

Introduction to Macroeconomics

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.

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?

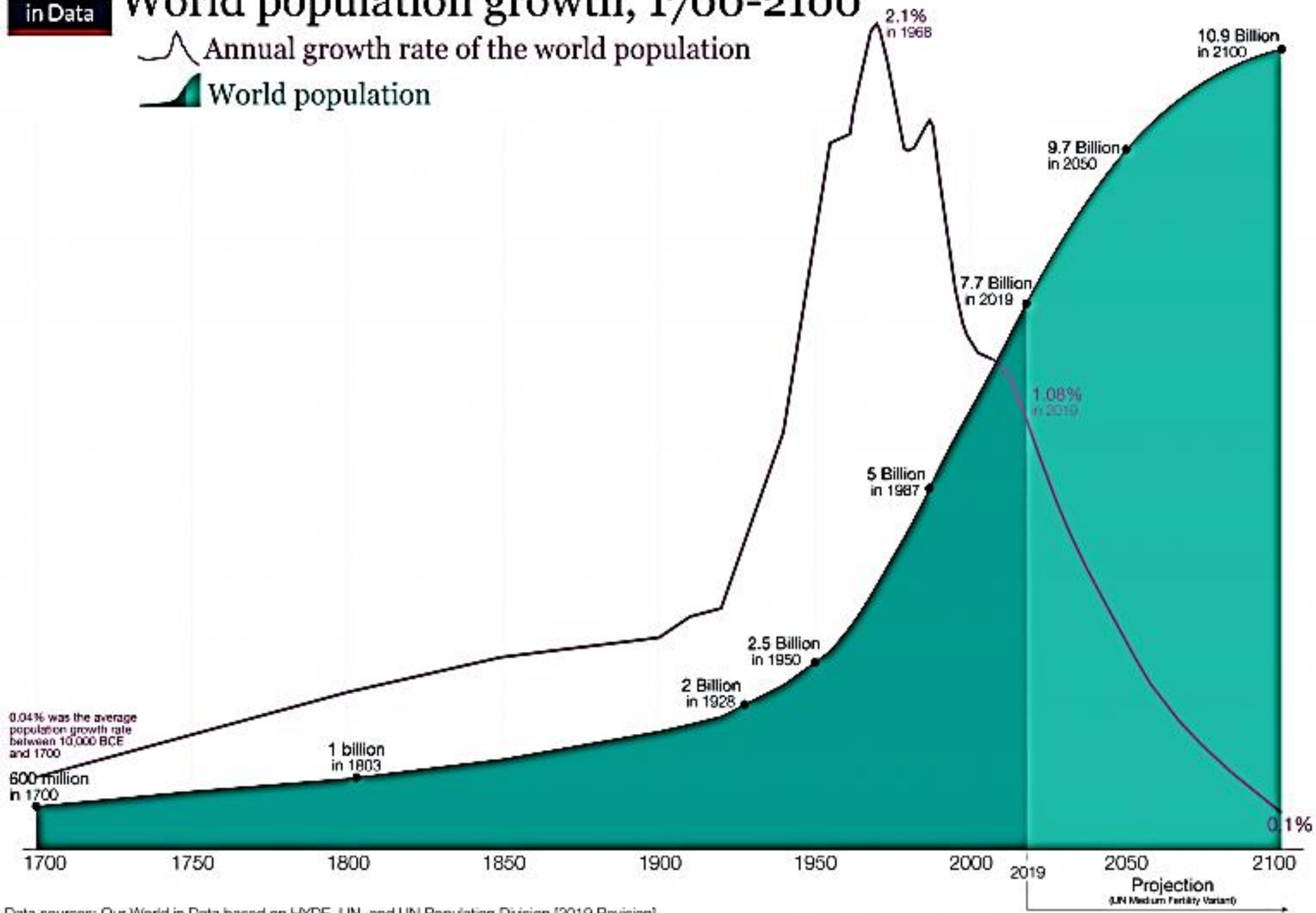
What is budget deficit? How can a government finance its budget deficit?

