INTRODUCTORY NOTE ON MACROECONOMICS

Macroeconomics is a key branch of economics that investigates the performance, structure, and behavior of the economy taken as a whole. Macroeconomists study and try to understand the determinants of aggregate trends in the economy. They focus on national income, unemployment, inflation, investment, and international trade. In contrast, microeconomics is primarily focused on the determination of prices and the role of prices in allocating scarce resources.

While macroeconomics is a very broad field, there are two areas of research that are representative of the discipline. The first is to investigate into the causes and consequences of short-run fluctuations in national income (the business cycle). The second is to characterize the determinants of long-run economic growth (increases in national income).

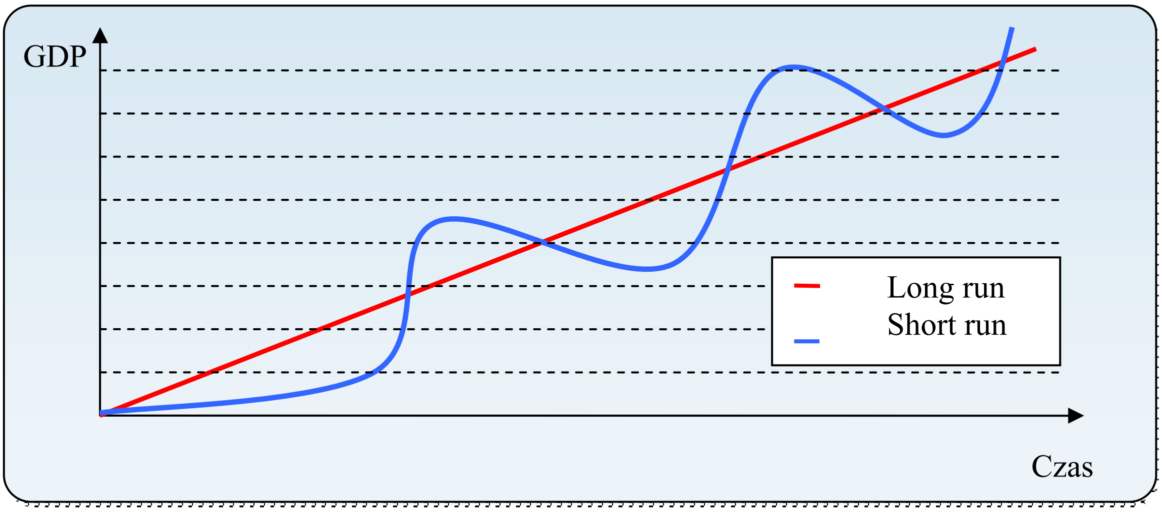


Figure 1-1 GDP in time. Short-run fluctuations in national income (the business cycle) and the long-run economic growth (increases in national income).

