

Intro to Economic Analysis: Microeconomics

EC 201 - Day 1 Slides

Connor Wiegand

Department of Economics - University of Oregon

27 September 2021

Covid Protocols

- ▶ My name is Connor Wiegand, I am excited to be your 201 instructor this term

Covid Protocols

- ▶ My name is Connor Wiegand, I am excited to be your 201 instructor this term
- ▶ I take Covid very seriously, but I also want to think about Covid as little as I can while teaching, up to University policy

Covid Protocols

- ▶ My name is Connor Wiegand, I am excited to be your 201 instructor this term
- ▶ I take Covid very seriously, but I also want to think about Covid as little as I can while teaching, up to University policy
- ▶ I also want each of you to be able to focus as much as you can on the material during lecture, up to university policy

Covid Protocols

- ▶ My name is Connor Wiegand, I am excited to be your 201 instructor this term
- ▶ I take Covid very seriously, but I also want to think about Covid as little as I can while teaching, up to University policy
- ▶ I also want each of you to be able to focus as much as you can on the material during lecture, up to university policy
- ▶ With that being said, here is the policy on instructors wearing masks while teaching:

Covid Protocols 1¹

- ▶ **Q: Will students be required to wear masks in class?**
- ▶ A: Yes, the University has an indoor face covering requirement, including classroom spaces, for all individuals. The face covering requirement will continue to follow CDC and other public health authority sector guidance for higher education and will be based on public health indicators, including campus vaccination rates, campus case rates, community case rates, CDC transmission rates, and hospitalization data.

¹Via <https://provost.uoregon.edu/resource-rubric>

Covid Protocols 1¹

- ▶ **Q: Will students be required to wear masks in class?**
- ▶ A: Yes, the University has an indoor face covering requirement, including classroom spaces, for all individuals. The face covering requirement will continue to follow CDC and other public health authority sector guidance for higher education and will be based on public health indicators, including campus vaccination rates, campus case rates, community case rates, CDC transmission rates, and hospitalization data.
- ▶ **Q: Can an instructor teach in-person classes without a mask if they can maintain at least 6 feet of distance from the students?**
- ▶ A: Yes, a fully vaccinated instructor who is at least 6 feet away from an audience can remove their mask when all others in the room are masked. If the room cannot accommodate 6 feet distancing between an unmasked instructor and students, then the instructor must remain masked.

¹Via <https://provost.uoregon.edu/resource-rubric>

Covid Protocols 1¹

- ▶ **Q: Will students be required to wear masks in class?**
- ▶ A: Yes, the University has an indoor face covering requirement, including classroom spaces, for all individuals. The face covering requirement will continue to follow CDC and other public health authority sector guidance for higher education and will be based on public health indicators, including campus vaccination rates, campus case rates, community case rates, CDC transmission rates, and hospitalization data.
- ▶ **Q: Can an instructor teach in-person classes without a mask if they can maintain at least 6 feet of distance from the students?**
- ▶ A: Yes, a fully vaccinated instructor who is at least 6 feet away from an audience can remove their mask when all others in the room are masked. If the room cannot accommodate 6 feet distancing between an unmasked instructor and students, then the instructor must remain masked.
- ▶ So: Does anyone have any major problems with me teaching with my mask off?

¹Via <https://provost.uoregon.edu/resource-rubric>

Canvas

- ▶ The course will be run through Canvas, and the homework through —
- ▶ I will make extensive use of Canvas announcements throughout the term, so go in and adjust your canvas notification settings (both for the app and for email) as you see fit
 - ▶ Being as accommodating as I can, missing an announcement is not a valid excuse as you should be regularly checking or receiving announcements

Syllabus

- ▶ The syllabus is on canvas, you can read it in detail on your own, but we'll also go through the important parts together
- ▶ Any time you have a question for me, make sure to consult the syllabus first²

²It's a bad look in college to ask a question that is on the syllabus, and a good way to leave a bad impression with a professor

Other College Advice

- ▶ Develop the study habits that are right for you

Other College Advice

- ▶ Develop the study habits that are right for you
- ▶ Don't beat yourself up to bad

Other College Advice

- ▶ Develop the study habits that are right for you
- ▶ Don't beat yourself up to bad
- ▶ Try to push through the week 8 burn-out

