

New Semester!

A wide, straight asphalt road stretches from the foreground towards a bright sunrise on the horizon. The sky is filled with colorful clouds in shades of orange, red, and purple. The word "START" is painted in large, white, sans-serif capital letters on the road surface. A white arrow is painted on the road, pointing directly from the word "START" towards the sun.

START

My Expectation

1. On-time. (for class and coursework)
2. “In the room” – physically and mentally
3. Be polite and show respect.
4. No cell-phone, computer & iPad in class.
5. Review after the lecture. (Both PPT and textbook)

Semester plan

- **Microeconomics:**

1. The Foundations of Economics
2. Competitive market: Demand and supply
3. Elasticities (PED, PES, YED)
4. Government intervention
 - Indirect taxes
 - Subsidies
 - Price ceiling
 - Price floor
5. Market failure
 - Public goods
 - Common pool resources
 - Externalities
 - Asymmetric information
 - Firm theory
 - Market Power
6. Behavior economics

7. Micro IA

- **Macroeconomics:**

8. The level of overall economic activity
9. Aggregate demand and aggregate supply

Grading for this semester

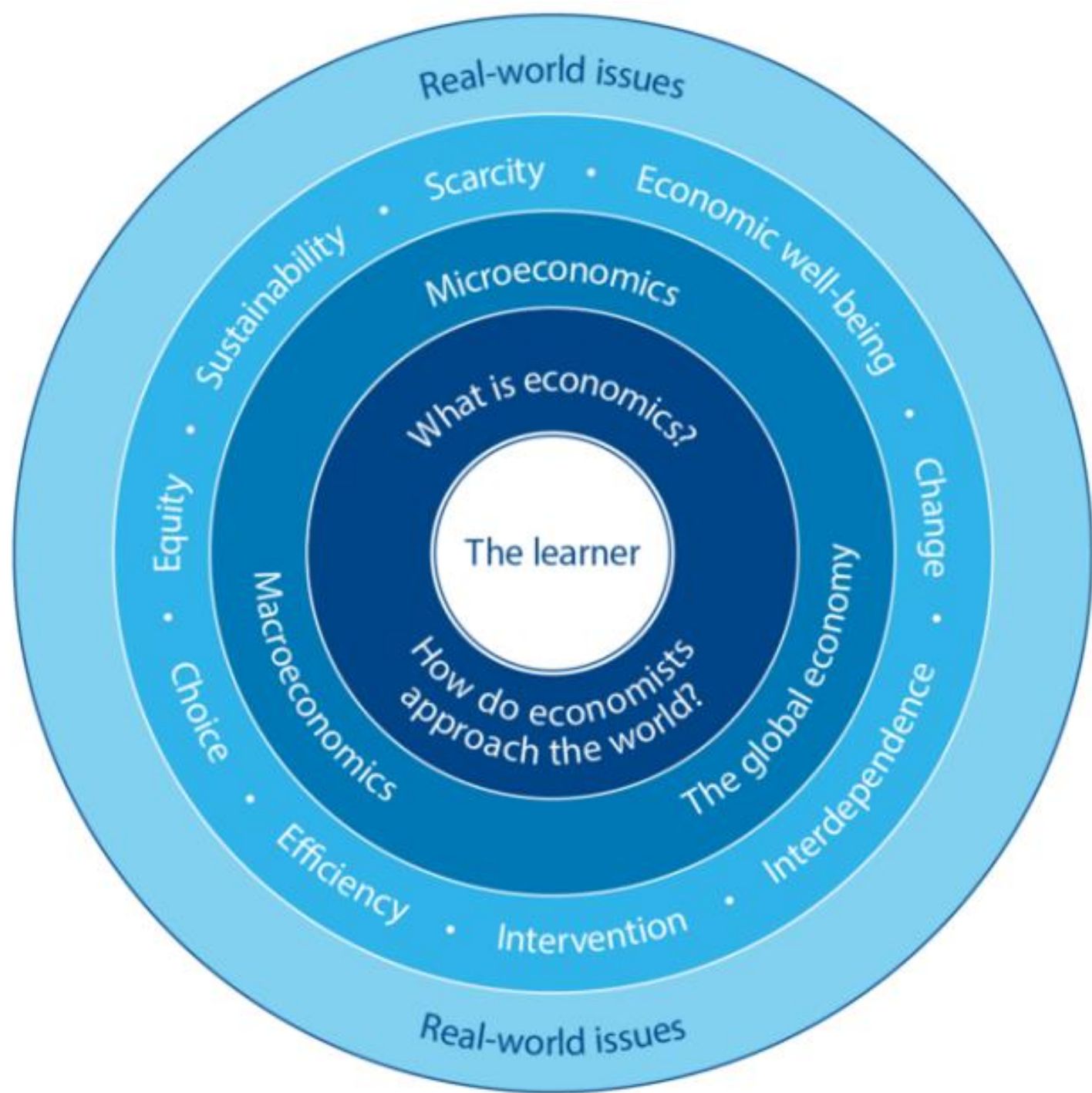
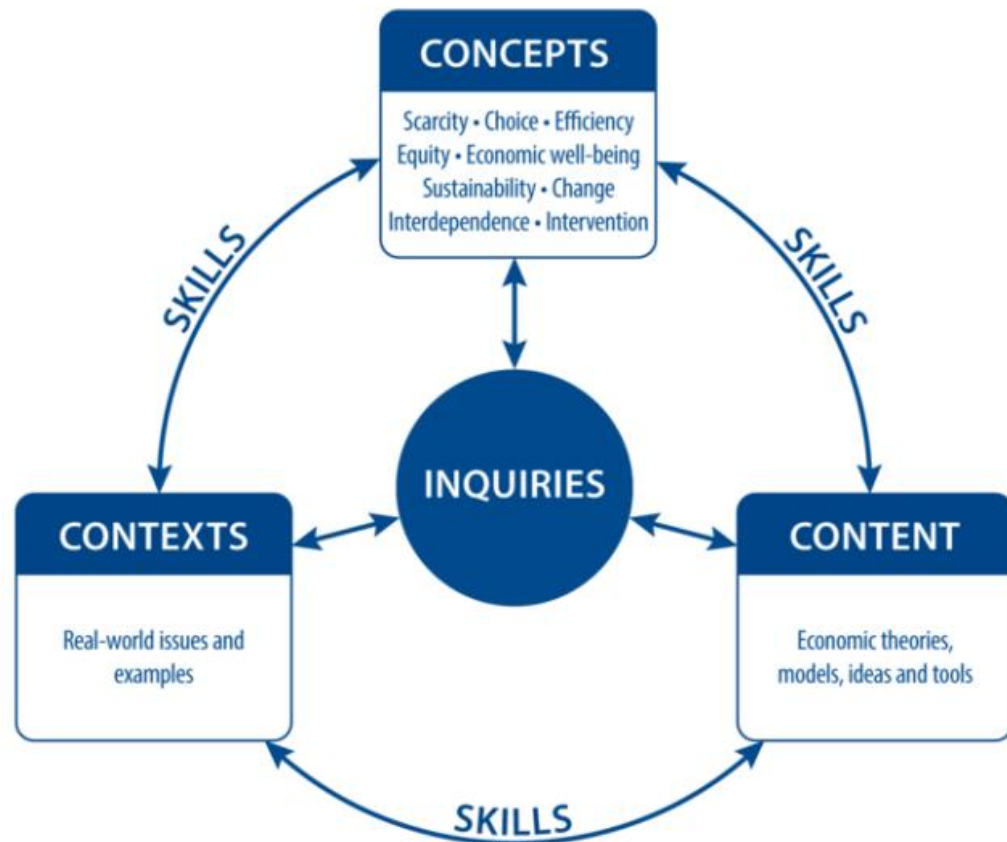
Grades for this semester will be calculated based on:

