MACROECONOMICS

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- In the 1930s one of the world's strongest economies suffered a devastating collapse. It was the American economy, and the disaster was the Great Depression.
- In other words, governments had to have an understanding of macroeconomics.

- There are some different aspects between microeconomics and macroeconomics. Microeconomics looks at supply and demand for a single product or industry, macroeconomics follows supply and demand patterns for the whole economy

MACROECONOMICS IS NOT ONLY ABOUT KNOWING WHAT'S HAPPENING IN THE ECONOMY

- After the great depression governments realized that an economy needs to be managed. They aim to have steady growth, to control inflation, and to avoid recessions.
- Despite the difficulties, they have special mechanisms which help them to do this.

FISCAL POLICY

- The first mechanism is fiscal policy. Fiscal policy refers to government spending and to the tax system.
- With the help of these two mechanisms, governments can have a huge effect on the growth of the economy.

MONETARY POLICY

- The second of these mechanisms is monetary policy. With its monetary policy, a government sets interest rates and also controls the amount of money that circulates in the economy.
- These interest rates have a big impact on the economy.

ADMINISTRATIVE APPROACH

- The third mechanism is administrative approach. This is a range of things that governments do to increase the supply of goods and services to the economy but without increasing prices.
- There are a number of ways governments try to do this.

IN THE END…

- With the combination of these methods , governments try to steer or guide the economy on a steady and predictable path.
- They aim for gradual economic growth and to avoid disasters like the Great Depression.