

WELCOME  
TO ECONOMICS A (MICRO)  
COURSE 2014



## LEARNING UNIT 1

- **DATE:** FEBRUARY 2014
- **MODULE:** PMIC6111
- **TEXTBOOK REFERENCE:** PAGES 3 -16
- **THEME:** WHAT ECONOMICS IS ALL ABOUT
  
- **OBJECTIVES:** BY END OF LEARNING UNIT 1 – YOU SHOULD KNOW THE FOLLOWING:
  - WHAT ECONOMICS IS ABOUT
  - EXPLAIN THE DIFFERENCE BETWEEN WANTS, NEEDS AND DEMAND
  - LIST 3 KEY ELEMENTS OF THE BASIC ECONOMIC PROBLEM
  - EXPLAIN THE CONCEPT OF SCARCITY, CHOICE, OPPORTUNITY COST
  - YOU SHOULD BE ABLE TO DRAW A PRODUCTION POSSIBILITIES CURVE
  - EXPLAIN WHY ECONOMICS IS A SOCIAL SCIENCE
  - DISTINGUISH BETWEEN MICRO AND MACRO – ECONOMICS
  - IDENTIFY POSITIVE AND NORMATIVE STATEMENTS

## LEARNING UNIT 1

....OBJECTIVES CONTINUED:

- APPLY CRITICAL REASONING TO CORRELATION AND CAUSATION
- DISTINGUISH BETWEEN LEVELS AND RATES OF CHANGE
  
- ❖ WHAT IS EXPECTED OF YOU?
  - PRE-READING IS IMPORTANT
  - PARTICIPATION IN CLASS DISCUSSIONS
  - INDIVIDUAL TASKS TO BE COMPLETED AT HOME

## LEARNING UNIT 1

### • WHAT IS ECONOMICS?

- WHAT DO YOU THINK ECONOMICS IS ABOUT?

#### ➤ LET'S LOOK AT A FEW DEFINITIONS

- REFER TO BOX 1-1 (PG 5 OF YOUR TEXTBOOK)
- MANY DIFFERENT DEFINITIONS
- IT IS ESSENTIALLY THE STUDY OF HOW TO ALLOCATE SCARCE RESOURCES AMONGST PEOPLE WHO HAVE UNLIMITED WANTS
- IT IS ALSO THE STUDY OF HOW INDIVIDUALS, FIRMS, GOVERNMENTS MAKE CHOICES AND HOW THESE CHOICES DETERMINE HOW SCARCE RESOURCES ARE USED

## LEARNING UNIT 1

### • SCARCITY, CHOICE AND OPPORTUNITY COSTS

#### ➤ WANTS

- UNLIMITED
- BIOLOGICAL, SPIRITUAL, MATERIAL, CULTURAL, SOCIAL

#### ➤ NEEDS

- LIMITED
- NECESSITIES

#### ➤ DEMAND

- DIFFERENT FROM WANTS AND NEEDS
- DEMAND ARISES ONLY WHEN YOU HAVE MEANS TO PURCHASE YOUR 'WANT' OR 'NEED'

# LEARNING UNIT 1

## RESOURCES

- USED TO SATISFY WANTS AND NEEDS
- DIVIDED INTO 3 MAIN CATEGORIES:
  - NATURAL RESOURCES
  - HUMAN RESOURCES
  - MAN-MADE RESOURCES
  - ENTREPRENEURSHIP – FOURTH FACTOR
- SCARCE
- ‘TANSTAAFL’
- OPPORTUNITY COST
  - HAVE TO CHOOSE BETWEEN CHOICES
    - DECIDING ON ONE CHOICE, MEANS A ‘LOST’ OPPORTUNITY ON BUYING ANOTHER CHOICE PRODUCT

# LEARNING UNIT 1

## PRODUCTION POSSIBILITIES CURVE (PPC)

- SCARCITY, CHOICE AND OPPORTUNITY COSTS CAN BE ILLUSTRATED:
  - BY USING A ‘PPC’ CURVE
  - ‘PPC’ CURVE SHOWS:
    - THE COMBINATIONS OF ANY TWO GOODS OR SERVICES ATTAINABLE WHEN RESOURCES ARE FULLY EMPLOYED
    - **REMEMBER:** WHEN YOU USE A RESOURCE TO PRODUCE GOOD ‘A’, YOU WILL HAVE LESS TO USE FOR PRODUCTION OF GOOD ‘B’
    - **CLASS ACTIVITY** - USE EXAMPLE ON PG 8 – TABLE 1-1 TO DRAW ‘PPC’

