

MACROECONOMICS[†]

Lec. 0

Introduction to Macroeconomics

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Slides primarily based on *Macroeconomics* by N. Gregory Mankiw (2022), and
Macroeconomics by Olivier Blanchard (2020)

Quotation



“The whole of science is nothing more than a refinement of everyday thinking.”

—Albert Einstein

What is Macroeconomics?



- ✓ Macroeconomics talks about many prominent topics in economy, topics such as:
 - ✗ National income, expenses, and taxes
 - ✗ Inflation
 - ✗ Economic growth
 - ✗ Unemployment rate
 - ✗ Exchange rates
 - ✗ Money and interest rates
 - ✗ Economic policymaking
 - ✗ Budget balance
 - ✗ Economic cycles
 - ✗ Crises
- ✓ Macroeconomics also constitutes a distinct and separate branch of economics when compared to microeconomics

Macro- vs. Microeconomics



Branches Aspects	Macroeconomics	Microeconomics
	Focus	Individuals/Firms
Main Concerns	Economy-wide	Prices, Supply, Demand,...
Analysis Level	Aggregate, Policies,...	Individual Markets
Policy Scope	National/Global	Market-specific
	Government Policy	

A Definition



Macroeconomics

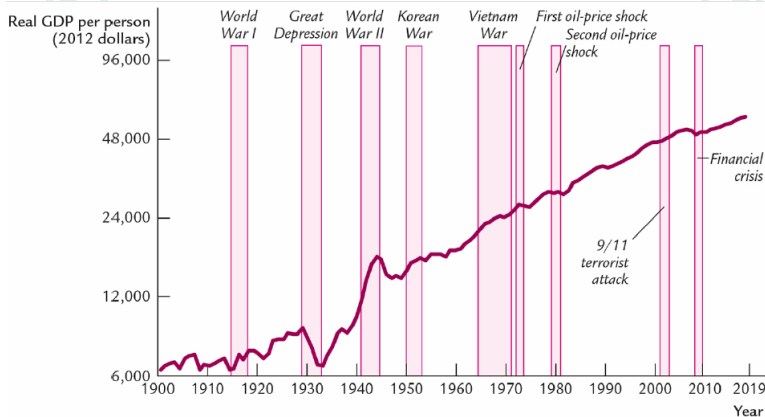
Macroeconomics is a discipline of economics that studies the economy as a whole, and focuses on aggregated factors. Macroeconomics seeks to address fundamental questions about the behavior and performance of entire economies.

Importance of Data

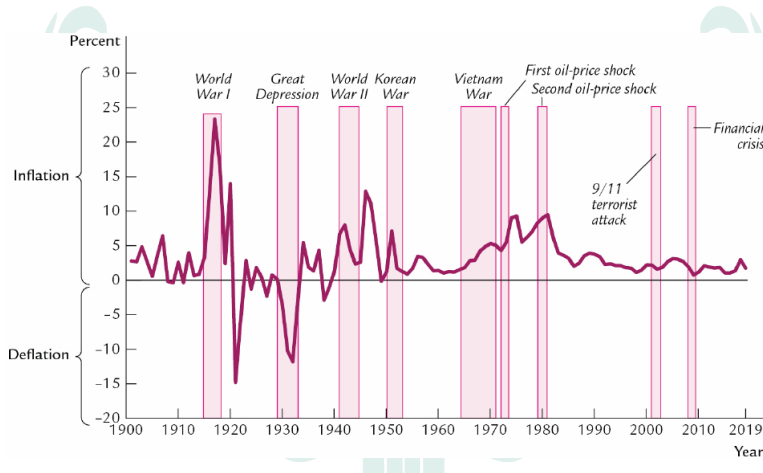


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- A large, faint, light blue watermark of a stylized bird or eagle with spread wings, centered behind the text.
- ✓ Data is the lifeblood of macroeconomics
 - ✓ Macroeconomics tends to define **indicators**
 - ✓ These indicators help gauge economic overall health and performance
 - ✓ Economists utilize these indicators through **models**

