1. Distinction Between Microeconomics and Macroeconomics
2. Goals of Macroeconomics
3. Instruments of Macroeconomics

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Distinction

Basis	Microeconomics	Macroeconomics
Meaning	The word ‘micro’ refers to small. Thus, microeconomics studies about small/individual units.	The word ‘macro’ refers to large. Thus, macroeconomics studies about large/aggregate and their average.
Scope	The study of microeconomics includes the determination of prices of product and factors, allocation of resources, theory of economic welfare etc.	Macroeconomics covers the area such as theories of income and employment, general price level, economic growth, banking system etc.
Analytical Technique	Microeconomics uses a method of partial equilibrium analysis.	Macroeconomics uses a method of general equilibrium analysis.
Assumption	Micro economics assumes free market economy, full employment of all factors of production.	It assumes partial government intervention and under employment in an economy.
objectives	Economic efficiency, utility maximization	Reduction of poverty and unemployment, economic stability, economic growth etc
Basis	Price mechanism	National income, aggregate demand, aggregate supply

Goals of Macroeconomics

Growth Related Issues:

1. Economic growth is the main goal of every nations.
2. NPC started first five year plan since 1956.
3. Saving ➡ investment ➡ capital formation

The issues of Business Cycle:

1. Magnitude of fluctuation in the economy.
2. High growth rate of GDP in one period is followed by sharp decline in the next period. *Prosperity and depression.*
3. Economic policy such that fiscal and monetary policy

The Issues of Inflation:

1. Persistent and appreciable rise in price level over a period of time
2. Economically and socially not desirable for the economy

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The issues of unemployment and Poverty:

1. Unemployment refers to the condition in which labor force is willing to work at the prevailing wage rate and looking for a job but not getting unemployment.
2. Poverty is the condition in which people are unable to fulfill even basic needs.

The issues of Budgetary Deficit:

1. The government budget refers to the annual revenue and expenditure of the government of a country.
2. Public expenditure > public revenue

The International Economic Issue

1. Growing balance of payments deficits
2. Exchange rate fluctuation
3. Excessive inflow and outflow of capital

3. Instruments of Macroeconomics

A. Fiscal Policy

Fiscal policy refers to the policy undertaken by the government to control or regulate government finance or state treasury to achieve predetermined objectives. Fiscal policy is related with the government finance. It includes to the tax revenue, non tax revenue and borrowing while government expenditure refers to the total expenditure made by the government during a year i.e. current and capital. Fiscal policy aims to influence aggregate demand by the change in disposable income, private consumption, investment, saving, export, import and structure of price by the help of fiscal instruments.

B. Monetary Policy

Monetary policy refers to the policy undertaken by the monetary authority or the central bank to control and regulate the supply of money to achieve predetermined objectives. Monetary policy aims to influence the supply of money, cost control and credit with the help of monetary techniques. It influences economic activities mainly through the two variables i.e. money or credit supply and the rate of interest. Monetary policy helps to achieve various objectives such as full employment, stability in price, economic growth, exchange rete stability etc.