

TIP: Studying economics requires learning both new vocabulary and a new way of thinking.

This chapter provides an overview of macroeconomics, the topics covered in the study of macroeconomics, and general definitions of macroeconomic variables. You will need to familiarize yourself with this information and vocabulary.

TIP: Macroeconomics focuses on the economic behavior of the overall economy, while microeconomics focuses on the economic behavior of individuals, firms, and specific markets.

Macroeconomics studies topics like the determination of the aggregate level of output, the aggregate price level, the level of employment, short-run economic fluctuations, and long-run economic growth. Microeconomics considers topics like supply and demand in particular markets, profit maximization by firms, and utility maximization by individuals.

TIP: Aggregation of data is at the heart of macroeconomics.

This chapter briefly describes the meaning of aggregation and gives examples of aggregated measures like employment, real GDP, and the overall price level. The concept of aggregation is important to understand as you begin your study of macroeconomics.

TIP: In macroeconomics, the aggregate effect is often greater than the sum of the individual effects.

In macroeconomics we find that the sum of many individual actions accumulates to produce outcomes that are larger than the simple sum of these individual actions. The combined effect of individual decisions can be much different from the intentions that any one individual had. The text provides an example of this with the paradox of thrift.