Other College Advice

- ▶ Develop the study habits that are right for you
- ▶ Don't beat yourself up to bad
- ▶ Try to push through the week 8 burn-out
- ▶ Read, go to lecture + discussion section, take notes, and utilize office hours

Other College Advice

- ▶ Develop the study habits that are right for you
- ▶ Don't beat yourself up to bad
- ▶ Try to push through the week 8 burn-out
- ▶ Read, go to lecture + discussion section, take notes, and utilize office hours
- ▶ Study with others

Checklist

- ▶ Who I am

Checklist

- ▶ Who I am
- ▶ Canvas/homework/tests

Checklist

- ▶ Who I am
- ▶ Canvas/homework/tests
- ▶ Syllabus

Checklist

- ▶ Who I am
- ▶ Canvas/homework/tests
- ▶ Syllabus
- ▶ Covid Protocol

Checklist

- ▶ Who I am
- ▶ Canvas/homework/tests
- ▶ Syllabus
- ▶ Covid Protocol
- ▶ Questions?

Getting to know you

- ▶ General Questions

Getting to know you

- ▶ General Questions
- ▶ How many of you have taken an economics class before?

Getting to know you

- ▶ General Questions
- ▶ How many of you have taken an economics class before?
- ▶ What do you think about *economists*?

What does economics mean?

- ▶ What do you think?

What does economics mean?

► What do you think?

► Wikipedia: *“the social science that studies how people interact with value; in particular, the production, distribution, and consumption of goods and services”*

What does economics mean?

- ▶ What do you think?

- ▶ Wikipedia: *"the social science that studies how people interact with value; in particular, the production, distribution, and consumption of goods and services"*
- ▶ Google (Oxford): *"the branch of knowledge concerned with the production, consumption, and transfer of wealth"*
- ▶ Me: *the study of scarcity*

What does economics mean?

- ▶ What do you think?
- ▶ Wikipedia: *"the social science that studies how people interact with value; in particular, the production, distribution, and consumption of goods and services"*
- ▶ Google (Oxford): *"the branch of knowledge concerned with the production, consumption, and transfer of wealth"*
- ▶ Me: *the study of scarcity*
 - ▶ This is a very general definition, which allows for a lot of different studies to fall under economics, which is appropriate considering the wide variety of works that get published in economics journals

Macro vs. Micro

- ▶ Macroeconomics studies aggregate data in the economy, and analyzes nation- or world-wide behaviors

Macro vs. Micro

- ▶ Macroeconomics studies aggregate data in the economy, and analyzes nation- or world-wide behaviors
 - ▶ e.g. inflation, technological and population growth, employment, interest rates, etc.

Macro vs. Micro

- ▶ Macroeconomics studies aggregate data in the economy, and analyzes nation- or world-wide behaviors
 - ▶ e.g. inflation, technological and population growth, employment, interest rates, etc.
- ▶ Microeconomics studies individual markets as well as individual consumer and producer behavior

Macro vs. Micro

- ▶ Macroeconomics studies aggregate data in the economy, and analyzes nation- or world-wide behaviors
 - ▶ e.g. inflation, technological and population growth, employment, interest rates, etc.
- ▶ Microeconomics studies individual markets as well as individual consumer and producer behavior
 - ▶ The market for cell phones, how farmers react to subsidies, how consumers respond to taxes, etc.

Macro vs. Micro

- ▶ Macroeconomics studies aggregate data in the economy, and analyzes nation- or world-wide behaviors
 - ▶ e.g. inflation, technological and population growth, employment, interest rates, etc.
- ▶ Microeconomics studies individual markets as well as individual consumer and producer behavior
 - ▶ The market for cell phones, how farmers react to subsidies, how consumers respond to taxes, etc.
- ▶ Everything else: Labor-, Urban-, Environmental-, Developmental-, Behavioral-, Game Theory, Industrial Organization, Time Series...

