

## Contact

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## Textbook

- <http://bookboon.com/cs/microeconomics-uk-ebook>
- Microeconomics / Robert S. Pindyck, Daniel L. Rubinfeld
- Understanding microeconomics / Russell S. Sobel a kol.
- Understanding macroeconomics / Russell S. Sobel a kol.
- Principles and applications of macroeconomics / Marc Lieberman, Robert E. Hall

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## Introduction

- What is economics
- 2 ways
- The economic way of thinking

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## What Is Economics?

- **Economics** studies the choices that can be made when there is scarcity.
- **Scarcity** is a situation in which resources are limited in quantity and can be used in different ways.

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## What Is Economics?

- Because our resources are limited, we must sacrifice one thing for another.
- Economists are always reminding us that there is scarcity—that there are tradeoffs in everything we do.

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## Positive versus Normative Analysis

- **Positive economics** predicts the consequences of alternative actions, answering the questions, “What is?” or “What will be?”

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## Positive versus Normative Analysis

- **Normative economics** answers the question, What ought to be? Normative questions lie at the heart of policy debates.

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## Decisions in a Modern Economy

- Economic decisions are made at every level in society.
- The choices made by individuals, firms, and governments answer three questions:
  1. What products do we produce?
  2. How do we produce the products?
  3. Who consumes the products?

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## Economic Analysis and Modern Problems

- Economic analysis provides important insights into real-world problems.
- Economists attempt to diagnose and provide solutions to problems such as traffic congestion, poverty in Africa, or the problems of an entire economy.

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## The Economic Way of Thinking

- Three elements of the economic way of thinking:
  1. Use assumptions to simplify
    - Eliminate irrelevant details and focus on what really matters. Keep in mind that simplifying assumptions do not have to be realistic.

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## The Economic Way of Thinking

- Three elements of the economic way of thinking:
  2. Isolate variables—Ceteris Paribus
    - Economists are interested in exploring relationships between two variables. A **variable** is a measure of something that can take on different values.
    - The expression *ceteris paribus* means that the effect of other tendencies is neglected for a time.

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## The Economic Way of Thinking

- Three elements of the economic way of thinking:
  3. Think at the margin
    - A small, one-unit change in value is called a **marginal change**.
    - Economists use the answer to a marginal question as the first step in deciding whether to do more or less of something.

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## The Economic Way of Thinking

- A key assumption of most economic analysis is that people act rationally, meaning that they act in their own self-interest.
- Rational people respond to incentives.

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## Preview of Coming Attractions: Microeconomics

- **Microeconomics** is the study of the choices made by households, firms, and government, and of how these choices affect the markets for goods or services.

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## Preview of Coming Attractions: Microeconomics

- We can use microeconomic analysis to:
  1. Understand how markets work and predict changes.
  2. Make personal and managerial decisions.
  3. Evaluate public policies.

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## Preview of Coming Attractions: Macroeconomics

- **Macroeconomics** is the study of the nation's economy as a whole.
- We can use macroeconomic analysis to:
  1. Understand why economies grow.
  2. Understand economic fluctuations.
  3. Make informed business decisions.

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## The END

- Sources:
- Mankiw: Principles of Microeconomics
- Website of OSWEGO University
- Website of Rio Hondo Faculty
- Microeconomics / Robert S. Pindyck, Daniel L. Rubinfeld
- Understanding microeconomics / Russell S. Sobel a kol.

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