October, 2020



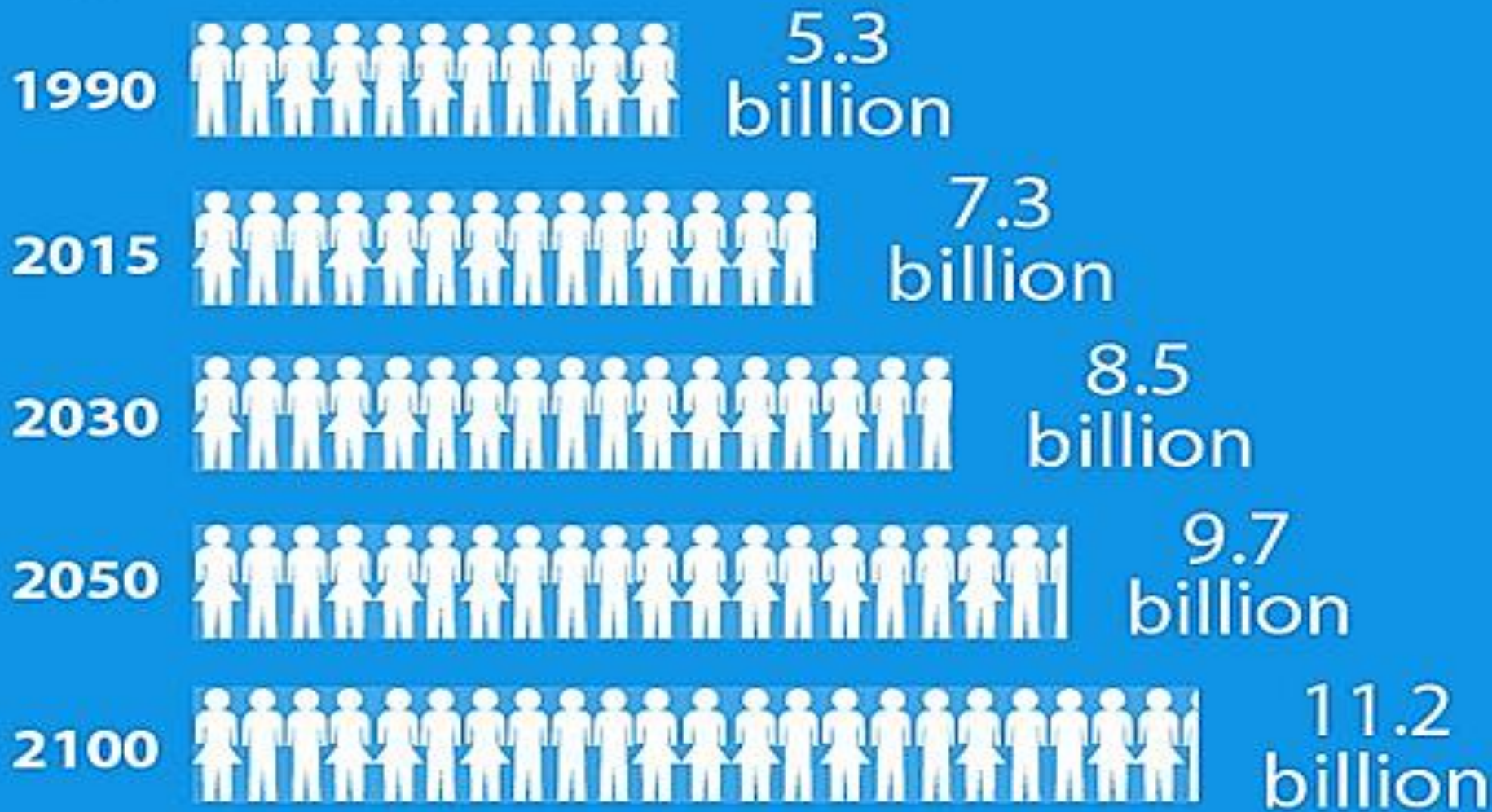
World population growth, 1700-2100

 Annual growth rate of the world population
 World population



World Population

Projected world population until 2100



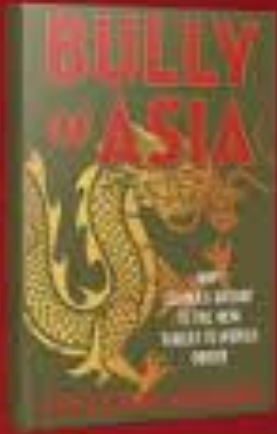
Source: United Nations Department of Economic and Social Affairs,
Population Division, *World Population Prospects: The 2015 Revision*
