

Macroeconomics

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What to
produce

How to
produce

For
whom

Country	Total population (thousands)	Total population (millions)	Average annual growth rate (percent)	
	1998	2015	1980-98	1998-2015
	Fastest growing			
Angola	12.0		3.0	2.8
Benin	5.9		3.0	2.5
Botswana	1.6		3.0	0.9
Congo, Dem. Rep.	48.2		3.2	2.9
Gabon	1.2		3.0	2.2
The Gambia	1.2		3.6	2.2
Ghana	18.5		3.0	2.2
Kenya	29.3		3.1	1.7
Malawi	10.5		3.0	2.2
Niger	10.1		3.3	3.0
Tanzania	32.1		3.0	2.0
Togo	4.5		3.0	2.0
	Slowest growing			
Burundi	6.5		2.6	2.0
Guinea	7.1		2.6	2.0
Guinea-Bissau	1.2		2.1	1.8
Lesotho	2.1		2.4	1.6
Mauritius	1.2		1.0	0.9
Mozambique	16.9		1.9	2.0
Rwanda	8.1		2.5	2.2
Sierra Leone	4.9		2.3	1.9
South Africa	41.4		2.3	1.0
Sudan	28.3		2.3	2.1
Sub-Saharan Africa	627.1		2.8	2.2

Source: World Bank

What Is Macroeconomics All About?

Study of the *structure* and *performance* of national economies and of the *policies* that governments/policy makers use to affect the overall economic performance.

Macroeconomic theory is the theory of income, employment, prices and money.

Is macroeconomics a *theoretical* science or a *policy* science?

Macroeconomics has both *theoretical* and *policy* orientations.

Key variables in Macroeconomics

- Total output in the economy
- Aggregate Price Level
- Employment (and Unemployment) **Labor Market**
- Interest Rate **→ Debt Market**
- Wage Rate **→ Labor Market**
- Exchange Rate **→ International Trade {Exports & Imports}**

Some Macro Issues

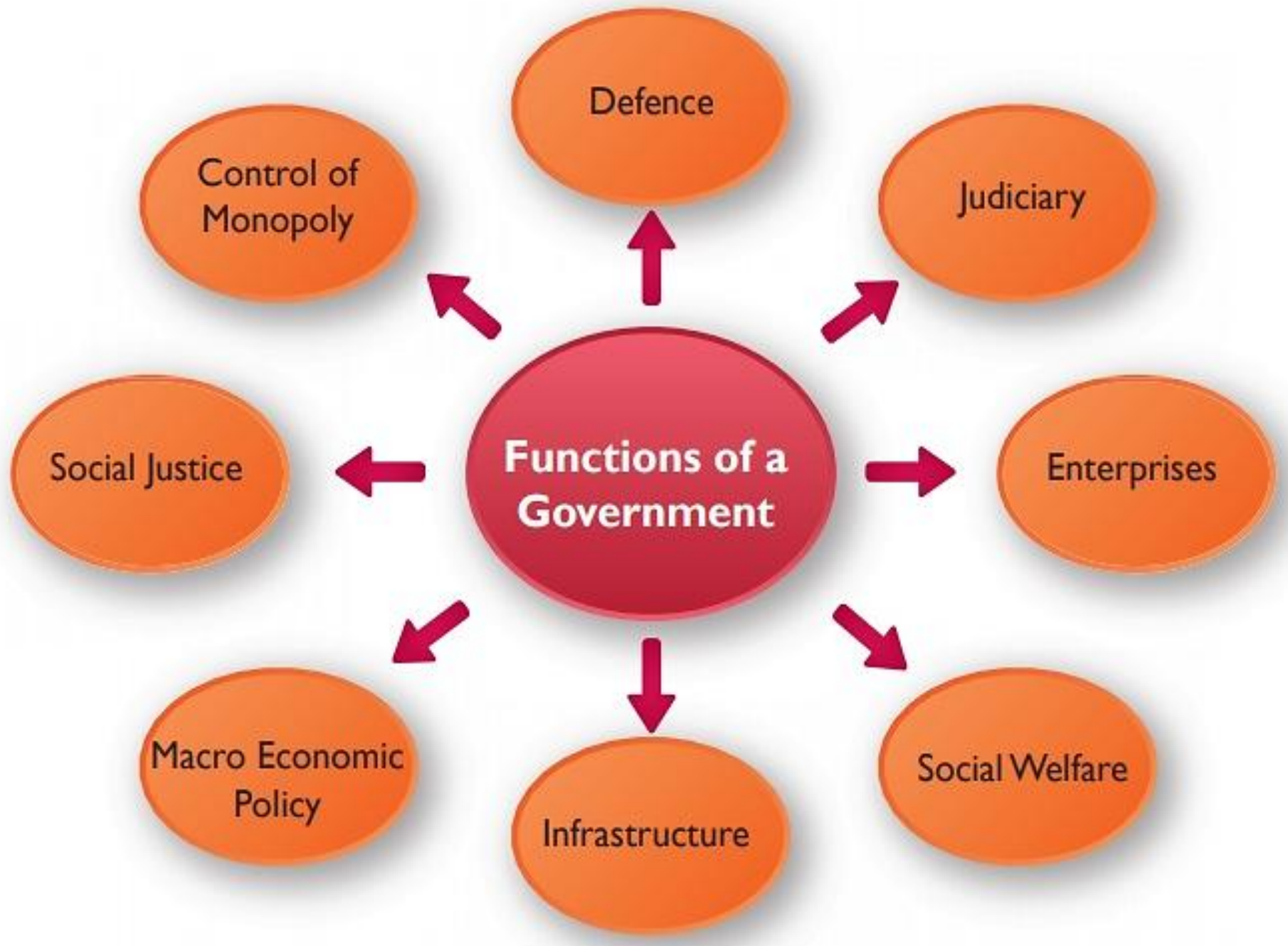
Why is it that Ethiopia, Guatemala, Ghana are still poor and the US, Germany, Japan are rich countries?

