**MICROECONOMICS AND MACROECONOMICS**

The field of economics is divided into two major parts: microeconomics and macro-economics. **Microeconomics** comes from the Greek word *mikros,* meaning “small.” It takes a close-up view of the economy, as if looking through a microscope. Micro-economics is concerned with the behavior of *individual* actors on the economic scene—households, business firms, and governments. It looks at the choices they make, and how they interact with each other when they come together to trade *spe­cific* goods and services. What will happen to the cost of movie tickets over the next five years? How many jobs will open up in the fast-food industry? How would U.S. phone companies be affected by a tax on imported cell phones? These are all micro-economic questions because they analyze individual *parts* of an economy, rather than the *whole.*

**Microeconomics** The study of the behavior of individual households, firms, and governments; the choices they make; and their interaction in specific markets.

**Macroeconomics**—fromthe Greek word *makros,* meaning “large”—takes an *overall* view of the economy. Instead of focusing on the production of carrots or computers, macroeconomics lumps all goods and services together and looks at the economy’s *total output.* Instead of focusing on employment in the fast-food indus­try or the manufacturing sector, it considers *total employment* in the economy. In-stead of asking why credit card loans carry higher interest rates than home mort­gage loans, it asks what makes interest rates *in general* rise or fall. In all of these cases, macroeconomics focuses on the big picture and ignores the fine details.

**Macroeconomics** The study of the economy as a whole.