Produced by: United Nations Department of Public Information



2015
TIME FOR
GLOBAL ACTION
Sustainable Development Goals

BULLY OF ASIA

Why 'China's Dream' is the New Threat to World Order
BY TOP CHINA EXPERT STEVEN W. MOSHER

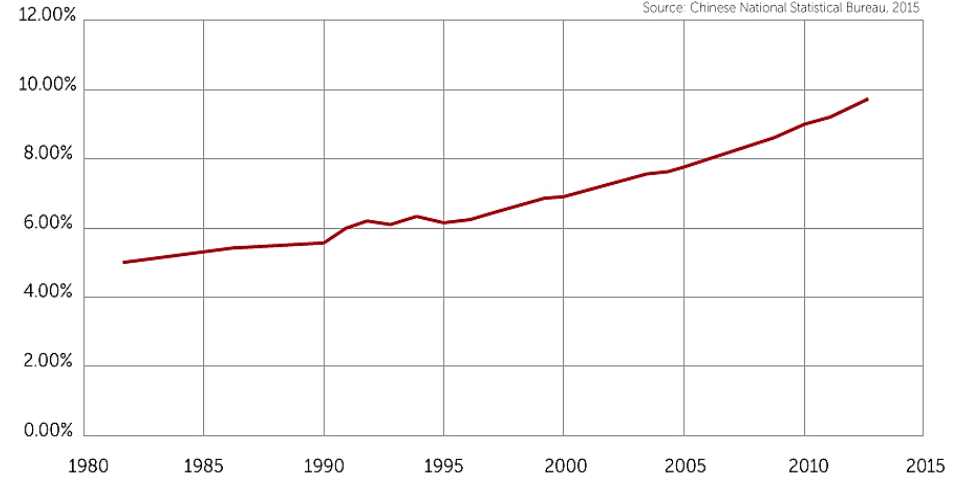


LEARN THE SECRETS
AND LIES ABOUT
CHINA'S POPULATION
CONTROL POLICIES,
CREATING THE LARGEST
HUMAN RIGHTS
VIOLATION IN HISTORY

UNCOVER THE LIES NOW!