Why do the economies go through the phases of boom and bust?

What causes inflation?

How is money supply controlled in the economy?

What is budget deficit? How can a government finance its budget deficit?



GLOBAL MULTIDIMENSIONAL POVERTY INDEX 2024

OPHI
Oxford Poverty & Human
Development Initiative

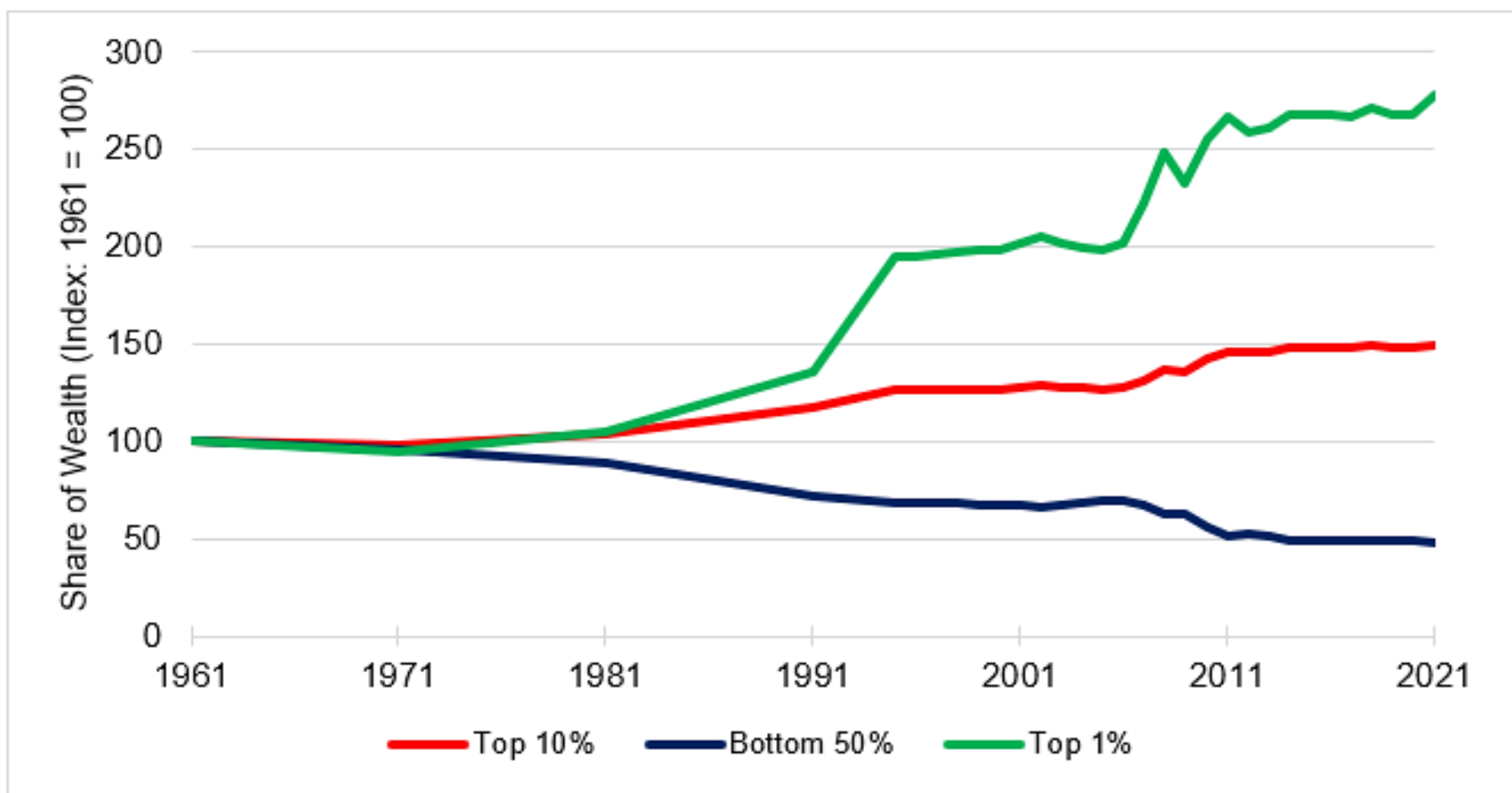


POVERTY AMID CONFLICT



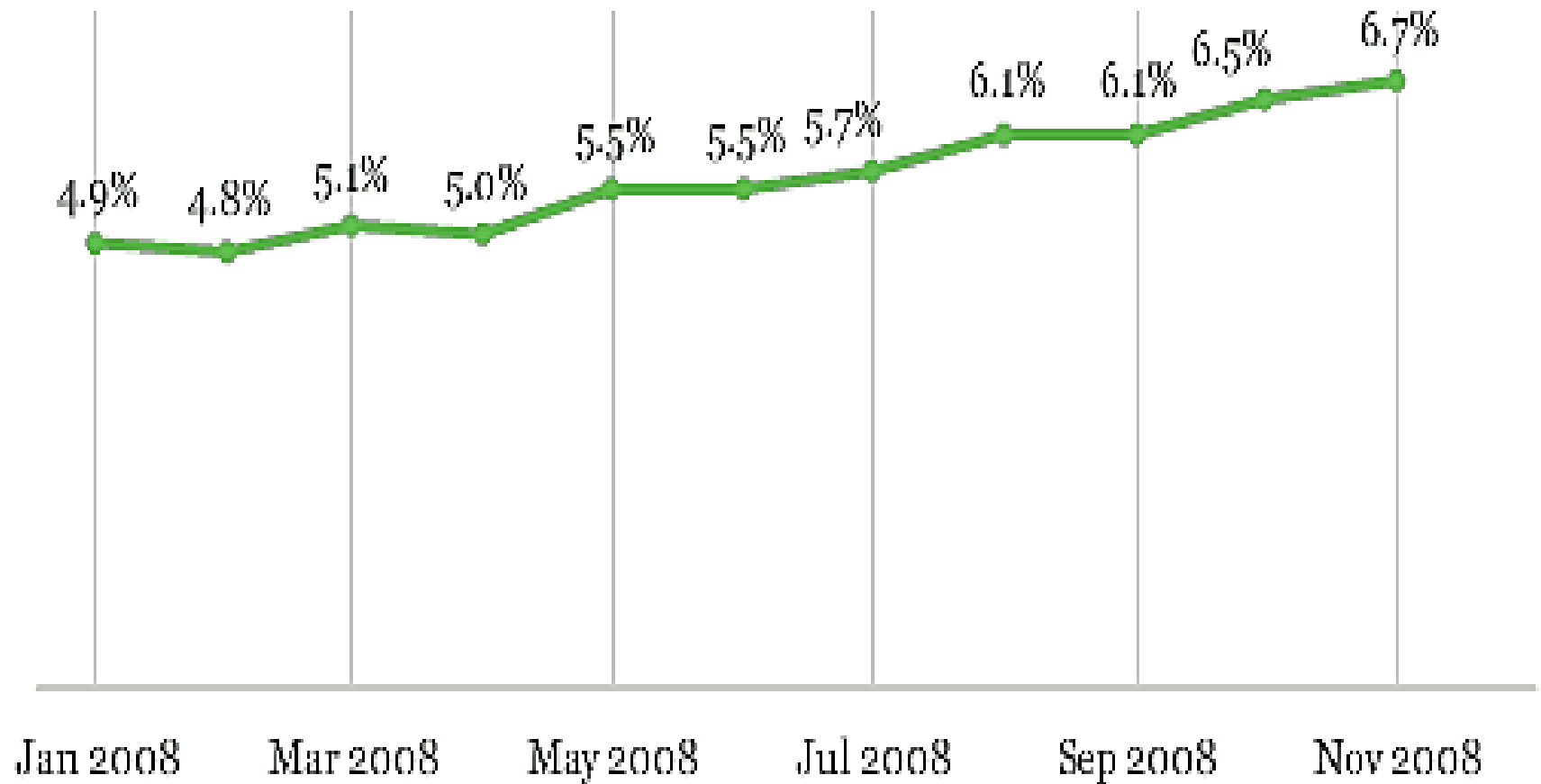
	Total Population	Population in Poverty	Percent of People in Poverty
Ethiopia	120	86	72%
DRC	110	66	60%
Pakistan	252	93	37%
Nigeria	230	74	32%
India	1,454	234	16%

