Lecture Outline – Introduction to Economics and Thinking like an Economist

1. Introduction
2. What is Economics?

* The study of the choices people make given their scarce resources
* Resources are the factors of production. Labor, land, capital, and entrepreneurship

1. What is the difference between microeconomics and macroeconomics?

* Microeconomics is the study of how households and businesses make choices and how they interact with each other in markets
* Macroeconomics is the study of the economy as a whole. Inflation, unemployment, economic growth, etc.

1. Thinking Like an Economist
2. **Every decision we make has a tradeoff.**
   1. What is the tradeoff of going to college?

* Could have been working a job
  1. What is the tradeoff of attending this class?
* Could have been sleeping zzzz
* Attending another class

1. **A rational person will choose the alternative with the lowest opportunity cost.** 
   1. Neo-classical economists assume people are rational. What does this assumption imply?

* They will weigh the options and choose the option that has the highest net benefit and lowest opportunity cost
  1. What is an opportunity cost (OC)?
* The value of your next best alternative
  1. What is the OC of going to college?
* What you could have earned working
* The expenses of going to college
  1. What is the OC of attending this class?
* Value of the alternative. Ex. The information learned from another class, extra sleep

1. **People respond to incentives. By changing the opportunity costs, we can change people’s behavior.**
   1. What is expected to happen to enrollment in ECON 101 if it is dropped as a requirement for the business, journalism, and communication majors?

* Enrollment will lower because the opportunity cost of doing something else is lowered
  1. What is expected to happen to college enrollments during a recession?
* Enrollment will be higher because the opportunity cost of going to college is lowered

1. **Economists think on the margin. (not how much, but should I do something more)**
   1. What is a sunk cost?

* What previously happened
  1. What is a marginal benefit?
* Benefit of doing something for another margin
  1. What is a marginal cost?
* Cost of doing something for another margin