

Lecture 1

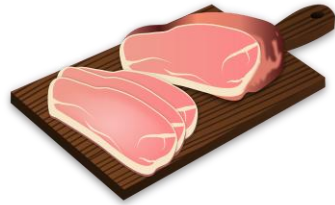
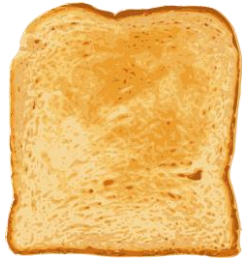
: What is economics?

What is economy?

- Imagine if you are trying to make a sandwich alone.



What is economy?



What is economy?

- Humans are beings engaged in material activities. → Economic activity
 - Production
 - Consumption
 - Trade
- The social system organizing economic activities → Economy
- The principle and structure of an economy → Economic system
- Perspectives/ideas on economy → Economics

Economics is the study of how a society organizes its money, trade, and industry. (from Oxford dictionary)

Economic systems

Scarcity of resources



Economic systems

- Key economic problems:
 - What goods and services shall be produced
 - How goods and services shall be produced
 - How goods and services shall be distributed and consumed



Who makes decisions?

Economic systems

- Traditional economy system
- Command economy system
- Market economy system

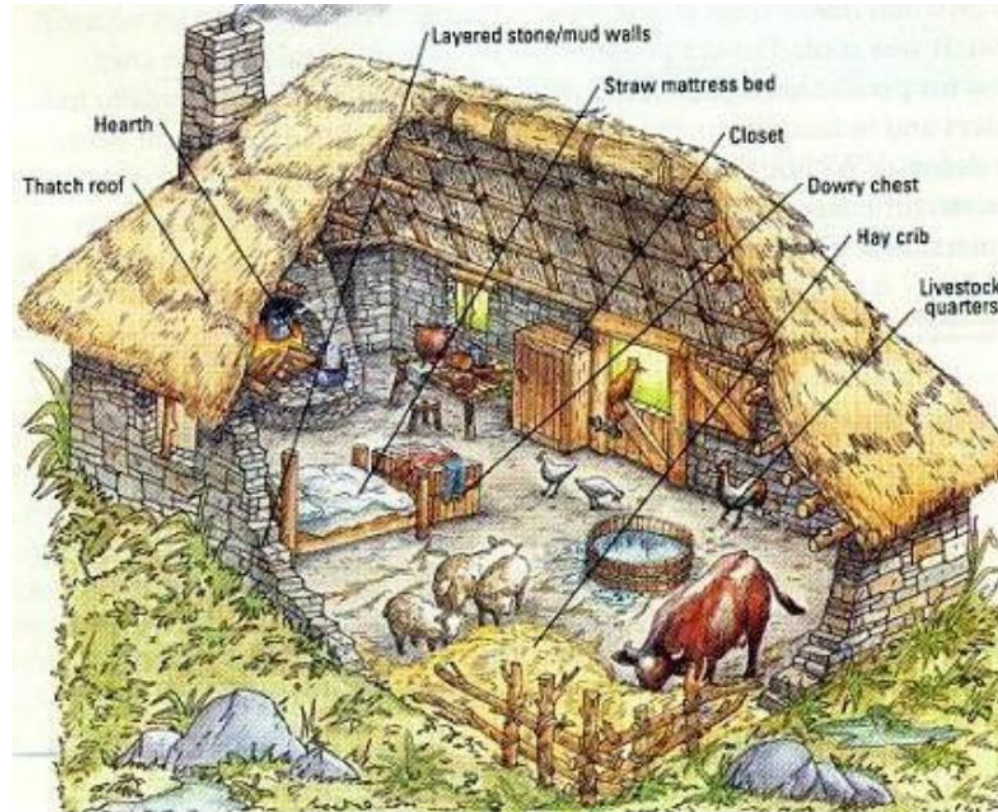


Understanding economics
= Understanding market economy system!