Figure 1: Wealth Inequality in India (1961-2021)



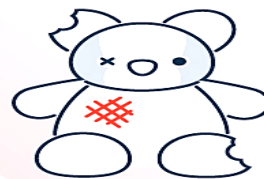
U.S. Unemployment Rate 2008

Source: U.S. Department of Labor



1 in 7 Children Live in Poverty in the U.S.

Share of children who are categorized as poor in the United States in 2021, by census groups

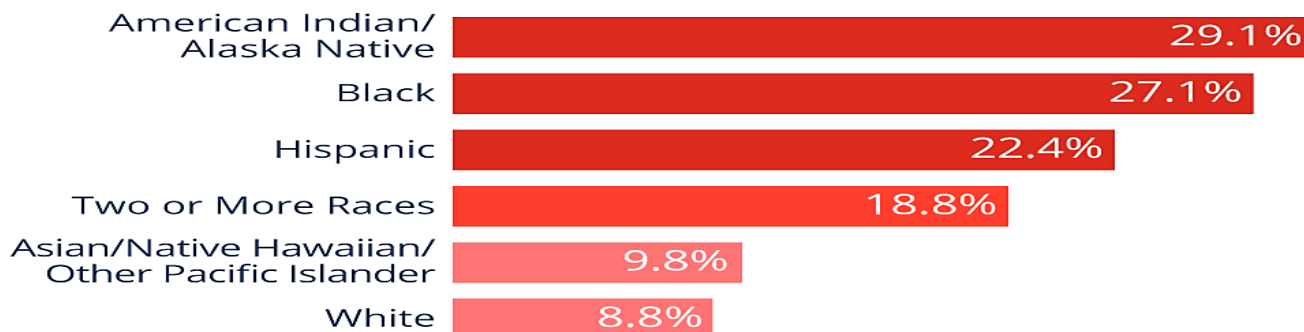


All children 15.3%

By family structure



By race/ethnicity



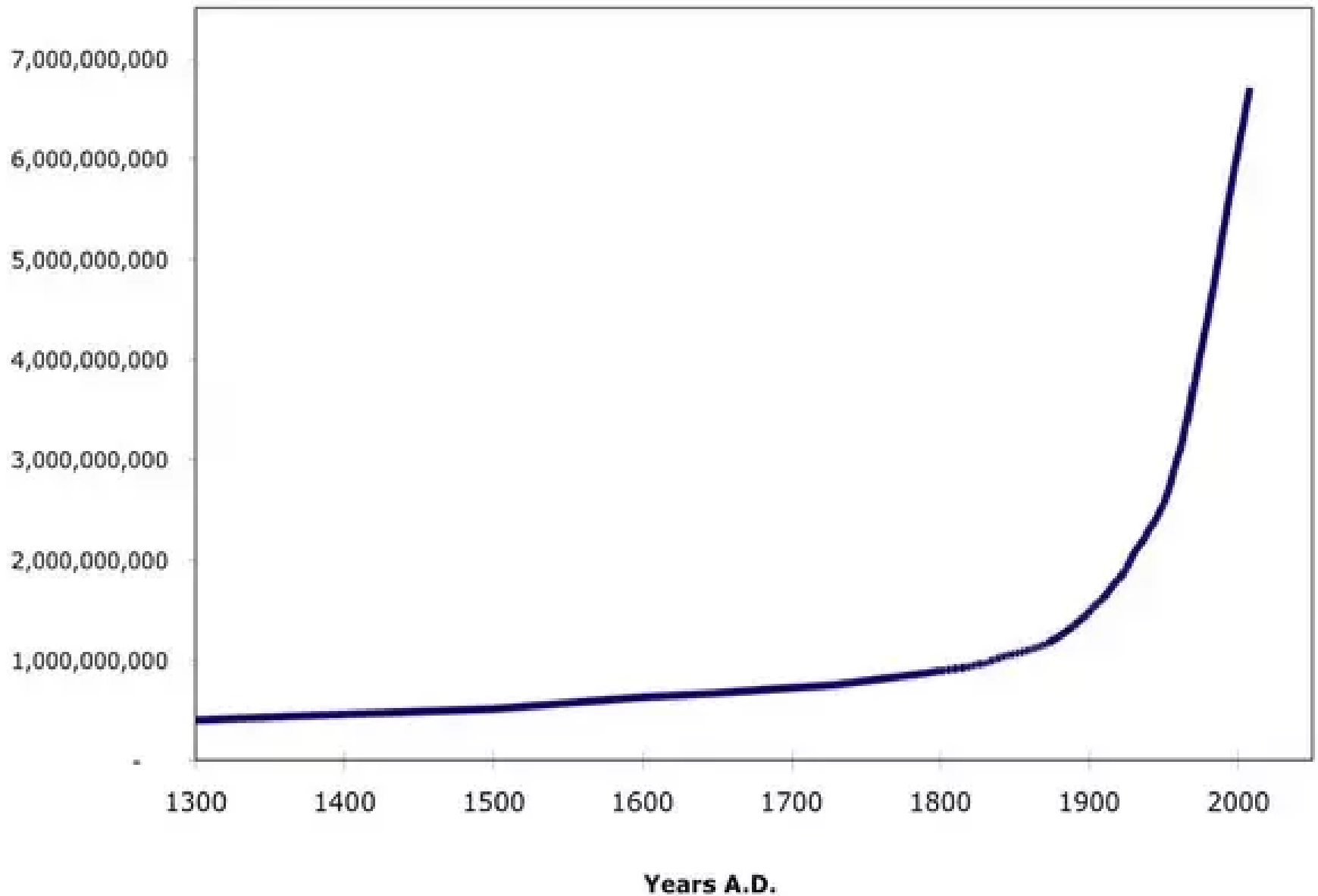
By region*



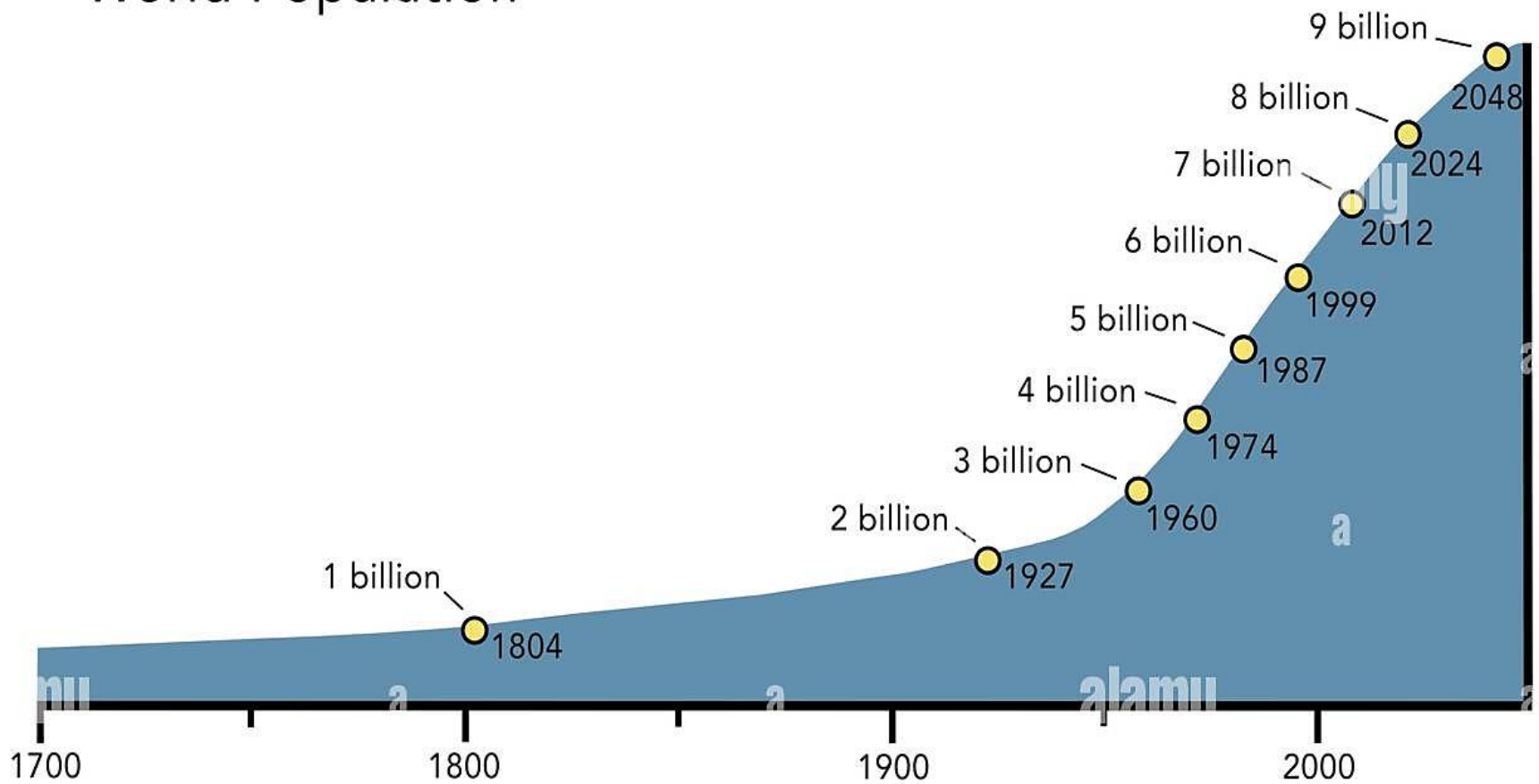
* Data as of 2020

Source: U.S. Census Bureau via Children's Defense Fund

