individual production, national production is studied." Boulding has expressed this elsewhere in his second book as follows: "Macroeconomics is the study of the nature, relations, and behaviour of the sums and averages of economic quantities."

According to Gardner Eccles, "Macroeconomics considers economic issues in a broad sense. It deals with the 'whole aspects' or dimensions of economic life. It studies the total size, shape, and functioning of the 'elephant' of economic experience rather than the functioning, size, and identity of its individual parts. In other words, it studies the nature of a forest rather than the individual trees that make up the forest."

It is necessary to clarify here that under macroeconomics, aggregates smaller than the totals of the entire economy can also be studied, but it is necessary that such smaller aggregates are in the form of subdivisions of the entire totals.

Therefore, Gardner Eccles clarified, Under macroeconomics, aggregates smaller than the totals of the entire economy are also used, but those smaller aggregates are in the form of subdivisions of the totals of the entire economy. (Macroeconomics uses aggregates smaller than for the whole economy, but in a content study the economic system in its entirety, and hence it is called the economy-wide total.) Thus, in short, it is also called macroeconomics. It is also known as income theory.

According to **Thomas Dernburg**, macroeconomics studies economic events in an aggregated form; thus, it studies the behaviour of the level of employment, production, and prices.