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Topic : Scope of Macroeconomics

Scope of Macroeconomics

Introduction:

The term '**macro**' was first used in economics by Ragner Frisch in 1933. But as a methodological approach to economic problems, it originated with the Mercantilists in the 16th and 17th centuries. They were concerned with the economic system as a whole.

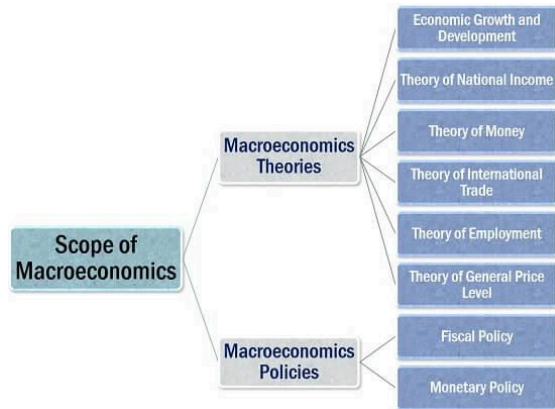
In the 18th century, the Physiocrats adopted it in their Table Economies to show the 'circulation of wealth' (i.e., the net product) among the three classes represented by farmers, landowners and the sterile class. Malthus, Sismondi and Marx in the 19th century dealt with macroeconomic problems. Walras, Wicksell and Fisher were the modern contributors to the development of macroeconomic analysis before Keynes.

Certain economists, like **Cassel, Marshall, Pigou, Robertson, Hayek and Hawtrey**, developed a theory of money and general prices in the decade following the First World War. But credit goes to Keynes who finally developed a general theory of income, output and employment in the wake of the Great Depression.

Scope of Macroeconomics

Macroeconomics is a vital field of study for the economists, government, financial bodies and researchers to analyze the general national issues and economic well-being of a country.

Macroeconomics widely cover two major fundamentals which are further sub-parted into multiple topics, as explained below:



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Macroeconomics Theories

Government, as we know, is the regulatory body of a nation, it considers the various aspects which are crucial and impacts the lives of the citizens.

There are six significant theories under macroeconomics:

- **Economic Growth and Development:** The status of a country's economy can be evaluated in terms of the per capita real income, as studied under macroeconomics.
- **Theory of National Income:** It covers the various topics related to the evaluation of national income, including the income, expenditure and budgeting.
- **Theory of Money:** Macroeconomics analyzes the functions of the reserve bank in the economy, the inflow and outflow of money, along with its impact on the employment level.
- **Theory of International Trade:** It is a field of study that enlightens upon the export and import of goods or services. In brief, it determines the impact of cross-border trade and duty charged, on the economy.

- **Theory of Employment:** This stream of macroeconomics helps to figure out the level of unemployment and prevailing employment conditions in the country. Also, to know how it affects the supply, demand, savings, consumption, expenditure behaviour.
- **Theory of General Price Level:** The most important of all is the analysis of product pricing and how these price levels fluctuate because of inflation or deflation.