

Modern macroeconomics: its origins, development and current state / Brian Snowdon, Howard R. Vane

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Abstrak

Macroeconomics is concerned with the structure, performance and behaviour of the economy as a whole. The prime concern of macroeconomists is to analyse and attempt to understand the underlying determinants of the main aggregate trends in the economy with respect to the total output of goods and services (GDP), unemployment, inflation and international transactions. In particular, macroeconomic analysis seeks to explain the cause and impact of short-run fluctuations in GDP (the business cycle), and the major determinants of the long-run path of GDP (economic growth). Obviously the subject matter of macroeconomics is of crucial importance because in one way or another macroeconomic events have an important influence on the lives and welfare of all of us. It is difficult to overstate just how important satisfactory macroeconomic performance is for the well-being of the citizens of any country. An economy that has successful macroeconomic management should experience low unemployment and inflation, and steady and sustained economic growth. In contrast, in a country where there is macroeconomic mismanagement, we will observe an adverse impact on the living standards and employment opportunities of the citizens of that country. In extreme circumstances the consequences of macroeconomic instability have been devastating. For example, the catastrophic political and economic consequences of failing to maintain macroeconomic stability among the major industrial nations during the period 1918-33 ignited a chain of events that contributed to the outbreak of the Second World War, with disastrous consequences for both humanity and the world economy.

Because macroeconomic performance and policies are closely connected, the major macroeconomic issues are also the subject of constant media attention and inevitably play a central role in political debate. The influence of the economic performance of the economy on political events is particularly important and pertinent in liberal democracies during election campaigns.