



ECONOMICS (the best subject)

PRESENTED BY

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Program

Prescribed Book: Economics for SA students – Philip Mohr, Louis Fourie and associates.

Module guide: Refer p 9/259.

Facilitation sessions.

Additional reading.

Own research.

Continuous thinking and learning.



What is economics?



Economic glasses



The Interdependence between the major sectors, markets and flows in the mixed economy.

Learning Unit 1



Introduction

Economics: science of household management

- Unlimited wants, limited means: scarcity
- Scarcity necessitates choice
- Every choice entails opportunity cost

Opportunity cost

- best alternative forgone
- examples



Micro vs Macro

Microeconomics:

- focus on detail
- microscope
- examples

Macroeconomics:

- deals with whole economy
- examples



Macroeconomic theory

Simplification, abstraction, model

Purposes

- explanation
- prediction
- policy



Macroeconomic policy

Objectives

- economic growth
- full employment/low unemployment
- price stability/low inflation
- balance of payments stability/external stability
- equitable/socially acceptable distribution of income



Macroeconomic policy

- Instruments
 - monetary policy
 - fiscal policy
 - other policies



Business

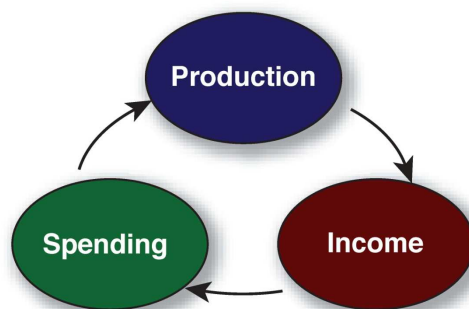


South Africa
Endless
Possibilities



Major flows in the economy

Production → income → spending/expenditure



Production, income and spending



Major flows in the economy

Production:

- factors of production
 - natural resources (land)
 - labour
 - capital
 - entrepreneurship



Major flows in the economy

Income:

- Flipside of production
- Reward of the factors of production
 - rent (natural resources)
 - wages and salaries (labour)
 - interest (capital)
 - profit (entrepreneurship)



Major flows in the economy

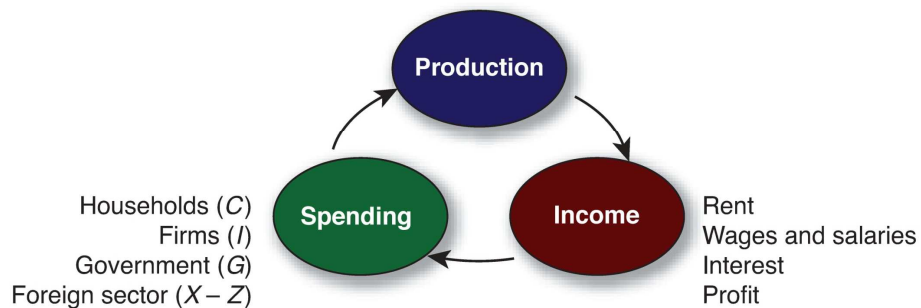
Spending: expenditure by all sectors of the economy

- consumption expenditure by households (C)
- investment (capital) expenditure by firms (I)
- government spending (G)
- exports (X) minus imports (Z)



Major flows in the economy

Natural resources, labour
capital, entrepreneurship



The different components of production, income and spending



Households

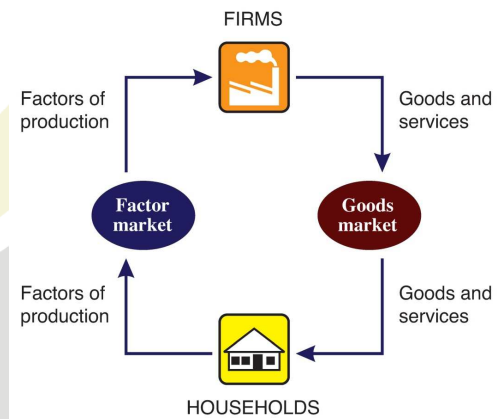


Circular flows

Goods market and factor market

Circular flow of goods and services

The circular flow of goods and services



Circular flows

Injections into (or additions to) circular flow of income and spending

- investment spending/capital formation
- government spending on goods and services
- exports