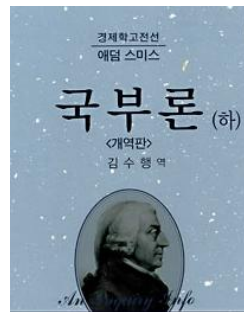
Traditional economy system

Producer

Consumer



Transition to market economy system

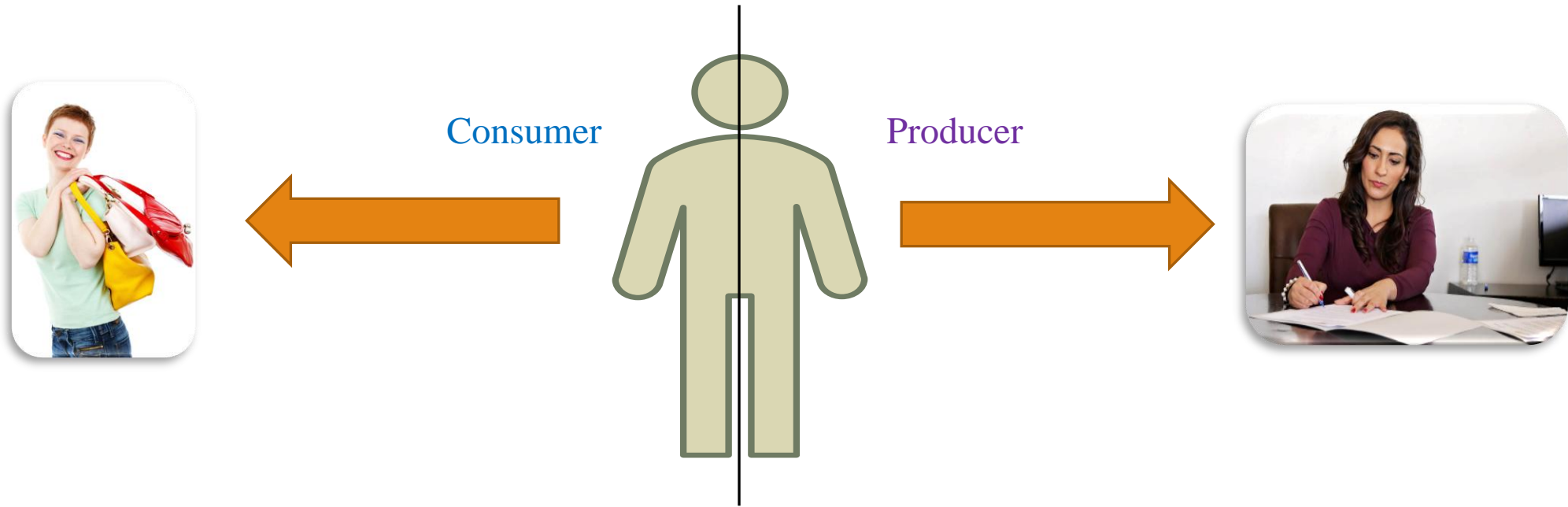


Adam Smith (1723~1790)