Macro vs. Micro

- ▶ Macroeconomics studies aggregate data in the economy, and analyzes nation- or world-wide behaviors
 - ▶ e.g. inflation, technological and population growth, employment, interest rates, etc.
- ▶ Microeconomics studies individual markets as well as individual consumer and producer behavior
 - ▶ The market for cell phones, how farmers react to subsidies, how consumers respond to taxes, etc.
- ▶ Everything else: Labor-, Urban-, Environmental-, Developmental-, Behavioral-, Game Theory, Industrial Organization, Time Series...
 - ▶ Many things do not fit the “micro vs. macro” framework

What Kinds of Questions do Economists Ask?

- ▶ Definition: A **positive** statement is one which is descriptive, and makes a claim about how the world is.

What Kinds of Questions do Economists Ask?

- ▶ Definition: A **positive** statement is one which is descriptive, and makes a claim about how the world is.
- ▶ Definition: A **normative** statement is one which is prescriptive, and makes a claim about how the world ought to be.

What Kinds of Questions do Economists Ask?

- ▶ Definition: A **positive** statement is one which is descriptive, and makes a claim about how the world is.
- ▶ Definition: A **normative** statement is one which is prescriptive, and makes a claim about how the world ought to be.
- ▶ Examples

What Kinds of Questions do Economists Ask?

- ▶ Definition: A **positive** statement is one which is descriptive, and makes a claim about how the world is.
- ▶ Definition: A **normative** statement is one which is prescriptive, and makes a claim about how the world ought to be.
- ▶ Examples
 - ▶ N: We should raise the minimum wage
 - ▶ P: Small, notable increases in the minimum wage do not have a considerable impact on prices

What Kinds of Questions do Economists Ask?

- ▶ Definition: A **positive** statement is one which is descriptive, and makes a claim about how the world is.
- ▶ Definition: A **normative** statement is one which is prescriptive, and makes a claim about how the world ought to be.
- ▶ Examples
 - ▶ N: We should raise the minimum wage
 - ▶ P: Small, notable increases in the minimum wage do not have a considerable impact on prices
 - ▶ N: You shouldn't download TikTok, because it is too time consuming
 - ▶ P: Many of my friends who have downloaded TikTok, along with myself, report spending a lot of time on the app; since you are also my friend, the same may happen to you

What Kinds of Questions do Economists Ask?

- ▶ Definition: A **positive** statement is one which is descriptive, and makes a claim about how the world is.
- ▶ Definition: A **normative** statement is one which is prescriptive, and makes a claim about how the world ought to be.
- ▶ Examples
 - ▶ N: We should raise the minimum wage
 - ▶ P: Small, notable increases in the minimum wage do not have a considerable impact on prices
 - ▶ N: You shouldn't download TikTok, because it is too time consuming
 - ▶ P: Many of my friends who have downloaded TikTok, along with myself, report spending a lot of time on the app; since you are also my friend, the same may happen to you
 - ▶ ? The sun exploded and we all died yesterday
 - ▶ ? Setting the tax rate to 100% will induce no-one to work, so it would be bad policy to implement, and therefore we as economists recommend you not do that

What Kinds of Questions do Economists Ask? (cont.)

- ▶ As economists, we generally like to make *positive* statements

What Kinds of Questions do Economists Ask? (cont.)

- ▶ As economists, we generally like to make *positive* statements
- ▶ Sometimes we recommend policy, it certainly happens amongst many professional economists, but we try to focus only on normative statements before this

What Kinds of Questions do Economists Ask? (cont.)

- ▶ As economists, we generally like to make *positive* statements
- ▶ Sometimes we recommend policy, it certainly happens amongst many professional economists, but we try to focus only on normative statements before this
- ▶ The notion of these two concepts can be used for good or for bad

What Kinds of Questions do Economists Ask? (cont.)

- ▶ As economists, we generally like to make *positive* statements
- ▶ Sometimes we recommend policy, it certainly happens amongst many professional economists, but we try to focus only on normative statements before this
- ▶ The notion of these two concepts can be used for good or for bad
 - ▶ Sometimes economists use this to exempt themselves from being a part of public policy when they do not want to be, for instance by saying “implementing [policy] will increase inflation but decrease unemployment”

What Kinds of Questions do Economists Ask? (cont.)