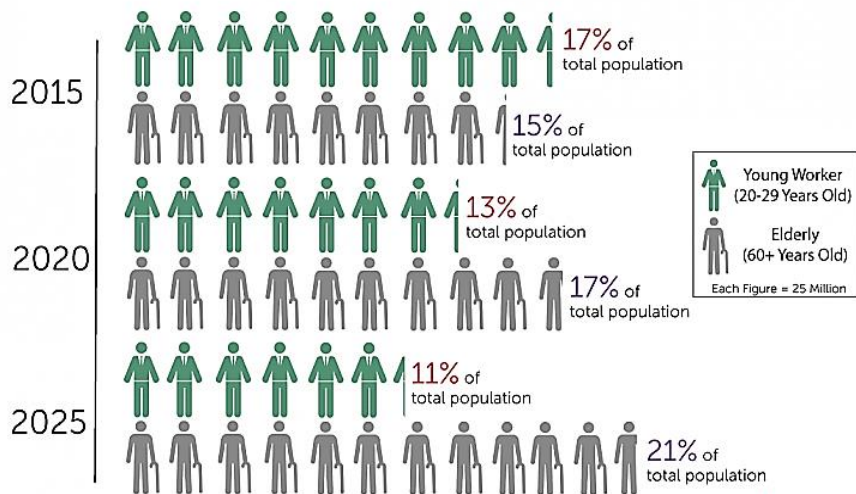
Aging Population % 65+ yrs

Source: Chinese National Statistical Bureau, 2015



CR COLLECTIVE RESPONSIBILITY

Graying of the Workforce



Source: UN Population Division, 2015

CR COLLECTIVE RESPONSIBILITY

I STAND AGAINST
POPULATION CONTROL
IN CHINA *because*
POPULATION CONTROL

always
VIOLATES

HUMAN RIGHTS

Population Research Institute

www.pop.org
@PRIsource

An Ethiopian man in search for food. Ethiopia struggles to feed its fast growing population of 70 million, 85% of whom are peasants, amid recurrent drought and deep poverty.

Two African Orphans playing and drinking from the gutter.



TIMES GLOBAL

THE TIMES OF INDIA, MUMBAI | THURSDAY, SEPTEMBER 15, 2011

Slowdown effect: 1 in 6 Americans is poor

Washington: The ranks of America's poor swelled to almost 1 in 6 people last year, reaching a new high as long-term unemployment left millions struggling and out of work. The number of uninsured edged up to 49.9 million, the biggest in more than two decades.

The Census Bureau's annual report released on Tuesday offers a snapshot of the economic well-being of US households for 2010, when joblessness hovered above 9 percent for a second year.

It comes at a politically sensitive time for President Barack Obama, who has acknowledged in the midst of a re-election fight that the unemployment rate could persist at high levels through next year.

The overall poverty rate

THE POOR RICH STATE

46 MILLION Americans were living in poverty in 2010, almost 1 in 6 people

▶ US poverty rate at its **highest level since 1993**

▶ The US has the **highest poverty rate** among developed countries

▶ The poverty line for an

American family of four with two kids is an income of **\$22,113** a year

▶ Up to **49.9 MILLION** Americans uninsured

▶ **Blacks and Hispanics** together accounted for **54%** of the poor with **whites at 9.9%** and **Asians at 12.1%**



climbed to 15.1%, or 46.2 million, up from 14.3% in 2009. The official poverty level is an annual income of \$22,314 for a family of four.

Reflecting the lingering impact of the recession, the US poverty rate from 2007-2010 has now risen faster than any three-year period since the early 1980s, when a crippling energy crisis amid government cutbacks contributed to inflation, spiraling interest rates and unemployment.

Measured by total numbers, the 46 million now living in poverty is the largest on record dating back to when the census began tracking poverty in 1959. Based on percentages, it tied the poverty level in 1993 and was the highest since 1983.

Broken down by state,

Mississippi had the highest share of poor people, at 22.7%, according to calculations by the Census Bureau. It was followed by Louisiana, the District of Columbia, Georgia, New Mexico and Arizona. On the other end of the scale, New Hampshire had the lowest share, at 6.6%.

The share of Americans without health coverage rose from 16.1% to 16.3% — or 49.9 million people — after the Census Bureau made revisions to numbers of the uninsured. That is due mostly to continued losses of employer-provided health insurance in the weakened economy.

Congress passed a health overhaul last year to deal with rising numbers of the uninsured. While the main provisions do not take effect until 2014, one aspect taking effect

in late 2010 allowed young adults until age 26 to be covered under their parents' health insurance.

Brett O'Hara, chief of the Health and Disability Statistics branch at the Census Bureau, noted that the uninsured rate for adults ages 18 to 24 declined last year — from 29.3% to 27.2%.

It was the only age group which posted a decrease. "For the change in uninsured, the law change certainly could be a factor," he said. The median — or midpoint — household income was \$49,445, down 2.3% from 2009.

