Date

Micro & Macro Economics

The field of economics is typically divided into two broad areas - micro economics and macro economics. It is important to see the distinction between these two broad areas of study.

Micro Economics is the branch of economics that focuses on the choices made by individual decision-making units in the economy - typically consumers and firms and the impacts those choices have on individual markets. Macro Economics is the branch of economics that focuses on the impact of choices on the total or aggregate level of economic activity. Why do tickets to the best concerts cost so much? How does the threat of global warming affect real estate prices in coastal areas? Why do women end up doing most of the housework? Why do senior citizens get discounts on public transit systems? These questions are generally regarded as micro economic because they focus on individual units or markets in the economy.

Is the total level of economic activity rising or falling? Is the rate of Inflation increasing or decreasing? What is happening to the unemployment rate? These are questions that deal with aggregale (or totals) in the economy. They are problems of macro economics. The question about the level of economic activity, for example, refers to the total value of all goods and services produced in the economy. Inflation is a measure of the rate of change in the average price-level for the entire economy, it is a macroeconomic problem. The total levels of employment and unemployment in the economy represent the aggregate of all labour markets, unemployment is also a topic of Macro Economics.

Both Micro Economics and Macro Economics give attention to individual markets. But in micro economics that attention is an end in itself but in macro-economics it is aimed at explaining the movement of major economic aggregates - the level of total output, the level of employment, and the price level.

We have now examined the characteristics that define the economic way of thinking and the two branches of this way of thinking - micro economics and macro economics.

The difference between micro and macro economics is so simple. Micro economics is the study of economics at an individual, group or company level. On the other hand Macroeconomics is the study of a national economy as a whole. Microeconomics focuses on issues that effect individuals and companies. This could mean the studying the supply and demand for a specific product, the production that an individual or business is capable of or the effects of regulations on a business. On the other hand, Macroeconomics focuses on issues that affect the economy as a whole. Some of the most common focuses of macroeconomics include unemployment rates, the gross

domestic product of an economy, and the effects of exports and imports.
In short, micro economics focuses on individual markets while macro economics focuses on whole economies. In other words, we can say that micro economics deals with a branch of a tree but macro economics deals with whole body of a tree.
At last we can say that micro economics and macro economics both are important and both are complementary for each other. Most of the issues are overlapped by both the economic studies. The impact of one will show the result in another one.
It is clear that all the decisions are made in micro economy and the results can be seen in micro economy.