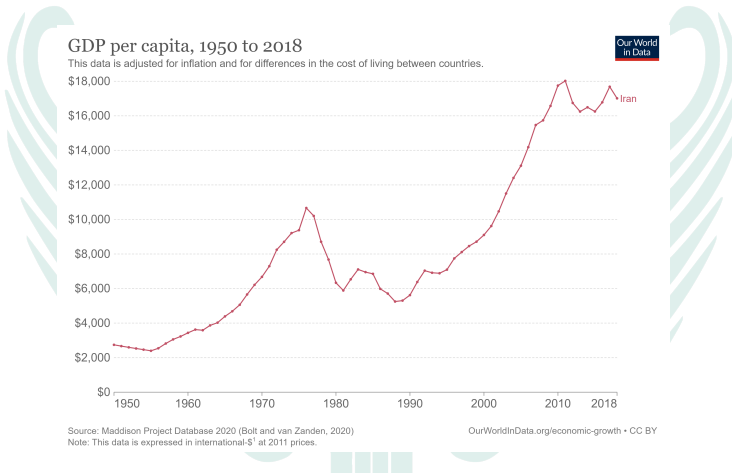
Historical Performance - US



Historical Performance - US (cont'd)



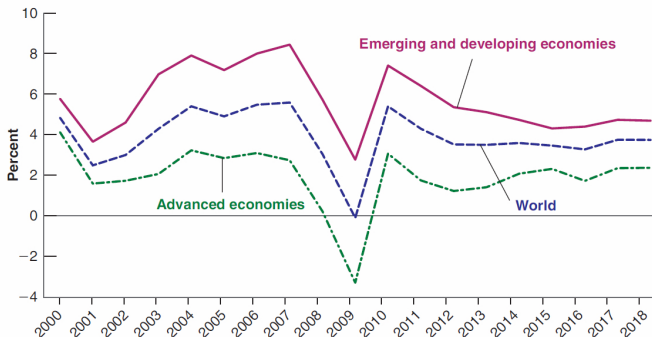
Historical Performance - Iran



Historical Performance - World



Output Growth Rates for the World Economy, for Advanced Economies, and for Emerging and Developing Economies, 2000–2018



Macro Models



- ✓ Every macroeconomic theory lies within the framework of a model
- ✓ To some extent, it's correct to say that there are two kinds of variables
 - ✗ **Exogenous:** Those variables that a model takes as given, and they are imposed from outside the model. Or simply said: these are the model's input.
 - ✗ **Endogenous:** Those variables that a model explains, and exogenous variables affect them. Or simply said: these are the model's output.

Model

Model is a simplified representation or abstraction of an intricate system or concept

Macro Models - Example



Apple Market (homogenous & flexible prices)

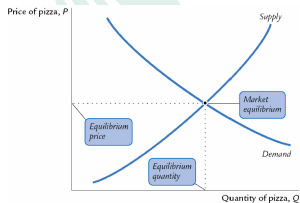
$$\text{Apple Market} \begin{cases} Q^d = D(P, Y) \\ Q^s = S(P, P_f) \end{cases}$$

Where

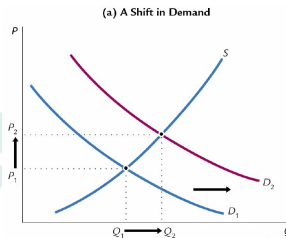
- P = price of apple
- Y = aggregate income
- P_f = price of factors (inputs)

1. How do you define the nature of each variable?
2. Which variable affects the other variables?
3. And how do they influence each other? (in what direction?)
4. What if we ignore the **market clearing** assumption?

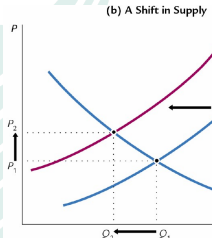
Macro Models - Example (cont'd)



Apple Market Equilibria



$Y \uparrow$



$P_f \uparrow$

Farewell & Gratitude



The End of Lecture 0

Thank You for Listening 

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