

What is Macroeconomics?

The field of economics known as macroeconomics focuses on the behaviors of a national economy, or a regional economy, as a whole. Macroeconomics is a very general field that concerns itself primarily with large scale indicators, such as unemployment rates, and with the creation of models meant to explain relationships between those indicators. It is also considered the complement to microeconomics, which studies the actions of individuals rather than larger scales.

Macroeconomics became a viable area of economic study in the 1930s due directly to the Great Depression. Until that time, economists did not consider individual activities from the behavior of a national economy as a whole. John Maynard Keynes, a British economist, and other economists who worked to explain the causes of the Great Depression, were especially influential in the development of macroeconomics.

Keynes' theories dominated the field until fairly recently. Keynesians relied on aggregate demand to answer questions central to macroeconomics, such as how to explain levels of unemployment. In the late 1980s, Keynesian economists reconciled with classical economists, a significant struggle in which economists worked to reconcile microeconomic models to those developed in macroeconomics. While Keynesian models are no longer the basis of the field, current models are heavily influenced by their Keynesian predecessors. So far, no economic school of thought has developed a model that completely and accurately reproduces the workings of an economy, leading to disparate conclusions. However, considering theories from each can allow an economist to develop a working approach to the field.

The study of macroeconomics has led to the use of governmental policies to effect economic change, with the hope of avoiding depressions and other economic shocks. The two key tools used to manage national economies are fiscal and monetary policies. Policies developed from this field of economics have wide effects — as a rule, they are the politics that make the evening news.

<http://www.wisegeek.com/what-is-macroeconomics.htm>