Withdrawals or leakages from the circular flow

- saving
- taxes
- imports

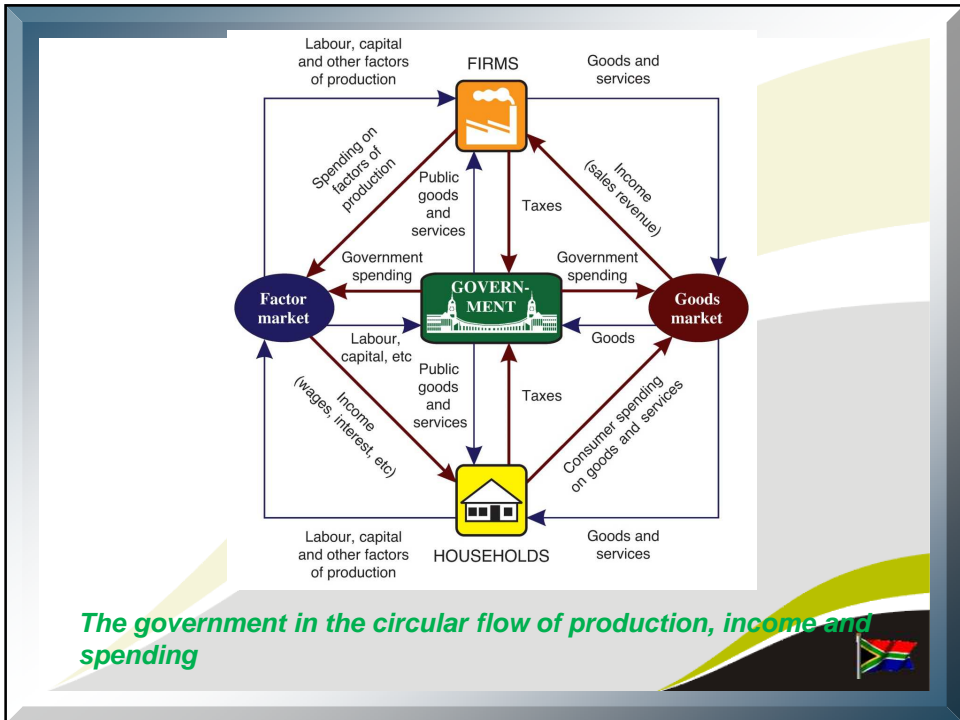


Circular flows

Note that capital goods (capital as factor of production) are tangible

Investment refers to purchase of capital goods





The government in the circular flow of production, income and spending

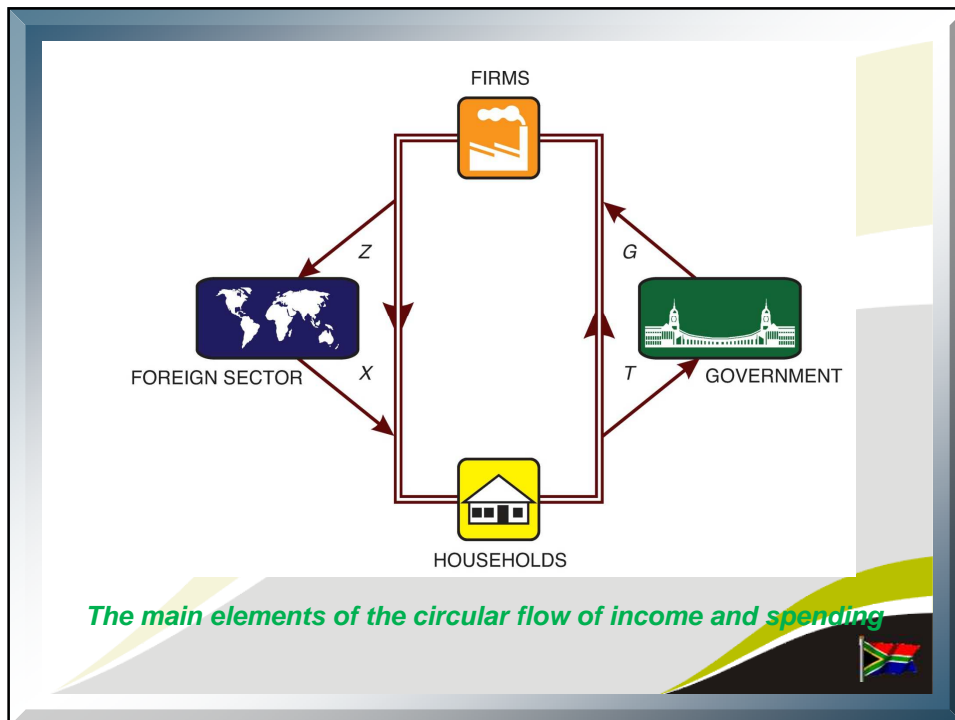


Financial Sector

SAVING YOUR FUTURE
Understanding your financial needs and habits requires discipline which can save your future and protect your wealth.
[CLICK FOR MORE](#)

Today, tomorrow, together.





Things to watch out for

Fallacy of composition

- whole is more than the sum of the parts
- what is true for single part not necessarily true for the whole
- examples

Things to watch out for

Do not confuse correlation with causation

➤ examples

Do not confuse levels with rates of change

➤ examples



Putting all together

Summary