The latest numbers, which cover Obama's second year in office, offer political fodder for both parties as Obama seeks to push a new \$447 billion plan for creating jobs and stimulating the economy. AP



“The global financial meltdown and consequent economic recession in developed economies have clearly been a major factor in India’s economic slowdown. Given the origin and dimension of the crisis in the advanced countries, ... every developing country has suffered to a varying degree. No country, including India, remained immune to the global economic shock.”

Source: ***Economic Survey***, Govt. of India (2008-09), Ch.1, State of the Economy

A collage of newspaper clippings related to the 2008 financial crisis. The headlines are overlapping and include: "Damage", "Crisis Rises", "Credit Problems Spur Layoffs", "First Into Recession", "High anxiety", "Downturn Means Cutbacks", "Job Cuts", "Anticipating", "Stocks Plummeting", "Losses", "The Recession Is Deepening", "Jobless", "Tough Times", "Bank", "Market Downturn", "Job Cuts", "Stocks", "Investor Panic", "Recession", "Layoffs", "Economic Woe", "Financial", "Market Declines", "Depression", "Storm of Fear Envelopes", "Failure", "Bankruptcy", "Credit Crunch", "Crisis", "Global", "Grows Dark", "Credit Crunch", "The Depression", "Failure", "Bankruptcy", "Crisis", "Credit Crunch", "The Depression", "Failure", "Bankruptcy", "Crisis", "Credit Crunch".

October, 2020





Inflation

Fiscal Deficit

**Poverty &
Unemployment**

**Slow Pace of Investment
Growth**

Current Account Deficit



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**

Government Intervention & Intriguing Issues:

***Can* the Government and *should* the Government intervene in the economy to improve its performance?**

What is the role of economic thinking in shaping policy and performance of economies and firms?

***Why* does the Government intervene in the economy?**

***What* are the objectives of government policy measures?**

***How* is the performance of the economy related to the public policy interventions?**



Political (self) interest !

Myopic view !

Bureaucracy and Red-Tapism !

4,000 MBBS seats lost due to red tapism in 2014-15

Apex Court Holds MCI, Centre Guilty

Dhananjay Mahapatra
@timesgroup.com

New Delhi: Red tape consumed nearly 4,000 MBBS seats in the 2014-15 academic session, and this at a time when India is lagging behind the doctor to population ratio by a wide margin.

The country has one doctor for every 1,700 persons against the WHO prescribed standard of one doctor for every 1,000 persons. The Supreme Court held the government and the Medical Council of India (MCI) guilty for the loss of 3,920 MBBS seats mainly because of lethargic inspection of infrastructure in medical colleges and non-grant of timely permission to colleges to admit students.

A bench of Justices A R Dave, Vikramjit Sen and U U Lalit said, "The affidavit filed on behalf of Union of India shows that though the number of seats had risen, obviously because of permissions granted for establishment of new colleges, because of disapproval of renewal cases, the resultant effect was net loss in terms of number of seats

AN AILING SYSTEM



- Loss of seats due to lethargic inspection of infrastructure in medical colleges and non-grant of timely permission to colleges to admit students
- Capacity in MBBS courses rose from 51,598 in 2013-14 to 54,348 in 2014-15. Renewal of 3,920 seats not permitted in 2014-15, leading to net loss of 1,170 seats
- India is lagging behind the WHO-advised doctor to people ratio, it has one doctor for every 1,700 people against the required one doctor for every 1,000 people

available for the academic year." According to the affidavit, total capacity in MBBS courses increased from 51,598 in 2013-14 to 54,348 in 2014-15. However, renewal of seats was not permitted in case of 3,920 seats in 2014-15, leading to a net loss of 1,170 seats.

