



1

WHAT IS MICROECONOMICS?

Branch of economics that deals with the behavior of individual economic units,

consumers → firms → workers → investors

as well as how those economic units interact to form markets and industries.

2

WHY DO WE CARE ABOUT MICROECONOMICS?

By answering questions about how consumers and producers behave,

- Microeconomics helps us understand the pieces that collectively make up a model of an entire economy.
- and
- Provides a foundation for examining the role of government in the economy and the effects of government actions.

3

THE THEMES OF MICROECONOMICS

All about limits...

How do consumers, workers, and firms make the best choice given their limited income, time, or inputs?

More precisely, it is about the allocation of scarce resources.

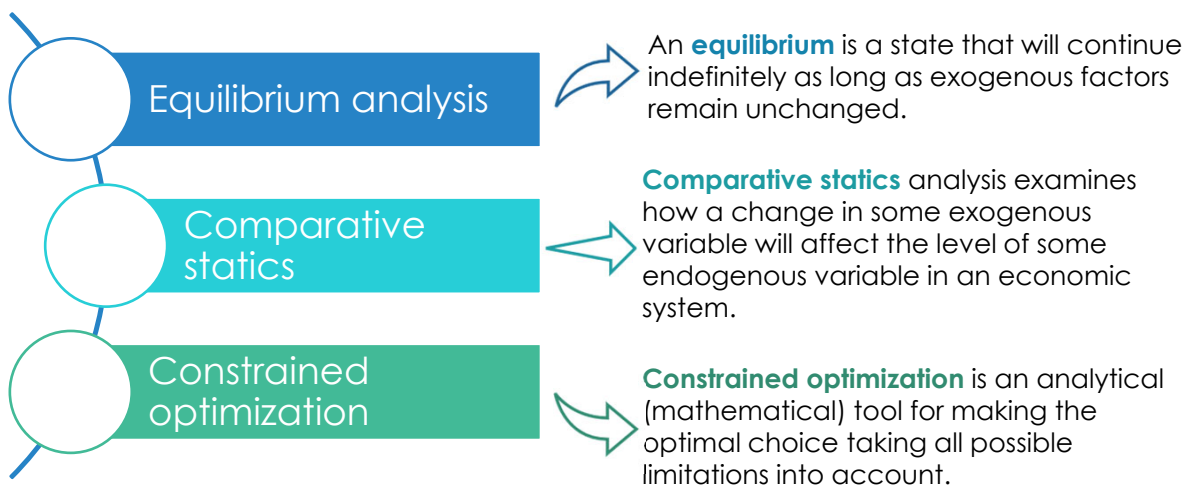
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IN THIS COURSE WE WILL...

1. Investigate economic **theories and models** that describe the **trade-offs** that consumers, workers, and firms face.
2. Model how consumers, workers and firms interact in different **markets**.
3. Use what we have learned to answer **positive and normative** questions.

5

THREE ANALYTICAL TOOLS



6

POSITIVE AND NORMATIVE ANALYSIS

Positive analysis

Statements that describe relationships of cause and effect.

Example:

What are the effects of raising the tax on gasoline?

Normative analysis

Statements that describe what ought to be done.

Example:

What is the best policy to reduce dependence on imported oil?