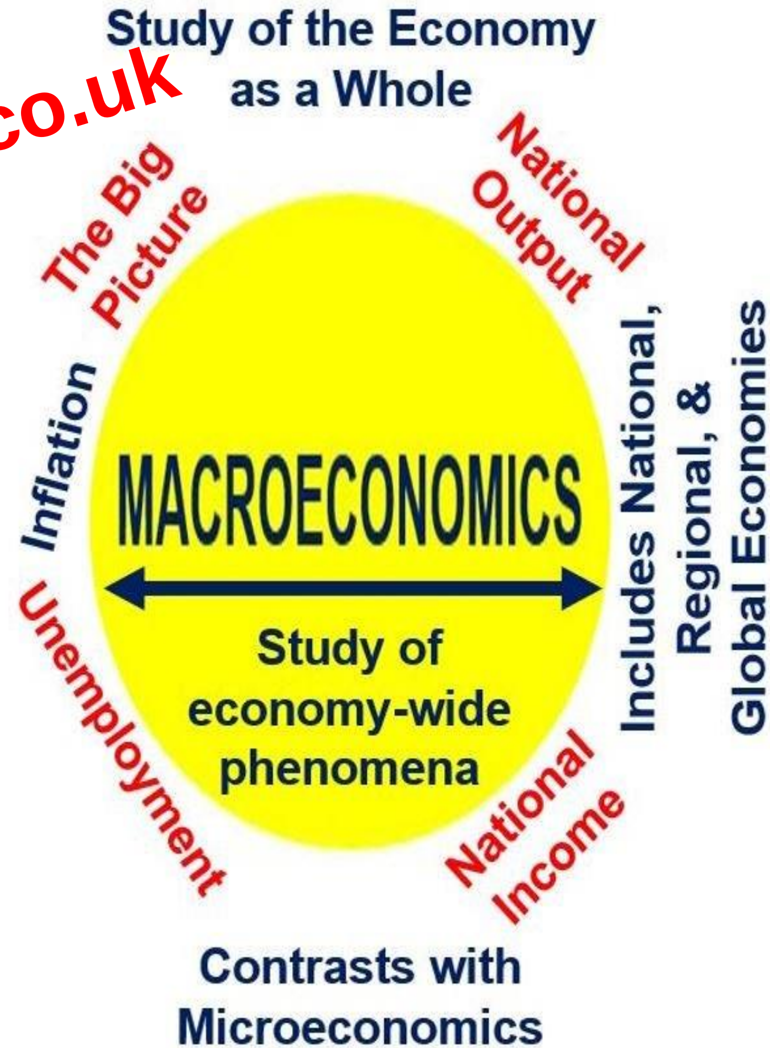
Introduction to Macroeconomics



The Roots of Macroeconomics

- The ***Great Depression*** was a period of severe economic contraction and high unemployment that began in 1929 and continued throughout the 1930s.

The Roots of Macroeconomics

- The accepted economic theory of the pre – Keynesian era, believed that the economy usually remains at full employment level(full utilization of resources). If there are any departures from this situation, these are purely temporary and for a short period of time.
- However, these classical models failed to explain the prolonged existence of high unemployment during the Great Depression. This provided the impetus for the development of macroeconomics.

Importance of Macro economics

- ~~*In Business Cycles*~~

  Macro economics began to be studied only after the Great Depression. Thus, its importance lies in analyzing the causes of economic fluctuations and in providing remedies.