World Population

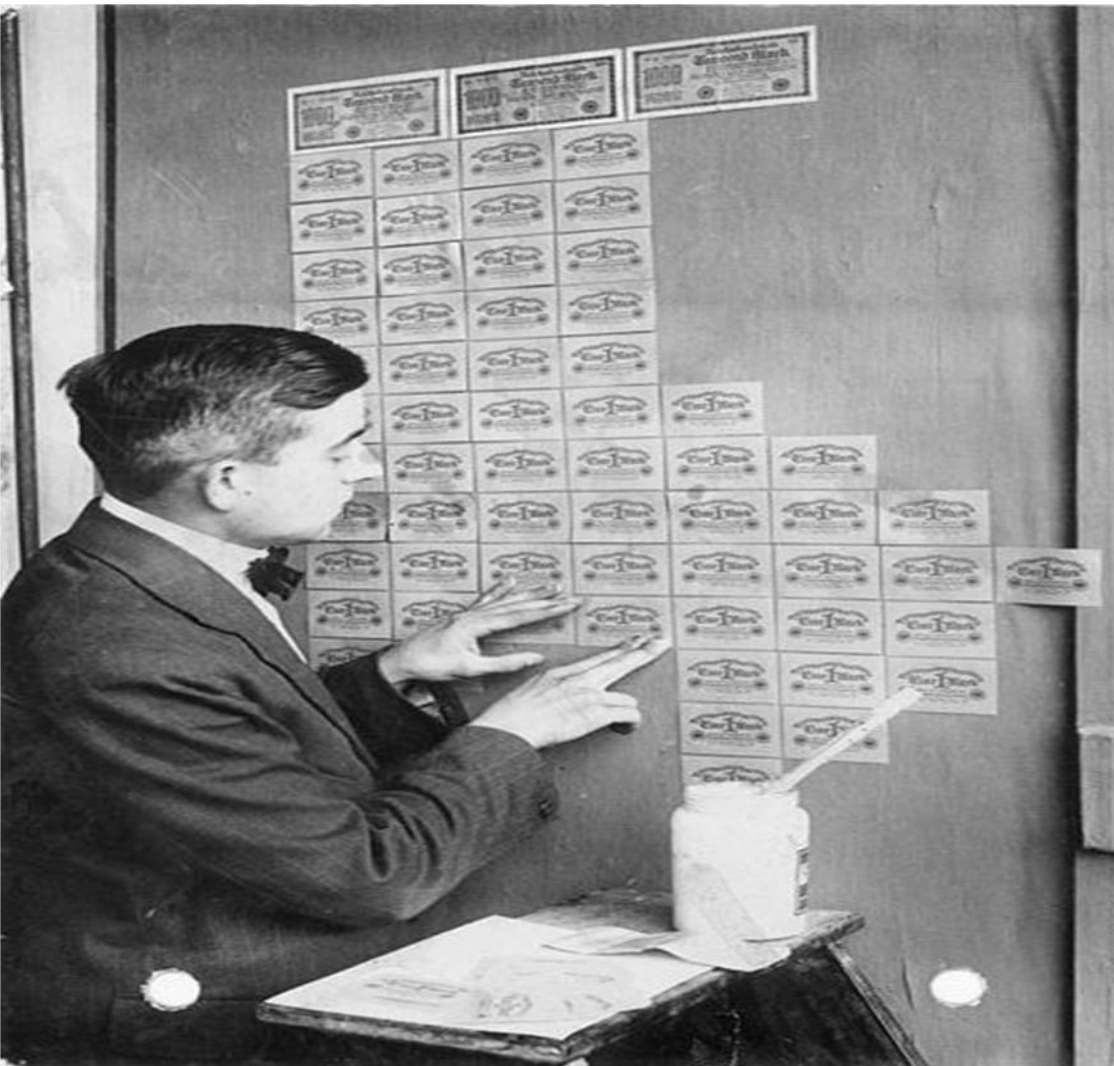


World Population



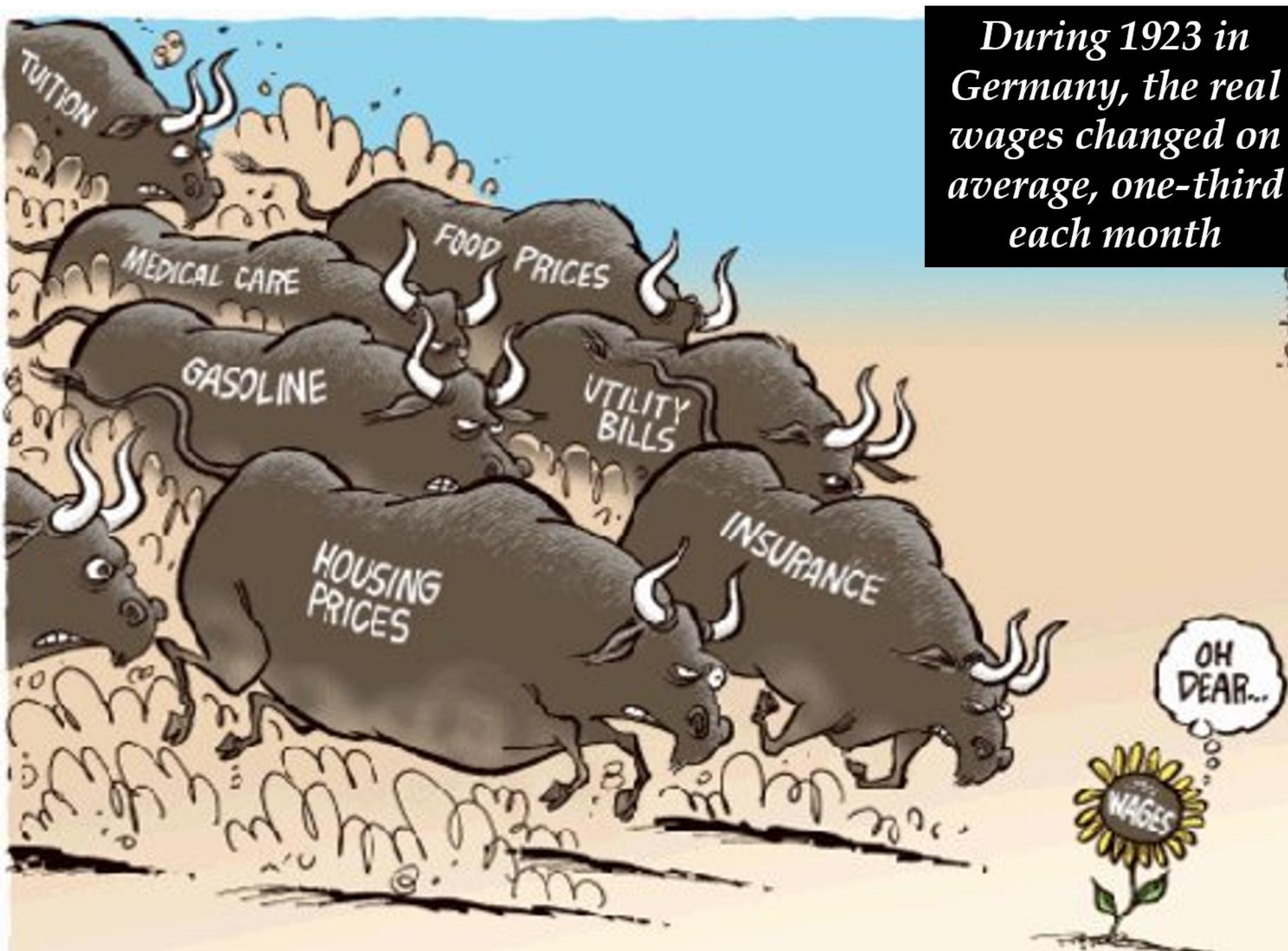
Cases of Hyperinflation

Bolivia (1983-1985): prices increased by 23,000 percent!



Germany (1923): banknotes had lost so much value that they were used as wallpaper!

During 1923 in Germany, the real wages changed on average, one-third each month



20th Century Hyperinflations		
Nation	Year(s)	Peak Inflation (%)
Angola	1991-95	1×10^9
Argentina	1983-92	1.5×10^9
Austria	1922-23	500,000
Belarus	2000-08	1×10^8
Bolivia	1984-86	1×10^6