- The First Monthly Test (10%)
- Mid-term Exam (25%)
- The Third Monthly Test (10%)
- Micro IA (10%)
- Final Exam (35%)
- Coursework (10%)

Tests will always be announced well ahead of time, but quizzes may be given with warning or as a surprise. Any missed assignments (homework, tests, quizzes, and report) are to be made up as quickly as possible upon your return to class.



Overview of the curriculum model



Assessment objectives

Assessment Objectives	Key command term			Depth
AO1 – Knowledge and understanding	Define Describe List	Outline State		These terms require students to learn and comprehend the meaning of information
AO2 – Application and analysis	Analysis Apply Comment	Distinguish Explain Suggest		These terms require students to use their knowledge and skills to break down ideas into simpler parts and to see how the parts relate.
AO3 – Synthesis and evaluation	Compare Compare and contrast Examine Discuss Evaluate	Contrast Justify Recommend To what extent		These terms require students to rearrange components idea into a new whole and make judgements based on evidence or a set of criteria.
AO4 – Use and application of appropriate skills	Calculate Construct Derive Determine Draw	Identify Label Measure Plot Show	Show that Sketch Solve	These terms require students to demonstrate the selection and use of subject-specific skills and techniques.

Assessment objectives in practice

Assessment objective	Paper 1 – SL and HL		Paper 2 – SL and HL	Paper 3 – HL only	Internal assessment SL and HL
	Part a	Part b			
AO1 —knowledge and understanding	✓	✓	✓	✓	✓
AO2 —application and analysis	✓	✓	✓	✓	✓
AO3 —synthesis and evaluation		✓	✓	✓	✓
AO4 —use and application of appropriate skills	✓	✓	✓	✓	✓

Economics is...