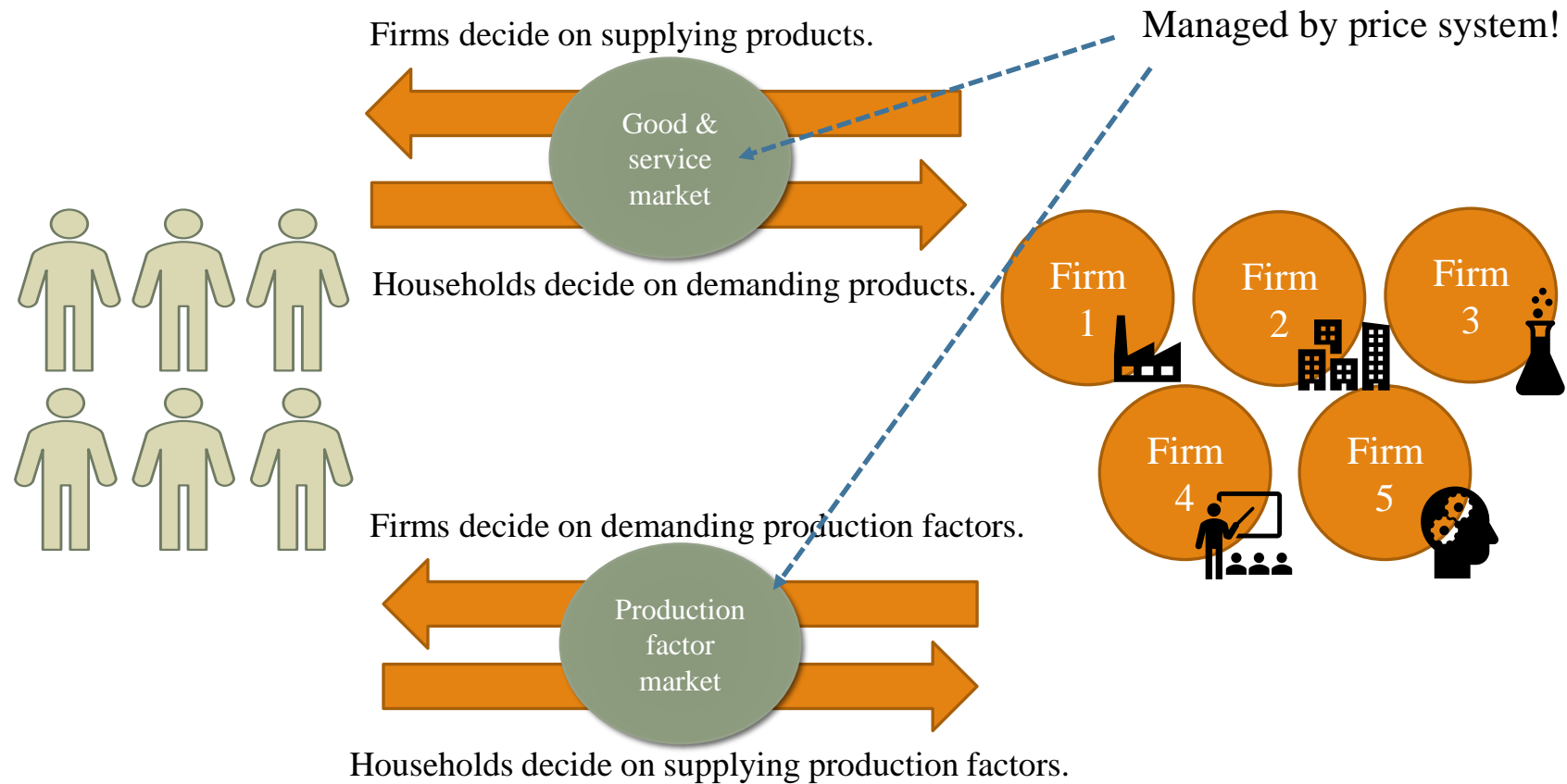


“...By pursuing his own interest the frequently promotes that of the society more effectually than when really intends to promote it.”