## LEARNING UNIT 1

- **ECONOMICS IS A SOCIAL SCIENCE**

- SCIENCE
- SOCIAL SCIENCE
  - BECAUSE IT ATTEMPTS TO IDENTIFY PATTERNS IN HUMAN BEHAVIOUR
- EMPIRICAL SCIENCE
  - ACTUAL EXPERIENCES MEASURED AND STUDIED
- NOT AN EXACT SCIENCE
  - MOST LAWS IN ECONOMICS REFERRED TO AS **CONDITIONAL LAWS**
  - 'CETERIS PARIBUS' – *PROVIDED ALL OTHER THINGS REMAIN CONSTANT*

## LEARNING UNIT 1

- **MICROECONOMICS AND MACROECONOMICS**

- STUDY OF ECONOMICS IS DIVIDED INTO 2 PARTS
- 1) **MICROECONOMICS**
  - FOCUS IS ON INDIVIDUAL PARTS OF ECONOMY
- 2) **MACROECONOMICS**
  - CONCERNED WITH ECONOMY AS A WHOLE
- CLASS DISCUSSION – BOX 1-2 PG 10

## LEARNING UNIT 1

- **POSITIVE AND NORMATIVE ECONOMICS**

- **POSITIVE ECONOMICS**

- OBJECTIVE STATEMENT OF FACT
- CAN BE PROVED OR DISPROVED

- **NORMATIVE ECONOMICS**

- INVOLVES AN OPINION OR VALUE JUDGEMENT
- CAN BE DEBATED – NOT SETTLED BY SCIENCE

- LET'S DISCUSS EXAMPLES ON PG 11

## LEARNING UNIT 1

- **WHY ECONOMISTS DISAGREE**

- DIFFERENT ECONOMISTS – DIFFERENT VALUE JUDGEMENTS
- DON'T AGREE ON FACTS
- BIASED
- HOLD DIFFERENT VIEWS ON HOW ECONOMY OPERATES
- DIFFERENT TIME PERSPECTIVES – SHORT RUN VS LONG RUN

## LEARNING UNIT 1

- **CORRELATION AND CAUSATION**

- IF TWO EVENTS FOLLOW ONE ANOTHER, NOT NECESSARY THAT THE ONE IS THE CAUSE OF THE OTHER
- IE – CORRELATION DOES NOT IMPLY CAUSATION
- FOR CAUSATION TO BE ESTABLISHED:
  - THERE MUST BE A **LOGICAL** THEORY EXPLAINING EFFECT OF ONE VARIABLE ON THE OTHER
- EG: CORRELATION BETWEEN NUMBER OF DEATHS AND PLAYING BOWLS

## LEARNING UNIT 1

- **LEVELS AND RATES OF CHANGE**

- LEVEL: USUALLY MEASURABLE E.G. CONSUMER PRICE INDEX, WAGE LEVELS
  - E.G. **LEVEL** OF NUMBER OF STUDENTS AT OTHER VC CAMPUSES IS MUCH HIGHER THAN AT THE MIDRAND CAMPUS
- RATES OF CHANGE: USUALLY EXPRESSED AS PERCENTAGES
  - **BUT** THE NUMBER OF STUDENTS AT VC – MIDRAND GREW MUCH FASTER THAN AT OTHER CAMPUSES I.E. THE RATE OF CHANGE WAS GREATER, AS VC MIDRAND STARTED OFF FROM A LOW BASE
- EXAMPLE ON IN BOX 1-3 PG 15

# LEARNING UNIT 1

- **INDIVIDUAL TASK**
  - WRITE A SUMMARY OF WHAT YOU HAVE LEARNT IN LEARNING UNIT 1
    - YOUR SUMMARY SHOULD INCLUDE TERMS SUCH AS:
      - ECONOMICS
      - SCARCITY
      - CHOICE
      - OPPORTUNITY COST
      - WANTS
      - NEEDS
      - DEMAND
      - MICROECONOMICS
      - MACROECONOMICS
      - POSITIVE VS NORMATIVE STATEMENTS
      - LEVELS AND RATE OF CHANGES