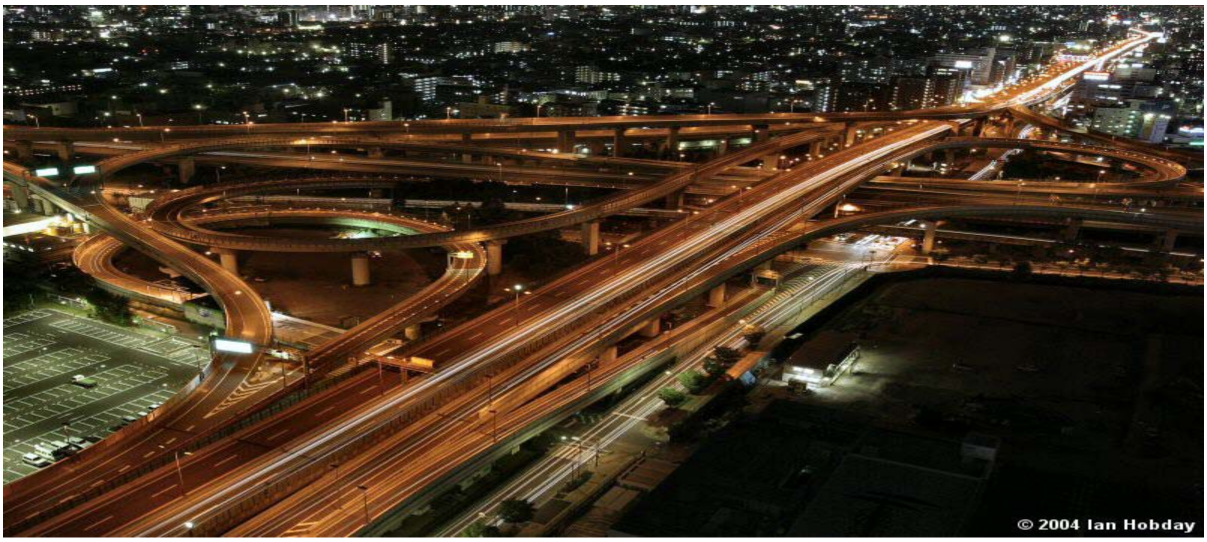


Figure 1-2 Highway intersection in the outskirts of Osaka (on the previous page) and Skierniewice.

Stabilization policy

In order to try to avoid major economic shocks, such as great depression, governments make adjustments through policy changes which they hope will succeed in stabilizing the economy. Governments believe that the success of these adjustments is necessary to maintain stability and continue growth. This economic management is achieved through two types of strategies.

- Fiscal Policy
- Monetary Policy

Schools of macroeconomic research

There are different schools of macroeconomic thought, with poles apart views on efficiency and efficacy of various stabilization policies. However, the various schools of thought are not always in direct competition with one another, even though they sometimes reach differing conclusions. Macroeconomics is an ever-evolving area of research. The goal of economic research is not to be "right," but rather to be accurate. It is likely that none of the current schools of economic thought perfectly capture the workings of the economy. They do, however, each contribute a small piece of the overall puzzle. As one learns more about each school of thought, it is possible to combine aspects of each in order to reach an informed synthesis. This is what will try to achieve in this class

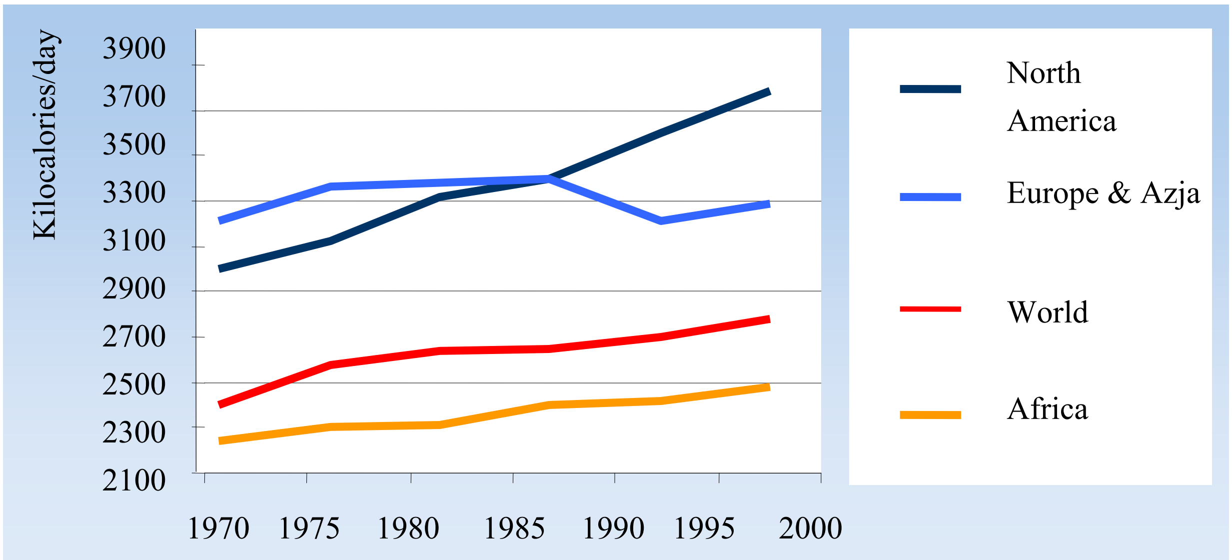


Figure 1-3 Kilocalories/day in different parts of the globe
Source: Own, based on www.undp.org data

