

Elements of Microeconomics

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Chapter 2

What is an Economist?

Mankiw describes an economist as being two things simultaneously:

- **Scientists:** we as economists use experiments much like other empirical sciences in order to derive conclusions about the world we inhabit.
- **Policy Advisors:** here the role of an economist is to not just observe the world but improve it through recommendations based on evidence.

Now this is a fine definition but, I'd like us to consider this next definition that influenced Mankiw's definition (and the name of his do!). We will turn to John Maynard Keynes.

To the Eloquent

*"the master-economist must possess a rare combination of gifts. He must reach a high standard in several different directions and must combine talents not often found together. He must be mathematician, historian, statesman, philosopher-in some degree. He must understand symbols and speak in words. He must contemplate the particular in terms of the general, and touch abstract and concrete in the same flight of thought. He must study the present in the light of the past for the purposes of the future. No part of man's nature or his institutions must lie entirely outside his regard. He must be purposeful and disinterested in a simultaneous mood; as aloof and incorruptible as an artist, yet sometimes as near the earth as a politician. Much, but not all, of this ideal many-sidedness Marshall possessed. But chiefly his mixed training and divided nature furnished him with the most essential and fundamental of the economist's necessary gifts-he was conspicuously historian and mathematician, a dealer in the particular and the general, the temporal and the eternal, at the same time."*¹

¹J. M. Keynes. "Alfred Marshall, 1842-1924". In: *The Economic Journal* 34.135 (1924), pp. 311-372. ISSN: 00130133, 14680297. URL: <http://www.jstor.org/stable/2222645> (visited on 01/23/2024).

Important Takeaways

- Notice where Mankiw drew inspiration from Keynes to build his definition.
- Those who have read the chapter may be drawn to Keynes' line about being both purposeful and disinterested.
 - (i) This relates back to the idea of *positive* v. *normative* statements.
 - (ii) We as economists need to be aware of the task at hand. Describing how things are is *positive*, how things ought to be is a *normative* discussion.

Our First Model

- Yes circular flow is the first model in the book however, the first model we will study with rigor is known as the **production possibilities frontier**. Sometimes referred to as the PPF or PPC.
- The PPF is helpful because it allows us to understand a few important concepts: *opportunity cost, gains from trade, specialization.*

The PPF