- ▶ As economists, we generally like to make *positive* statements
- ▶ Sometimes we recommend policy, it certainly happens amongst many professional economists, but we try to focus only on normative statements before this
- ▶ The notion of these two concepts can be used for good or for bad
 - ▶ Sometimes economists use this to exempt themselves from being a part of public policy when they do not want to be, for instance by saying “implementing [policy] will increase inflation but decrease unemployment”
 - ▶ Sometimes, you will see people (including economists) state a selective sample of biased data, and not attach a normative statement, attempting to either wipe their hands of the results, or be tongue-in-cheek with the implications

A Parable

- ▶ On Exactitude in Science

A Parable

- ▶ On Exactitude in Science
- ▶ Moral of the story: think simple!

A Parable

- ▶ On Exactitude in Science
- ▶ Moral of the story: think simple!
- ▶ This class will be about building basics

A Parable

- ▶ On Exactitude in Science
- ▶ Moral of the story: think simple!
- ▶ This class will be about building basics
- ▶ You *won't* be able to answer every question under the sun

A Parable

- ▶ On Exactitude in Science
- ▶ Moral of the story: think simple!
- ▶ This class will be about building basics
- ▶ You *won't* be able to answer every question under the sun
- ▶ You *will* learn a lot about economic reasoning, as well as gaining intuition for how to get started on answering complicated questions

Building a basic model

- ▶ Suppose there are two goods in the world: guns and butter
- ▶ We can produce 10 lbs of butter or

Hol' Up

- ▶ Pause: how can this model be any good? There are only two goods, and probably the biggest ones aren't even guns and butter³

³ Unless you are from a state that rhymes with Wecksas

Hol' Up

- ▶ Pause: how can this model be any good? There are only two goods, and probably the biggest ones aren't even guns and butter³
- ▶ Remember the map-makers? 6-in to a mile is pretty inaccurate

³ Unless you are from a state that rhymes with Wecksas

Hol' Up

- ▶ Pause: how can this model be any good? There are only two goods, and probably the biggest ones aren't even guns and butter³
- ▶ Remember the map-makers? 6-in to a mile is pretty inaccurate
- ▶ A two-good economy is actually very useful, as it can be used to model

³ Unless you are from a state that rhymes with Wecksas

Hol' Up

- ▶ Pause: how can this model be any good? There are only two goods, and probably the biggest ones aren't even guns and butter³
- ▶ Remember the map-makers? 6-in to a mile is pretty inaccurate
- ▶ A two-good economy is actually very useful, as it can be used to model
 - ▶ Consumption vs Labor

³ Unless you are from a state that rhymes with Wecksas

Hol' Up

- ▶ Pause: how can this model be any good? There are only two goods, and probably the biggest ones aren't even guns and butter³
- ▶ Remember the map-makers? 6-in to a mile is pretty inaccurate
- ▶ A two-good economy is actually very useful, as it can be used to model
 - ▶ Consumption vs Labor
 - ▶ Savings vs Food

³ Unless you are from a state that rhymes with Wecksas

Hol' Up

- ▶ Pause: how can this model be any good? There are only two goods, and probably the biggest ones aren't even guns and butter³
- ▶ Remember the map-makers? 6-in to a mile is pretty inaccurate
- ▶ A two-good economy is actually very useful, as it can be used to model
 - ▶ Consumption vs Labor
 - ▶ Savings vs Food
 - ▶ Food vs Housing

³ Unless you are from a state that rhymes with Wecksas

Back to Our Model

- ▶ So suppose there are two goods in our economy: guns and butter

Back to Our Model

- ▶ So suppose there are two goods in our economy: guns and butter
- ▶ Suppose that we have finite resources, some which are used to make both guns and butter (e.g. labor)

Back to Our Model

- ▶ So suppose there are two goods in our economy: guns and butter
- ▶ Suppose that we have finite resources, some which are used to make both guns and butter (e.g. labor)
- ▶ Consider a table outlining some combinations of guns and butter that we can produce:

Guns	Butter
60	0
50	18
40	28
30	35
20	42
10	47
0	50

Back to Our Model

- ▶ So suppose there are two goods in our economy: guns and butter
- ▶ Suppose that we have finite resources, some which are used to make both guns and butter (e.g. labor)
- ▶ Consider a table outlining some combinations of guns and butter that we can produce:

Guns	Butter
60	0
50	18
40	28
30	35
20	42
10	47
0	50

- ▶ Observations?