Bosnia/Herzeg.	1992-93	5×10^7
Brazil	1967-94	2.75×10^{18}
China	1948-55	1.5×10^{19}
Georgia	1993-95	1×10^6
Greece	1944	5×10^{13}
Hungary	1922-24	n/a
	1945-46	4×10^{29}
Mexico	1982-92	1,000
Nicaragua	1987-90	5×10^{10}
Peru	1988-90	1×10^6
Philippines	1942-44	100
Poland	1921-24	1.8×10^6
	1989-91	10,000
Romania	1990-98	5×10^6
Russia	1992-98	1,000
Taiwan	1944-49	4,000
Ukraine	1993-95	100,000
U.S.S.R.	1921-22	n/a
Yugoslavia	1989-94	1.3×10^{27}
Zaire	1989-96	3×10^{11}
Zimbabwe	2000-08	1×10^{25}

Bolivia: Decades of policy of *covering government budget deficits by printing money.*

Venezuela: *Political crisis and ineptitude of policy making and over dependence on oil exports.*

Argentina: *Perennial Debt crisis.*

Three Strains of Inflation

- ❑ *Low inflation* – *single*-digit inflation rates; it is characterized by slow and predictable rise in prices. Relatively stable prices retains the value of money over the time horizon.
- ❑ *Galloping inflation* – *double*-digit or *triple*-digit inflation. Prices rise in the range of 20 to 200 percent. It is common in weak or war-torn countries.

Many Latin American countries, e.g., Argentina, Chile had 50 to 700 percent annual inflation rates during 1970s and 1980s.

- ❑ *Hyperinflation* – The most deadliest strain of inflation; prices rise by a million or even trillion percent annually!

Speedy fall in real money stock, unstable prices.

	<u>WPI</u>	<u>CPI</u>
<u>Released By</u>	Office of Economic Advisor (Ministry of Commerce & Industry)	National Statistics Office (Ministry of Statistics and Programme Implementation)
<u>Measures</u>	Goods only	Both Goods & Services
<u>Items covered</u>	697	448(Rural Basket) 460 (Urban Basket)
<u>Base year</u>	2011-12	2012