

- 1) Once again: What is economics? Microeconomics? Macroeconomics?

The Economizing Problem? For an individual: Use your resources to maximize your happiness, or **utility**.

For Society: Our **resources** are scarce natural, human, or manufactured inputs used to produce goods and services.

These Economic resources are sometimes called **factors of production** and are classified into four categories:

1. **land, or natural resources (payments to land are called “rent”)**
 2. **labor**, or the time and abilities of people who are producing goods and services (**wages**)
 3. **capital**, the machines, tools, and equipment used to make other goods and services (**interest**)
 4. **entrepreneurial ability**, or the special human talents of individuals who combine the other factors of production. (**payments to entrepreneurs are called profits**)
- 2) Because of Scarcity Everything has a cost. You MUST give up something in order to get something. Making a choice has an **opportunity cost**: giving up the next best alternative to the choice that was made.

Question: Someone is injured: Should we do **everything** we can to save their lives?

Let’s take a look: The Copenhagen Consensus

- 3) Cost-Benefit Analysis: Should You Do a thing or not?

Examples: Mark Zuckerberg, Bill Gates, Tiger Woods, and Oprah Winfrey dropped out of college. Why?

- 4) **Marginal Analysis** What is *marginal*? Marginal Cost? Marginal Benefit? Tuition Example

2017-2018 NCA&T Tuition and Fees

	In State			Out of State	
	Total Tuition	Marginal Cost		Total Tuition	Marginal Cost
0 classes	0	---		0	---
1 class	\$1027			\$2647	
2 classes	3030			6270	
3 classes	4064			8924	
4 classes	4498			10978	
5 classes	4498			10978	
6 classes	4498			10978	

Duke: \$1,549 per credit hour, flat rate undergraduate (\$2,875 for grad)

But, there are some fees on top of that!

- 5) What is positive versus normative?
- 6) What is the scientific method?
 - a. Several terms are used in economic analysis that are related to this method.
 1. A *hypothesis* is a proposition that is tested and used to develop an economic *theory*.
 2. A highly tested/reliable economic theory is called an **economic principle** or *law*. Theories, principles, and laws are used to predict the likely outcome of an action or event.
 3. An economic *model* is created when several economic laws or principles are used to describe reality. Examples: Supply and Demand, Budget Lines, Production Possibilities Curves
 - b. There are several other aspects of economic principles.
 1. Each principle or theory is a generalization that shows a tendency or average effect.
 2. Other-things-equal assumption (*ceteris paribus*) limits the influence of other factors when predicting.
 3. Many economic models can be illustrated graphically; are simplified versions of economic reality.
- 7) What does *ceteris paribus* mean? Why do we care?

Next Time:

- 8) Construct and explain a budget line.

- 9) Construct a production possibilities curve when given appropriate data.
PPF: To start, assume Full employment, Fixed resources and technology, two goods
- 10) Illustrate economic growth (with investment), unemployment and underemployment of resources, and increasing costs using a production possibilities curve.