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**GRT** **NEXUS BETWEEN MACRO-ECONOMICS AND SUSTAINABLE GROWTH**

**Chitte G.N.**

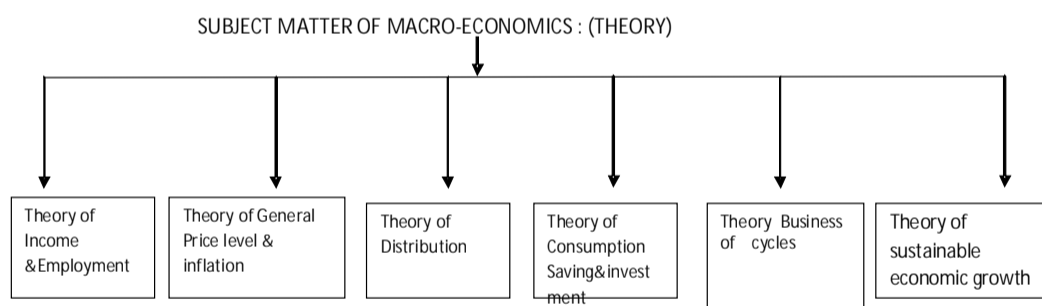
Mauli Mahavidyalaya , Wadala .N. Solapur.

**Abstract:-OBJECTIVE OF RESEARCH PAPER :** Theoretical Analysis And Discussion In Respect Of Macro-Economics And Sustainable Growth.

Macro-economics deals with the analysis of the economy as a whole, and its large aggregates such as total notional output, income, employment, consumption, investment & growth. According to Prof.K.E Boulding & Prof.Gardner Ackley "Macro-Economics deals with economic affairs in the large it concerns the overall dimensions of economic life".

**Keywords:**Macro-economics deals ,analysis , Sustainable Growth.

**INTRODUCTION**



Economic growth is major aspect being studied by the macro economics is useful in evaluating the resources and capabilities of an economy. This is also useful in formulating and implementation of plans for the overall increase in income, output, and employment to raise the level of economic development of the economy.

**Goals of Macro-Economics**

Prof .Tinbergen ,who shared the first Nobel Prize in Economics with Prof .Ragnar Frisch has classified Macro economics variables into four categories.

- 1 .Target Variables
2. Intermediate variables
3. Leading Indicator Variables
4. Instrument Variables.

### Target-Variables –

- a) High Growing income
- b) Price stability
- c) Social Justice
- d) Sustainable current account balance

a) Since national income represents purchasing power and therefore command over goods and services, every economy aims at securing the highest possible level of national income. Growth in national income is an obvious goal of an economy. Fast growing economies like the United States, Switzerland, Japan and Singapore have attained high degree of economic prosperity, some countries like Mexico, Malaysia, Thailand and Korea are still hovering in the middle and many more like India, China, Nigeria fall in the group of low income or developing countries. But China has sustained a two digit growth rate for about two decades, countries in East Asia and the Pacific have achieved an average growth rate of around 8 percent. Over one hundred countries have attained a growth rate of only less than 4 percent.

#### b) Price Stability :

Price stability is sought for various reasons. Price fluctuations i.e inflation, deflation negatively affects the real values of all variables denominated in money terms. Currency notes and bank deposits lose their real worth during inflation. So inflation discourages households from holding financial assets and thereby hampers investment and therefore, the growth. Small degree of inflation is considered good for the economy as it encourages profits and thereby investment and growth. Large doses of inflation are harmful. Deflation is worse than inflation. Countries like Japan and Germany were worried of deflation and had tried to avoid deflation.

#### c) Social Justice :

Recently social justice has become a prime goal of the economy. It calls for growth with a 'Human face' meaning universal, inclusive growth rather than lopsided prosperity. The extent of this is measured through unemployment, poverty and income inequality across households and regions. These have to be as low as possible, if not zero.

#### d) Sustainable current account balance :

Globalization is no more a choice but is inevitable. China & Southeast Asian nations over the last decade and longer has impressed all nations about the gains from open economy over dependence on IMF, World Bank and other nations. It will be a danger for their deficit in current balance and economic crisis. In this context following three famous curves, laws of which would become clear.

- Phillip's Curve.
- Kuznets' Curve
- Okun's Law.

The Phillip's Curve describes a non-linear negative relationship between the rates of inflation and unemployment and this suggests that goals of price stability and full employment (high level of output) are incompatible.

The Kuznet's curve outlines the inverted U-shaped relationship between the degree of income inequality and level of per capita income, which implies that the goals of equality and high per capita income conflict in poor countries while they go hand in hand in rich countries.

The Okun's Law suggests that there is a threshold level of growth (3% for USA) even for maintaining the current unemployment rate which would only become worse if the economy grows at a rate below that minimum level.



of all investments is not the same, while sometimes a country gets good, some others times it gets not so good ones. This is partly due to the availability of investment opportunities and partly due to the good or poor screening and uncertainty. This makes investments volatile and as a consequence, we have business cycles.

The Significance of economic growth is obvious. High economic growth implies increased purchasing power in the hands of consumers and that encourages firms to expand their productions through additional employment of labor and capital. Employment opportunities expands, which therefore triggers the boom period. Quite the reverse holds good when the growth the rate falls or turns negative. Due to fall in the purchasing power, business is not able to sell all their produce, inventories get accumulated, production and labour is retrenched, machines and structures remain underutilized and the downswing gets aggravated.

Data on the unemployment rate conveys the message about the stability of worker's employment, and the prospects for employment and expected wage rate to those who are unemployed when economy is over-heated (i.e. unemployment falls below its natural level). The workers and their trade unions become more demanding and firms compete in recruiting new staff under the opposite situation workers are left with a little bargaining power and they are ready to behave and work well without any new expectations. Statistics on the inflation rate alerts workers about their demand for dearness allowances and the firms about the increasing production cost and hence the extent which they may revise their products prices upward.

The popularity and the actions needed by the government are dictated by the economics performance and growth, unemployment and inflations fronts. A favorable outcome on these makes the government efficient, effective and re-elected and via versa.

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