

Importance of Macroeconomics

Functioning of an Economy. Macroeconomic analysis is critical for understanding how an economic system works.

It is critical to have a thorough and correct understanding of the behavior pattern of the aggregative variables since describing a vast and complex economic system in terms of multiple individual things is unachievable.

Formulation of Economic Policies. Macroeconomics is extremely useful in developing economic policy. The era of 'laissez faire' is ended, and government interference in economic concerns has become a reality. Governments interact with groups and masses of people rather than individuals, emphasizing the necessity of macroeconomic research.

For example, during a depression, when machines are idle and persons go from pillar to post in search of work, macroeconomics may assist us in analyzing the causes of depression and unemployment and in implementing appropriate policies to deal with such a scenario.

Understanding Macroeconomics. Proper understanding of microeconomics requires a thorough understanding of macroeconomics. No Microeconomic law could be formulated without first studying aggregates; for example, the theory of individual firm could not have been formulated regarding the behavior pattern of one single firm, however representative it might have been; the theory was only possible after the behavior pattern of several firms had been examined and analyzed, for example, the forest, though an aggregation of trees, does not exhibit the behavior and characteristics of I

Microeconomics has been and continues to be a jungle of specific assumptions, unique situations, inadequate measures, and abstract theorizing.

Understanding and Controlling Economic Fluctuations. Economic fluctuations are a defining aspect of a capitalist society. The theory of economic fluctuations can only be understood and created with the assistance of macroeconomics, because aggregate consumption, aggregate saving, and aggregate investment in the economy must all be considered.

As a result, we are compelled to investigate the reasons for variations in income, production, and employment to manage or, at the very least, mitigate their severity.

Inflation and Deflation. The macroeconomic perspective is critical for analyzing and comprehending the implications of inflation and deflation. Changes in the value of money influence various segments of society in different ways. The macroeconomic analysis enables us to take specific efforts to mitigate the negative effects of inflation and deflation.

Study of National Income. The study of national income and social accounts has grown in relevance as a result of the study of macroeconomics. In the micro-economy, such research was pushed to the margins.