

MICRO VS MACRO ECONOMICS

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Abstract

The study investigates micro and macroeconomics in detail with regard to the differences and commonalities they share. Microeconomics investigates the decision-making processes of households and individual firms about how their limited resources dictate their production, pricing, and consumption decisions. Macroeconomics, on the other hand, surveys the economy as a whole and hence covers such variables in a national context as income, employment levels, and economic growth. Therefore, this research compares the two fields and focuses on the nexus between microeconomic decisions on different levels as having combined impacts on outcomes at the macro level while also addressing the influence that trends at the national economic levels have on individual economic behavior.

Keywords:

Microeconomics, Macroeconomics, Economic Growth, Firm Decision-Making, GDP

Introduction

Economics means how man as an individual and as a society behaves, allocating his resources, which are scanty because they cannot meet unlimited wants. The complete study of economics can be divided into two broad categories called microeconomics and macroeconomics. Microeconomics studies the tiny units like households and firms in production, pricing, and cost decisions, while macroeconomics covers the economics in general and examines direct national indicators like Gross Domestic Product (GDP), national income and employment levels, and inflation. Both are important, and they are related because microeconomics shapes the macroeconomic environment while macro influences individual and business decisions.

The objectives of this paper are the following:

1. To define microeconomics and macroeconomics and to differentiate the two.
2. To shed light on the major determinants leading to economic decisions at the firm level and national level.



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3. To investigate the interrelationship between micro-level decisions and macroeconomic outcomes.

Methodology

This study will adopt a comparative as well as descriptive approach using secondary data and economic theory as source. The concepts would be examined through analysis of established definitions alongside examples of firm behavior and GDP as one of the economic indicators. Information would be summarized from educational sources and put into visual and textual representations clarifying conceptual links between the two economic levels.

Results and discussions

The findings reveal that microeconomics concerns itself with the decision making of individual firms at their level of production and prices they charge as well as cost. For instance, fixed costs (such as rent and salaries) and variable costs (like materials and electricity) govern total production costs for an output of a firm. In contrast, macroeconomic refers to the entire economy and measures its performance in terms of production-and-income-totality by means of GDP, leading to the conclusions that a higher GDP is viewed as economic growth along with jobs and incomes, whereas a lower GDP translates to economic recession. The reciprocal relation between both is firms' collective production decisions that contribute to GDP growth (macro) while, on the other hand, stability in the economy and policies affect firm performance (micro).

Conclusion

Microeconomics and macroeconomics have a generally different scope but still closely relate to each other. Micro decisions by individuals and firms always become the macroeconomic landscape, while macroeconomic conditions set the framework -within which these entities operate. Both perspectives are essential to understand the full dynamics in economic systems, and it's balanced enough to create policies conducive to growth and stability.

References

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