The MCI had recommended rejection of renewal in case of 8,667 seats. However, renewal permission for 4,747 seats in 73 government medical colleges was granted by the Centre on the last date, that is July 15, 2014, by relying on the undertaking/compliance given by the respective state governments. Calling the loss of MBBS seats serious, the bench said, "It not only causes loss of opportunity to the student community but at the same time causes loss to society in terms of less number of doctors

being available. The MCI and the central government must, therefore, show due diligence right from the day when applications are received."

On rectification, a fresh inspection is to be carried out and a report sent expeditiously to the central government for either grant or rejection of the application seeking renewal of permission to admit students well ahead of the commencement of each academic session. Writing the judgment for the bench, Justice Lalit said the Centre had been empowered to make minor adjustments in the schedule for inspection and grant of permission to medical colleges. However, the bench clarified that the September 30 deadline to complete admissions to all MBBS seats must be scrupulously adhered to.

Only MBBS doc's nod can get you blood

Sumitra Debroy
@timesgroup.com

Mumbai: Blood banks can not issue blood and its components on prescriptions written by ayurveda, homeopathy and unani doctors, says a circular issued by the Drug Controller General of India (DCGI). It will curb the indiscriminate use of blood treatment that has led to rise in transfusion-related infections and deaths, it added.

The August 18 circular has caused a flutter among alternative medicine practitioners who believe it will adversely affect healthcare delivery in rural areas. The decision to restrict prescriptions on which blood will be made available was taken "solely keeping the safety of patients in mind", I G N Singh, the Drugs Controller General of India, said.

Singh added that the circular was issued on the basis of a clause in the Drug and Cosmetics Act that allows blood banks only to accept prescriptions from MBBS doctors, dentists and certified veterinarians.

BUSINESSES TRAPPED BY 'RED-TAPISM' IN INDIA

SOURCE: STUDY BY TIMELEASE



70.11 23-8-2015

DAMSON
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Sole Distributors: Messrs. S. S. Narayana & Co., Ltd., 10, Market Street, Madras.

Printed and Published by S. S. Narayana & Co., Ltd., 10, Market Street, Madras.
Established since 1885. Daily and Sunday.



THE TIMES OF INDIA

NO. 10, MARKET STREET, MADRAS.

WEDNESDAY, JUNE 10, 1958

10

IN P.M.

SEA PALACE HOTEL
Serving to Hospitality
• Air-conditioned
• Restaurant
• Bar
• Casino
• Swimming Pool
• Tennis Courts
• Billiard Room
• Library
• Carriage Port
• 100 Rooms
• 100 Bathrooms
• 100 Toilets
• 100 Closets
• 100 Wardrobes
• 100 Drawers
• 100 Trunks
• 100 Luggage
• 100 Bicycles
• 100 Motor Cars
• 100 Motor Buses
• 100 Motor Trucks
• 100 Motor Cycles
• 100 Motor Scooters
• 100 Motor Bikes
• 100 Motor Cars
• 100 Motor Buses
• 100 Motor Trucks
• 100 Motor Cycles
• 100 Motor Scooters
• 100 Motor Bikes

STATE OF EMERGENCY DECLARED

Several leaders arrested

10th June, 1958.
The President, Mr. Rajendra Prasad, today declared a state of emergency in the State of Madras, and ordered the arrest of several leaders of the Communist Party of India (C.P.I.) and the Revolutionary Socialist Party (R.S.P.).

The President's order, which was issued at 11.30 a.m., stated that the Government of Madras had failed to maintain law and order in the State, and that the security of the State was in peril. The order also stated that the Government of Madras had failed to maintain the rule of law, and that the security of the State was in peril.

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CM warns against call for bandh

By A. J. S. Nair

The Chief Minister, Mr. C. N. Annadurai, today warned against a call for a bandh (strike) in the State. He stated that such a call would be a violation of the law, and that it would be a breach of the peace. He also stated that the Government would take strict action against anyone who called for a bandh.

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Security in peril, says P.M.

The Prime Minister, Mr. Jawahar Lal Nehru, today stated that the security of the State was in peril. He stated that the Government of Madras had failed to maintain law and order, and that the security of the State was in peril. He also stated that the Government of Madras had failed to maintain the rule of law, and that the security of the State was in peril.

