Micro Propagation and Macro Aggregation

**Author:**David Baqaee, Elisa Rubbo

This paper reviews a framework for studying the aggregation and propagation of microeconomic shocks in general equilibrium. We discuss the determinants of aggregate measures of real economic activity, like real GDP, real domestic absorption, and aggregate productivity in both efficient and inefficient environments. We also discuss how shocks from one set of producers are transmitted to other producers through prices and quantities. The framework we provide is amenable to generalization and can be used to study any collection of producers ranging from one isolated producer, to an industry consisting of heterogeneous producers, to an entire economy. We conclude with a brief survey of some of the applied questions that can be addressed using the analytical tools presented in this review and avenues for future work.

**Url:**<https://www.nber.org/papers/w30538>