University of OEB **Academic Year: 2024/2025**

Department of Economic Sciences

Second Year Licence Economics

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Lecture 02: Introduction to Macroeconomics

Macroeconomics is the branch of economics that studies the overall economy of a country or the world. It focuses on large-scale economic factors, such as national income, inflation, employment rates, and economic growth. Unlike microeconomics, which examines individual markets and businesses, macroeconomics looks at how different sectors of an economy interact and influence one another.

One of the key concerns of macroeconomics is Gross Domestic Product (GDP), which measures the total value of goods and services produced in a country. A growing GDP indicates a strong economy, while a declining GDP may signal economic trouble. Another important concept is inflation, which refers to the increase in the prices of goods and services over time. If inflation is too high, people's purchasing power decreases, making everyday items more expensive.

Governments and central banks play a crucial role in managing the economy. They use monetary policy, which involves controlling interest rates and the money supply, and fiscal policy, which includes government spending and taxation, to keep the economy stable. For example, during a recession, governments may lower interest rates to encourage borrowing and investment.

Macroeconomics also examines unemployment rates, which show the percentage of people who are actively looking for jobs but cannot find work. High unemployment can lead to lower consumer spending and slower economic growth.

In a globalized world, macroeconomic factors in one country can impact others. Trade policies, exchange rates, and international markets influence the stability of economies worldwide. Understanding macroeconomics helps individuals, businesses, and policymakers make informed financial decisions and predict future economic trends.

Reading Comprehension Questions:

1- True/False

- Macroeconomics focuses on small businesses and individual markets.
- GDP measures the total value of goods and services produced in a country.
- High inflation increases people's purchasing power.
- Governments use monetary and fiscal policies to manage the economy.
- Unemployment has no effect on economic growth.
- Macroeconomic factors in one country can affect other countries.

2- Short Answer Questions:

- What does macroeconomics study?
- How is macroeconomics different from microeconomics?
- What does GDP stand for, and why is it important?
- What happens when inflation is too high?
- How do governments use monetary and fiscal policies to control the economy?
- Why is the unemployment rate an important economic indicator?
- How does globalization affect macroeconomic stability?

Vocabulary Section

Activity 1: Match the Words to Their Definitions

Match the words on the left with their correct definitions on the right.

Macroeconomics, GDP (Gross Domestic Product), Inflation, Unemployment, Monetary Policy, Fiscal Policy, Recession, Exchange Rate.

Definitions:

a. The total value of goods and services produced in a country.

b. A period of economic decline when GDP decreases for two or more consecutive quarters.

c. The branch of economics that studies large-scale economic factors.

d. A rise in the general price level of goods and services over time.

e. The government's use of spending and taxation to influence the economy.

f. The percentage of people who are actively looking for jobs but cannot find work.

g. The policy used by central banks to control interest rates and the money supply.

h. The value of one currency compared to another.