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Rights suspended

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Be vigilant, states told

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Peace plea by state govt.

The Government of Madras today pleaded for peace in the State. It stated that the Government was committed to maintaining law and order, and that it was committed to maintaining the rule of law. It also stated that the Government was committed to maintaining the rule of law, and that it was committed to maintaining the rule of law.

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Situation peaceful

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People ignore bandh call

The Government of Madras today stated that the people of the State were ignoring calls for a bandh. It stated that there were no reports of people participating in a bandh, and that the Government was committed to maintaining law and order. It also stated that the Government was committed to maintaining the rule of law, and that it was committed to maintaining the rule of law.

Borooah blames opposition

The Minister, Mr. B. Borooah, today blamed the opposition for the state of emergency. He stated that the opposition was responsible for the failure of the Government to maintain law and order, and that the opposition was responsible for the failure of the Government to maintain the rule of law. He also stated that the opposition was responsible for the failure of the Government to maintain the rule of law, and that the opposition was responsible for the failure of the Government to maintain the rule of law.

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THE HINDU

India's National Newspaper



President Proclaims National Emergency

"Security of India Threatened by Internal Disturbances"

Preventive Arrests: Press Censorship Imposed

NEW DELHI, June 26: The morning flash, President has declared a state of emergency threatening the security of India "due to internal disturbances".

The emergency declared in Maintenance of Internal Security Act (MISA) warrants for arrest against Mr Desai and he would like to go to toilet and have his bath. The police party agreed to let him perform his prayers before boarding the Punjab police from throughout the State under the MISA according to an official emergency.

NEW DELHI: Mr Jayaprakash Narayan was taken to the central district after 2 a.m. His clothes were packed in advance and kept in the waiting taxi.

When the police party reached his house and informed him that he was being taken into custody under the Maintenance of Internal Security Act (MISA), Mr Desai said he would like to go to toilet and have his bath. The police party agreed to let him perform his prayers before boarding the Punjab police from throughout the State under the MISA according to an official emergency.

Raj Narain, Mody & Jayaprakash Narayan was taken to the central district after 2 a.m. His clothes were packed in advance and kept in the waiting taxi.

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EMERGENCY DECLARED

JP, Morarji, Advani, Asoka Mehta & Vajpayee arrested

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"Emergency was imposed, not because INDIA was in Danger, but INDIRA was in Danger"

#Emergency

MURDER OF DEMOCRACY

(1975-1977)



Status check

The Corruption Perceptions Index uses a scale of zero (highly corrupt) to 100 (very clean). The global average for 2019 is 43

Country	Score in 2019	Rank in 2019	Change in rank from '18
Denmark	87	1	0
New Zealand	87	1	1
U.K.	77	12	-1
U.S.	69	23	-1
India	41	80	-2
China	41	80	7
Brazil	35	106	-1
Pakistan	32	120	-3
Russia	28	137	1
Bangladesh	26	146	3
Somalia	9	180	0



Major [Macro]Economic Objectives

- Output: *High level* and rapid *growth* of output.

Growth without social justice is inhuman and social justice without growth is impossible.

- Employment:

High level of employment with low involuntary unemployment.

- Price-level stability: *Stable moderate inflation rate.*

Redistributive justice: reduction of inequalities /poverty alleviation

Rich-poor gap widens in India

Overall poverty down but inequality measure up in both rural and urban areas, shows consumption data for FY 12

Source: *Business Standard*, August 10, 2013

Inequality gap between rich and poor widens

Source: **ndtv** August 2, 2012

India Today

Income gap between rich and poor has widened, says Planning Commission

October 23, 2011

Inequality gap widens as 42 people hold same wealth as 3.7bn poorest
82% of the global wealth generated in 2017 went to the most wealthy 1%.

January 22, 2018 The Guardian