Figure 1-4 Cartoon

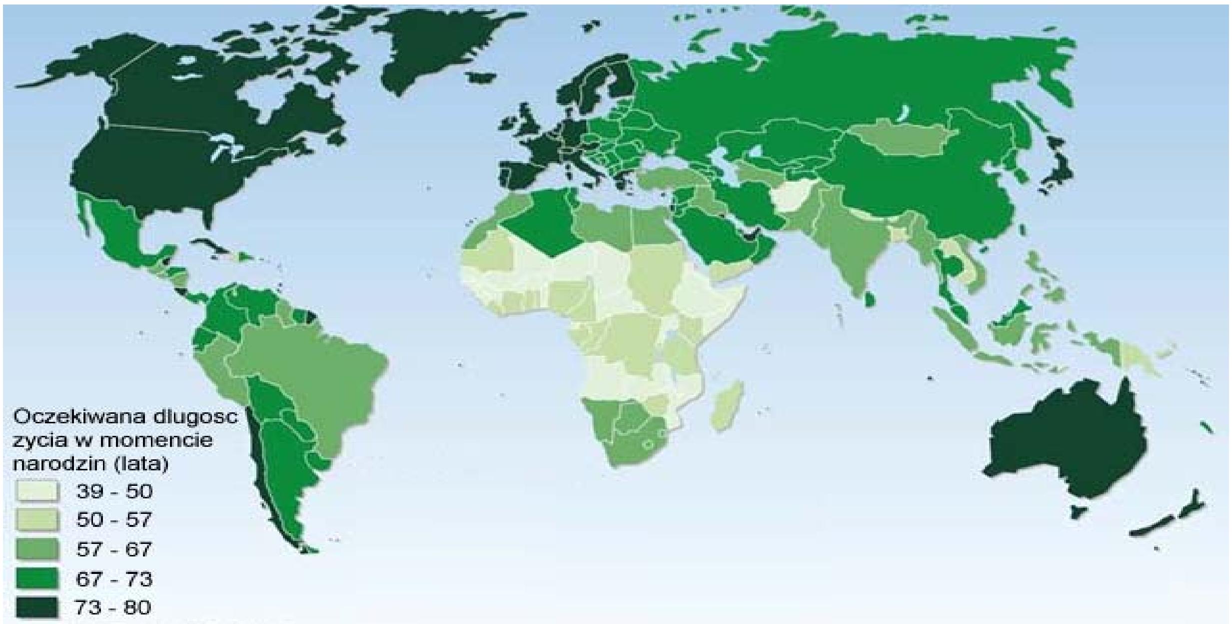


Figure 1-5 Life expectancy at birth in years

Source: www.wordlbank.org

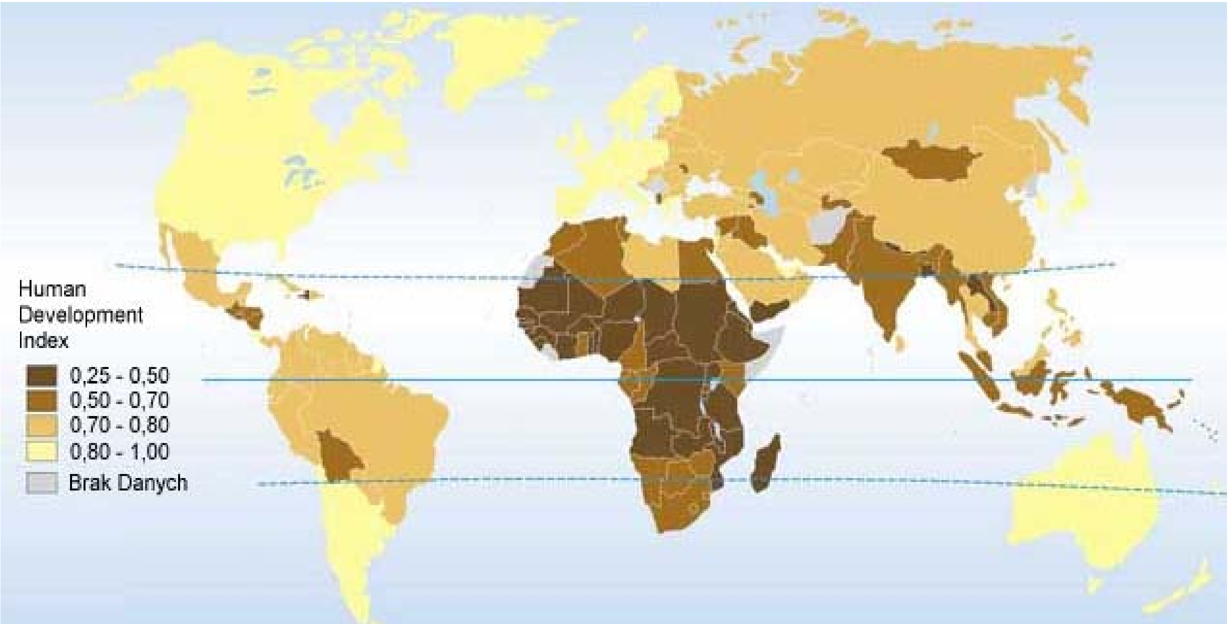