- **Economics** is a **social science** which deals with human society and behaviour, and particularly those aspects concerned with how people organize their activities and how they behave to satisfy their needs and wants. Its approach to studying human society is based on the **scientific method**.
- * **Social sciences** are academic disciplines that study human society and social relationships.

Two levels to look at the economic world



Microeconomics

- Examines the Behaviour of **individual** decision-making units in the economy.
- Choices made at the level of producers and consumers in individual markets
- "Microscope" point of view

Economics



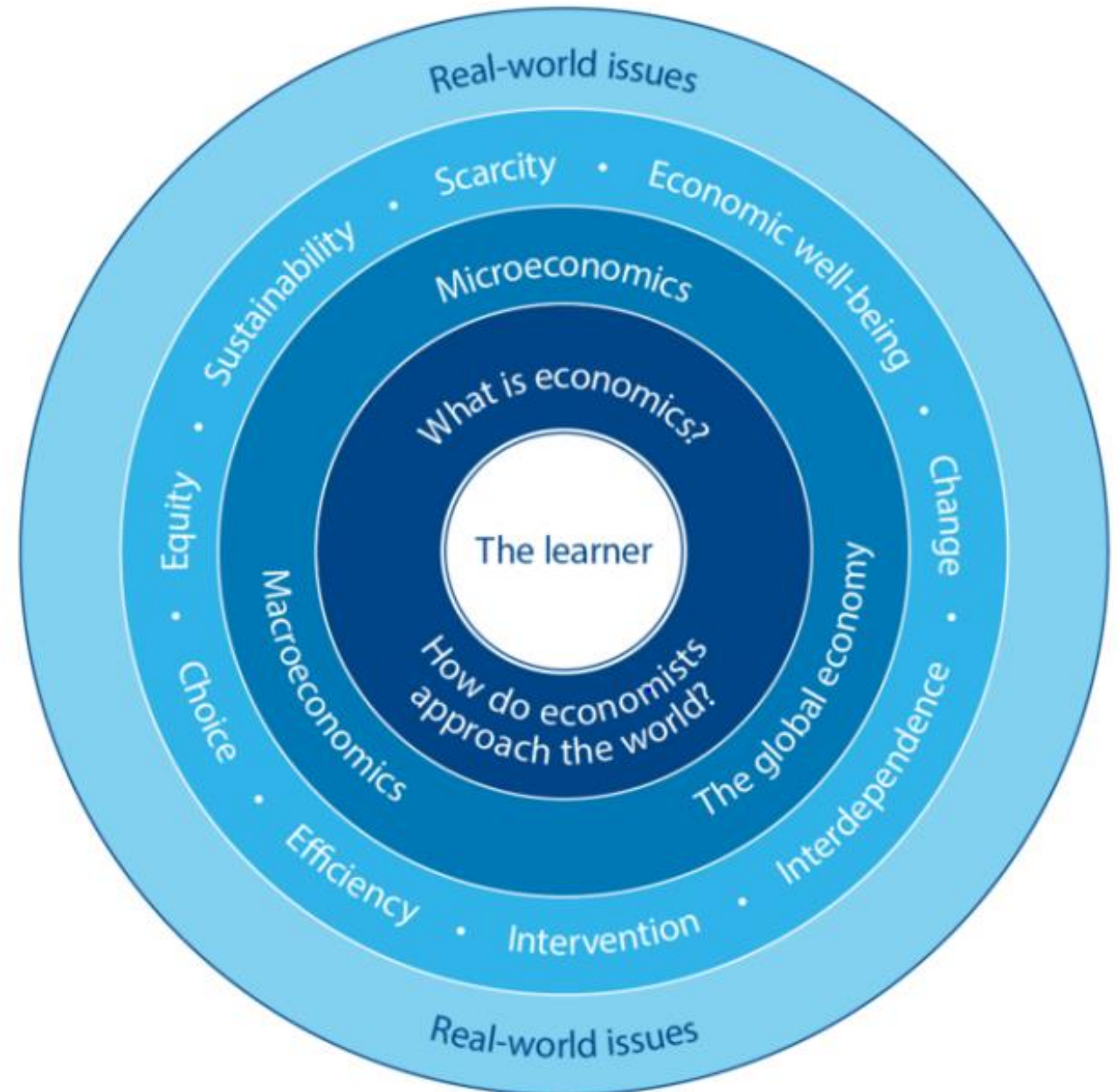
Macroeconomics

- Examines the economy as a **whole** to obtain a broad picture of the economy.
- Choices made at the level of the government and the national economy
- "Telescope" point of view

9 central concepts

1. Scarcity
2. Choice
3. Efficiency
4. Equity
5. Economic well-being
6. Sustainability
7. Change
8. Interdependence
9. Intervention

Overview of the curriculum model



1. Scarcity

(The heart of Economic theory)

- Scarcity: the situation in which available resources, or factors of production, are finite, whereas wants are infinite.
- There are **not enough resources** to produce everything that human beings need and want.

