Chapter 6 Macroeconomics: The Big Picture

- The definition of macroeconomics and get an overview of the economy as a whole.
- How macroeconomics differs from microeconomics and that what is good for the part is not necessarily good for the whole.
- The importance of the business cycle and why policy makers seek to diminish the severity of business cycles.
- The meaning of long-term growth and how it affects a country’s standard of living.
- The definitions of inflation and deflation.
- Why policy makers and economists prefer price stability in the macroeconomy.
- The meaning of the balance of payments and why.

Opening Example: “Hoovervilles”

I. The Nature of Macroeconomics

A. Macroeconomics

B. Macroeconomic versus microeconomic questions (*Table 6-1*)

C. Macroeconomics is more than the sum of its parts

D. Macroeconomics: Theory and Policy
   1. Definition: *A self-regulating*
   2. Definition: *Keynesian economics*
   3. Definition: *Monetary policy*
   4. Definition: *Fiscal policy*

II. The Business Cycle

A. Definition: The *business cycle*

B. Charting the Business Cycle (*Figure 6-2*).
   1. Definition: *Recessions*
   2. Definition: *Expansions*
   3. Definition: The *business cycle peak*
   4. Definition: The *business cycle trough*
C. The Pain of Recession

D. Taming the business cycle

III. Long-Run Economic Growth \textit{(Figure 6-6)}
Definition: \textit{Long-run economic growth}

IV. Inflation and Deflation
Example: Coca-Cola cost in 50s, 60s, 70s
A. Definition: \textit{Inflation}
B. Definition: \textit{Deflation}
C. The causes of inflation and deflation
D. The pain of inflation and deflation
Definition: \textit{Price stability}

V. International Imbalances
Q: What products have you purchased that were produced in another country?
A. Definition: An \textit{open economy}
B. Definition: A \textit{trade deficit}
C. Definition: A \textit{trade surplus}

Suggested Problems: Problems – 1, 2, 3, 4, 6