ECON-102: Principals of Microeconomics

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1 Unit 1: Fundamental Concepts

1.1 Section 1: Economics

In general terms, economics is defined as the study of how we can best increase a nation's standard of living and citizens' happiness with the resources that we have available to us.

Standards of living include:

- cars
- houses
- leisure time
- access to health care
- cleaner air

1.1.1 Marginal Benefit & Marginal Cost

Marginal benefit and marginal cost can be though of as a positive cause-and-effect in a business environment, with the benefit being the effect and cost being the cause. When your marginal benefit is greater the marginal cost, the more likely a positive investment is at play. For example, you may buy an expensive car for your long commute, but it has the best MPG in the current car market and is heavily relaiable (maringal benefit)–potentially outweighing the initial cost (marginal cost).

1.1.2 Difference between Macro- & Micro- economics

Macroeconomics focuses on the wider concepts that play a role on the entire economy. Components of this include:

- national unemployment rate
- inflation rate
- interest rate
- federal government budgets & fiscal policies
- economic growth
- Federal Reserve System & monetary policy
- foreign exchange rates
- balance of payments

Microeconomics deals with the smaller concepts of an economy such as:

- supply and demand of individual goods and services
- price elasticity (sensitivity) of goods and services in demand
- production
- cost functions
- business behavior and profit maximization
- income inequality & distribution
- effects of protectionism (tarrifs, quotas, trade restrictions, etc.)

If macroeconomics is studying a forest, microeconomics is studying the individual trees.

1.2 Section 2: The Production Possibilities Curve

1.2.1 Production Choices