It is said that if there were no scarcity, there would be no social science of Economics.





2. Choices

The conflict between unlimited wants and scarce resources



Economics is the study of Choice

The fundamental problem of economics: Scarcity and choice

3. Efficiency

Making the best possible use of scarce resources to avoid resource waste.

Requirements:

- Not wasted
- Scarce resources are used to produce the goods and services that mostly satisfy society's need and wants.



4. Equity: being fair

Equity and equality

- **Equality**: sameness of treatment or outcomes for people or groups of people in a society.
- **Equity**: it's a normative concept, what is fair vary according to beliefs, value judgements and ideologies.



5. Economic well-being

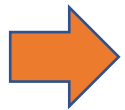
The ultimate aim of economic is to improve economic well-being.

- Economic decision-making impacts the relative economic well-being of individuals and societies.
 - It refers to levels of prosperity, economic satisfaction and standards of living among the members of a society.
1. Security with respect to income and wealth, having a job and housing.
 2. The ability to pursue one's goals, work productively and develop one's potential.
 3. The ability to have a satisfactory quality of life (health, education, social connections, environment quality, etc.)
 4. The ability to maintain all of the above over time.



6. Sustainability

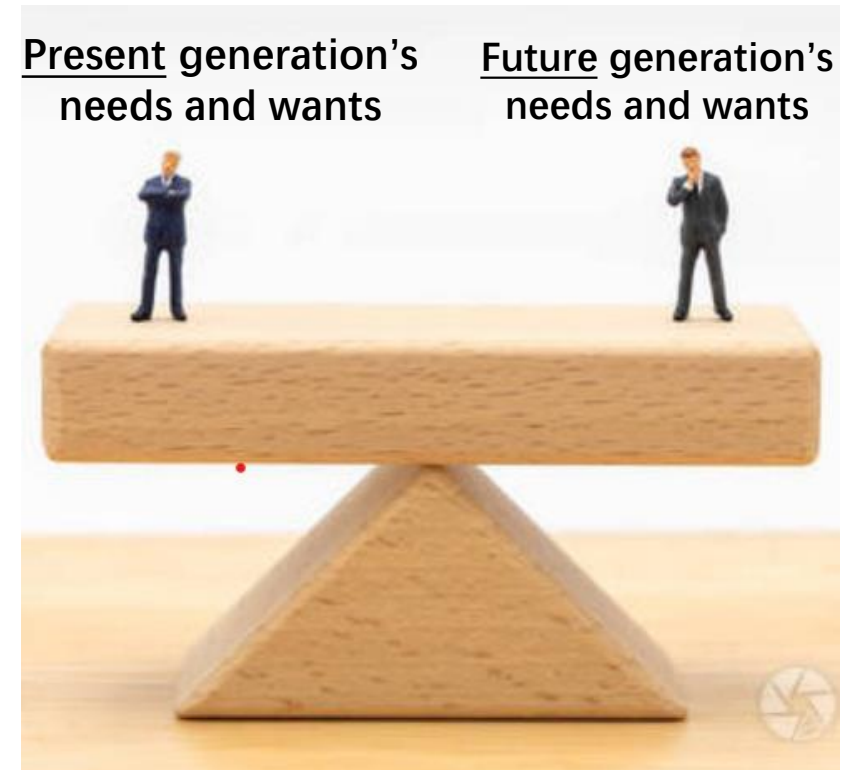
- The central problems of economics are scarcity and choice. This forces societies to face trade-offs, opportunity costs and the **challenge of sustainability**.
- Sustainable development occurs when societies grow and develop without leaving behind fewer or lower-quality resources for future generations.
- Especially for the use of non-renewable resources and environment resources. (air, water, forest, wildlife, ozone layer...)



The future generation will be penalized by the action of present generation.



Sustainable resource use: preservation of the environment over time.



7. Change



The economic world is dynamic in nature and constantly subject to change.

8. Interdependence

Economic decision-makers interact with and depend on each other on all levels (individuals, communities, nations and groups of nations)

To do: Take into consideration both intended and unintended consequences of economic decisions and events in a high degree of interdependence.

* 《I, Pencil》 (by Leonard E.Read, 1958)



9. Intervention

The government becomes involved with the workings of markets.

Debate between Free markets and government intervention

- Markets are usually a good way to organize economic activity.
- Market fail to achieve important social goals like equity, sustainability, economic well-being or monopoly.
- When should government intervene?
- Pros & Cons?

Adam Smith and the *Invisible Hand*



Adam Smith

Every individual . . . neither intends to promote the public interest, nor knows how much he is promoting it. . . . He intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention. Nor is it always the worse for the society that it was no part of it. By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it