

S. Y. B. Com (Accountancy & Finance)
Subject: Business Economics
Chapter 1- Macro Economics



Micro

Macro



Macro Economics studies the economy as whole and analyses its functioning.

Macro Economics deals with the behaviour and changes in the macro fundamentals of an economy

It deals with National Income, employment level, General Price Level, Investment Level and Balance of Payment.

Macro Economics is the study of the economy as whole and in its totality.

Schools of Thoughts of Macroeconomics

Classical Macroeconomics



Based on Assumptions and Postulates



Markets work best when they are left alone



Laissez
Faire
Capitalism

Adam Smith, David Ricardo, J.S. Mill, are wellknown economists of this school.

Keynesian
Macroeconomics



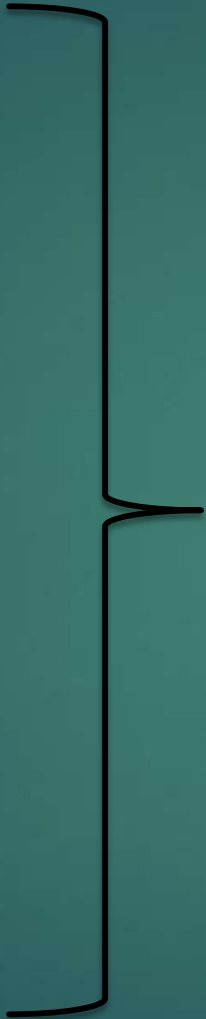
Result of Great
Depression of USA



Needed solution on mass
unemployment poverty,
low profits, deflation.



Keynes Challenged the
Classical theory



He suggested
Fiscal &
Monetary Policy
Implementation



Development
of Keynesian
School of
thoughts

Post - Keynesian
Macroeconomics



Emerged after 1950's



Focused on theories of
Consumption, investment
& Money



Paul Samuelson, James Tobin, Robert Solow, Franco Modigliani
These economists combined Keynesian theory with Neo-classical
economics.

Scope of Macro Economics

- 1) Determination of National Income
- 2) Economic Fluctuations or Business Cycle
- 3) Aggregate Demand and Aggregate Supply
- 4) Employment & Unemployment
- 5) Money & Price Level
- 6) Economic Growth & Development
- 7) Balance of Payment & Exchange Rate

Importance of Macro Economics

- 1) Understanding the functioning of economy
- 2) Understanding and evaluating economic performance
- 3) Formulating Government Policies
- 4) Understanding the economic environment of Business
- 5) Forecasting Future Trends
- 6) Making Political Choices

THANK YOU