



**JUSTICE BASHEER AHMED SAYEED COLLEGE FOR WOMEN  
(Autonomous) Afternoon Session Chennai 18.  
S.I.E.T.**

# **MACRO ECONOMIC ANALYSIS - I**

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# Macro Economic Analysis - I

## Meaning

- It is a study of aggregates or averages covering the entire economy such as total employment national income, national output, total investment, savings etc.

## Definition

- According to professor Ackley “Macro economics deals with economic affairs in the large, it concerns the overall dimensions of economic life. It looks at the total size and shape and functioning of the ‘elephant’ of economic experience rather than working of articulation or dimension of the Individual Parts. It studies the character of the forest, independently of the trees which compose it”.

# Macro Economic Analysis - I

## Scope and Importance of Macro Economics

1. To Understand the working of the economy

2. In Economic policies,

In general unemployment

In National Income

In Economic growth

In Monetary problems

In Business cycle

3. For understanding the behavior of individual units

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## Limitations of Macro Economics

- Fallacy of composition
- To regard the aggregates as homogeneous
- Aggregate variables may not be important necessarily
- Indiscriminate use of macro economics misleading
- Statistical and conceptual difficulties

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## Macro Statics

It explains the static equilibrium position of the economy

## Definition

According to professor Kurihara “If the object is to show a ‘Still picture’ of the economy as a whole, the macro static method is the appropriate technique. For this technique is one of the investigating the relations between macro variables in the final position of equilibrium without reference to the process of adjustment implicit in that final position”.

$$Y = C + I$$

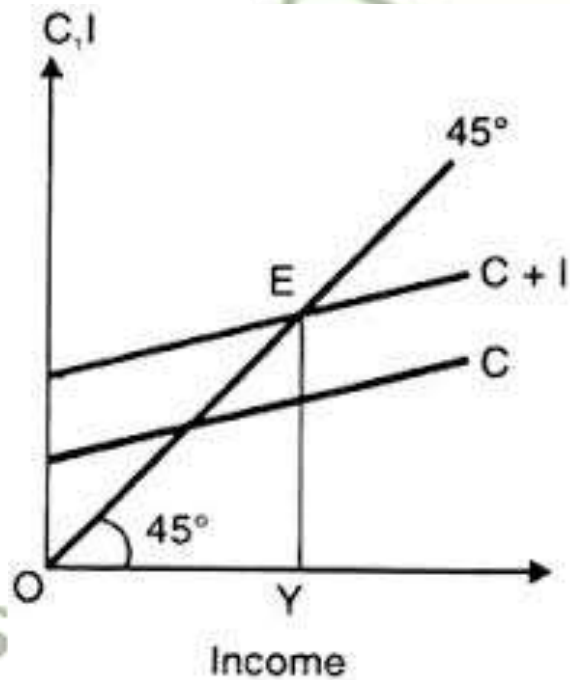
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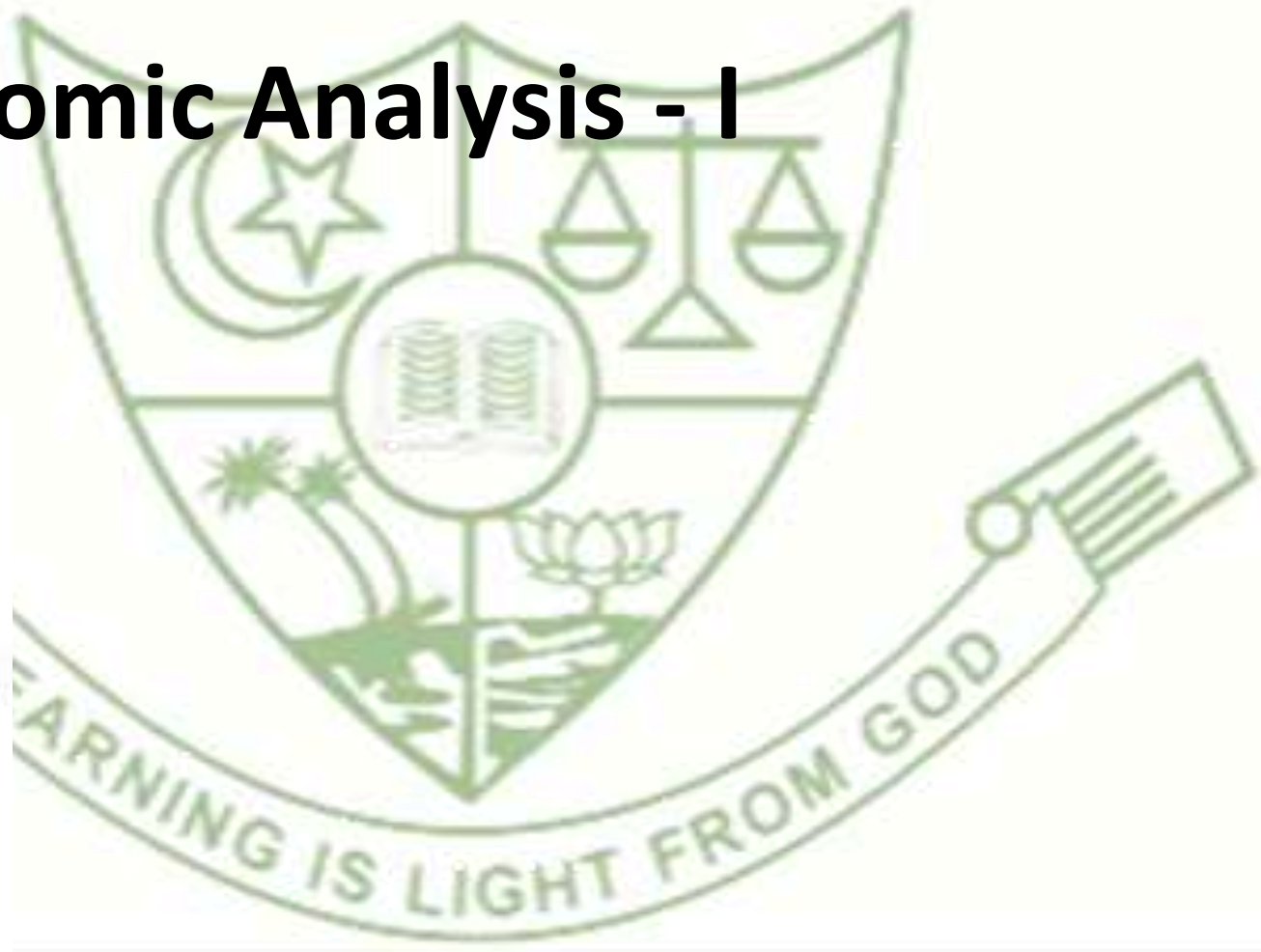
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# Macro Economic Analysis - I

## Macro Statics



Income  
Fig. 2



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