Figure 1-6 Human Development Index across the world

Source: www.wordlbank.org

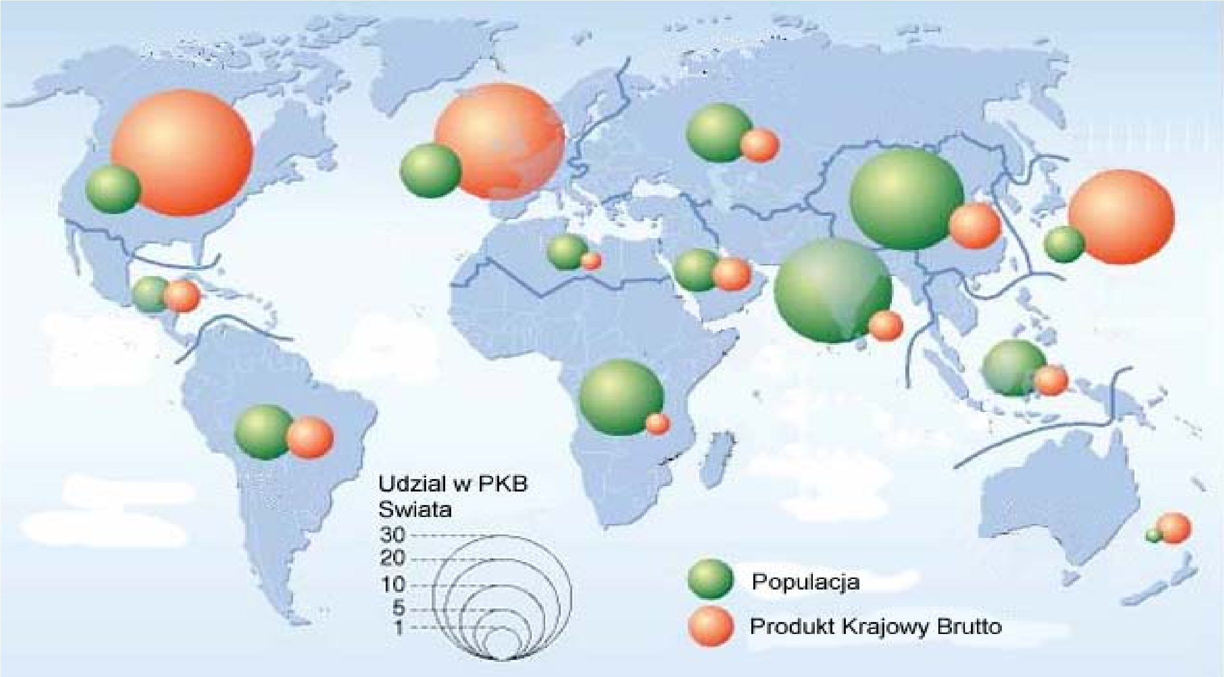


Figure 1-7 Share of regions in total GDP (red) and population (green)