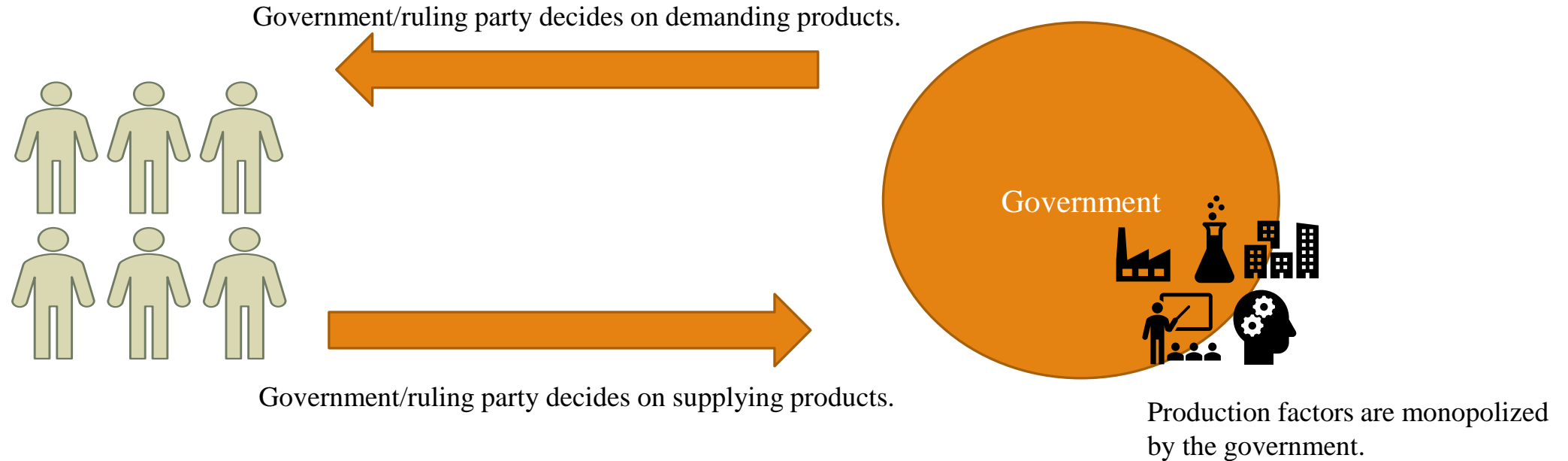
Market economy system



Market economy system



Command economy system



What is economics?

- We focus on topics in the modern economics (the mainstream economics)
 - A study of choices, motivations, the social results of choices (market mechanism)
- Mainstream economics
 - Self-interest (incentive structure)
 - Scarcity (environment)
 - Rationality (explainability)
- Economic thinking
 - Economics is basically abstract, general and theoretical. However, it is also the most practical.
- Economics evolves with market economy system.
 - Studying economics is studying market economy system (market mechanism).
 - Market is not a place. It's about the social interaction. Ex) job market

Why we learn economics?

- A good will (per se) does not bear a good social output.



Why we learn economics?

- In policy making, an ignoring motivations almost always makes things worse off.
- Example 1 : How much fund is needed to launch the free medical system?
- Example 2 : a prohibition on sending parcels on X-mas.

Why we learn economics?

- Relevant vocations :
 - policy maker/government officer
 - banker
 - analyst
 - NGO
 - researcher
 - etc

Subjects in economics

Economics

Microeconomics

Macroeconomics

Subjects in economics

- Microeconomic : the study on the behavior of individuals and firms in making decisions and the interactions among these individuals/government and firms



Subjects in economics

- Microeconomic questions:
 - What drives the oil prices?
 - Is the mobile service industry competitive?
 - How much the housing demand rise when government reduces tax on capital gain?
 - What is the optimal strategy of monopolist when there are potential competitors?

Subjects in economics

- Macroeconomics : growth of economy, recessions, unemployment rates, the effects of monetary policies, and international trades, etc.



Subjects in economics

- Macroeconomic questions:
 - Why is average income high in some countries while it is low in other countries?
 - Why do prices sometimes rise rapidly while at other times they more stable?
 - Why do production and employment expand in some years and contract in others?
 - Can the government do to promote rapid growth in incomes, low inflation, and stable employment?

Contents

- Microeconomics
 - Consumer behavior and the demand curve
 - Production and the supply curve
 - Market equilibrium and welfare
 - Market structures – competitive market & monopolistic market
 - Market failure and government
- Macroeconomics
 - Great depression and the rise of macroeconomics
 - Macroeconomic data : GDP, CPI, unemployment rate
 - Business cycles and economic growth
 - Money and banking system

Thanks!

