

Topics - Micro vs Macro Economics & Scope of Macro Economics:

Micro Economics

- ① The term 'micro' has been derived from the Greek word 'mikros' which means small. It deals with a small unit of the economy.
- ② It attempts to study the economic behaviour of particular units such as a consumer, a producer, a firm, a worker, price of a particular commodity, profitability of a particular industry or employment of a particular category of workers in a specified sector.
- ③ Micro economic study is just like the study of a particular tree in a given forest or the quality of single product out of whole lot manufactured by a firm.

Thus, it is clear that Micro Economics deals with small parts of the economy.

Macro Economics

- ① The term 'Macro' has been derived from the Greek word 'makros' which means 'a very large unit'.
- ② It attempts to study some economic problems concerning all the consumers, all the producers, all the workers, or analysis of gross national expenditure, national income, aggregate demand, aggregate supply, general price level, growth rate of the economy etc.
- ③ In this approach to Economics, our concern is not with single tree but the whole forest, not with the income of one person but with the national income.

Thus, Micro economics deals with the functioning of the economic system as a whole.

## Scope of Microeconomics:

The scope of micro economic analysis can be explained by below:-

- (i) National Income: The micro economics deals with the incomes of individuals. In contrast, macro economics deals with the national income. It includes, the study of concepts of national income, product and expenditure and the methods of measurement of aggregates and sub-aggregates of national income. The aggregate approach has led to development of social accounting and flow of funds analysis.
- (ii) Employment: In micro economics, attempt is made to explain the employment of an individual workers or unit of some other factor. On the otherhand, macro economics is concerned with the determination of the level of employment in the whole system and variations in it. The problem involves a number variables such as aggregate demand, aggregate supply, consumption, saving and investment functions.
- (iii) Monetary theory: The macro economics also includes the monetary theory which deals with the demand for money, supply of money, central banking, commercial banking, monetary policy and the impact of monetary changes upon the general level of economic activity.
- (iv) General price level: While micro economics is concerned with the prices of a particular products or factors, the macro economics concentrates upon the average of all prices or general level of prices. It explains the determination of general level prices.

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forces that causes inflationary or deflationary movements in the system and the way these movements affect the operations of the economic system.

(v) Business Cycles:- The capitalistic economies are plagued by the alternate phases of expansion and contraction known as business cycle. A number of business cycle theories have been developed by the both earlier and modern economists. The theories of business cycles and policies to control cyclical fluctuations come within the ~~scope~~ sphere of macro economics.

(vi) Economic Growth:- Economic growth is the process of long term sustained rise in per capita production of goods and services in an economy. This process depends upon a complex economic, sociological, institutional and technical factors. The impact of these factors can be studied appropriately through aggregative approach alone.

(vii) Macro distribution:- A major economic problem that has always attracted the attention of economists is that of distribution of national income and product among different factors of production. The nature of income distribution has very significant effect upon the aggregate demand and general level of economic activity. The theories of macro distribution and economic policies to ~~ensure~~ ensure a more equitable distribution of income also constitute a part of macro economics.

(viii) International Trade :- The trade between two or more countries is an important area of study in the subject matter of macro economics. In this field, there is ~~the~~ study of theories of international trade, terms of trade, and gain from trade, and problems related to tariff and non-tariff barriers upon trade, balance of payments, foreign exchange, international capital flows and the international economic order.

From the above account, it becomes clear that the subject matter of macro-economics has increased progressively with the recent developments in the Science of Economics.

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