Source: www.wordlbank.org

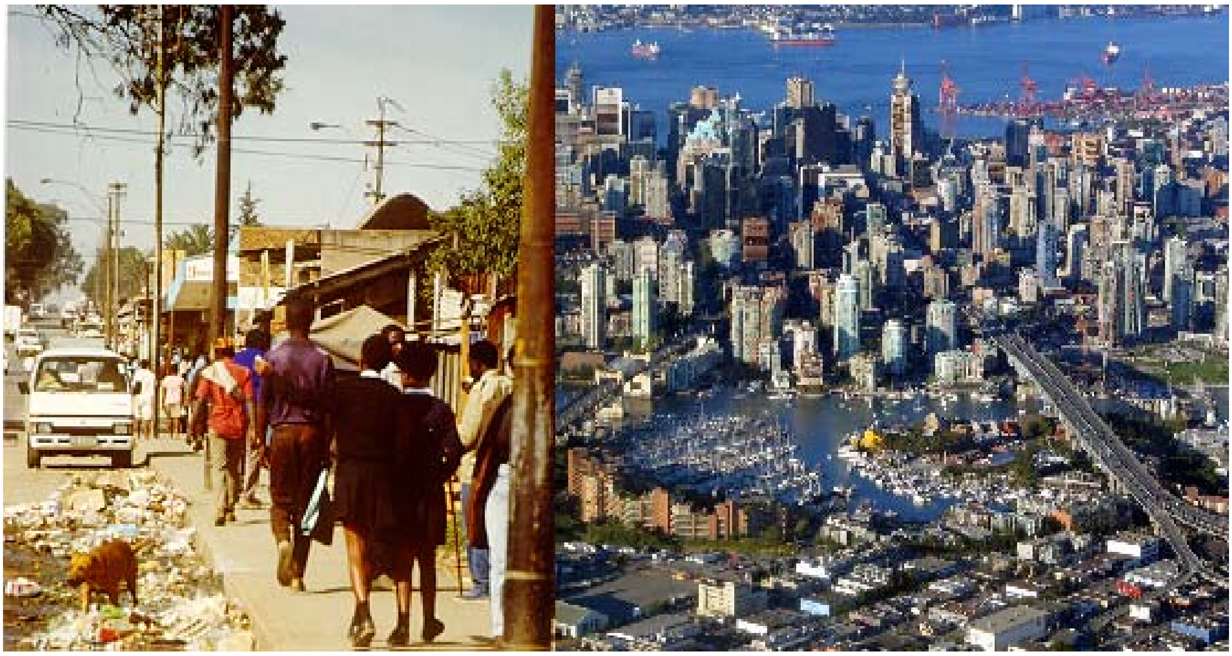
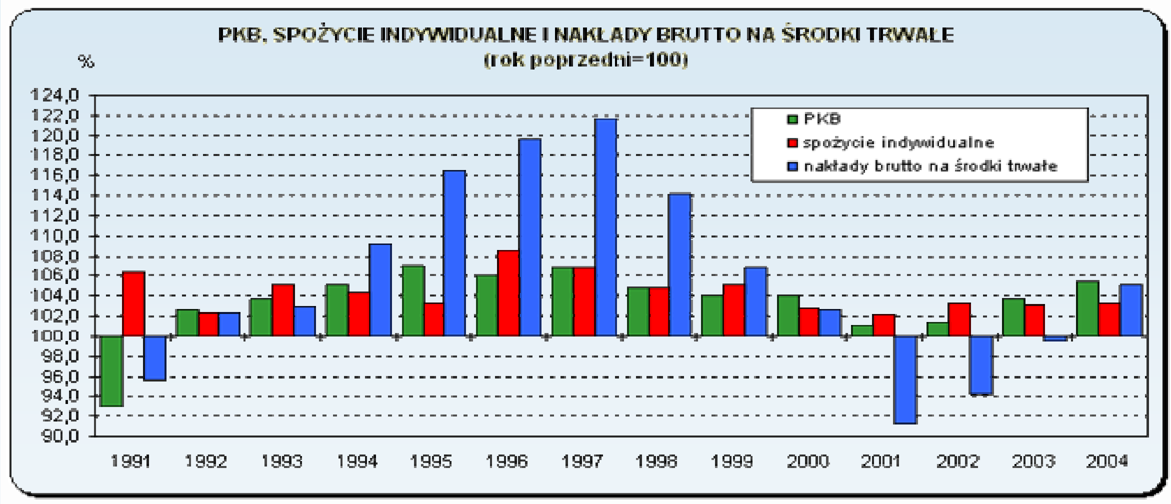
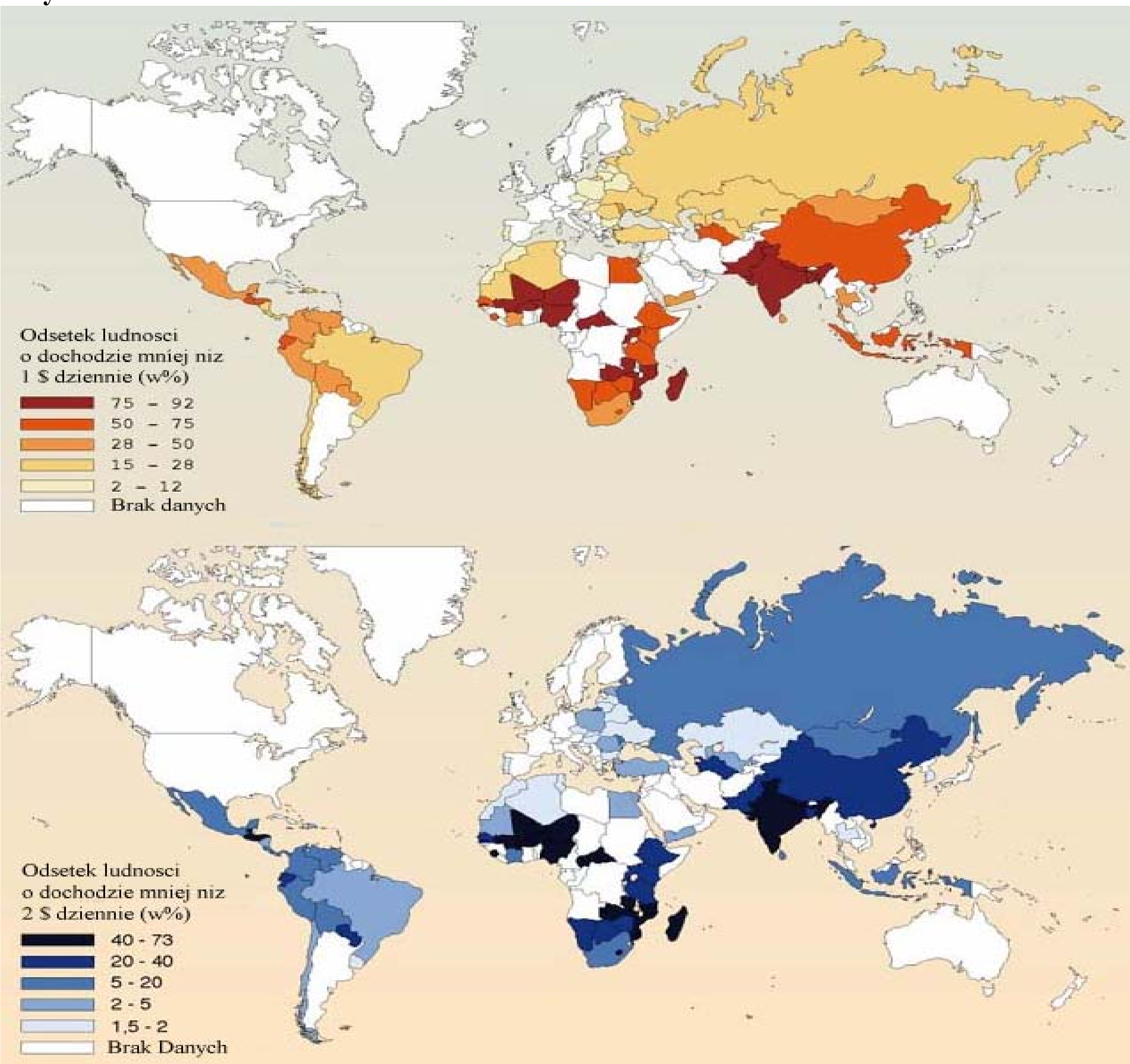


Figure 1-7. Suburbian areas of Mexico City and Vancouver



Rysunek 1-9 PKB Polski w czasie



Rysunek 1-9. Fraction of the population living on less then 1 (up) and 2 (down) USD a day

Source: www.wordlbank.org