

Economics I. (Microeconomics)

First Lecture

Academic Year 2017/18

Miscellaneous information

- Course Title: Economics I. (BMEGT301004)
- Lecturer: Zoltán Bánhidi (zbanhidi@gmail.com)
- Assessment: There will be two mid-term exams that will include multiple choice and true or false questions. In order to pass, you should achieve at least 16 pts (/40) in **both** midterm exams.
- According to academic regulations, students may miss a maximum of 25% of the classes.
- Grades will be determined as follows:
 - 1st Mid-term exam: $S_1 = \max 40$ pts
 - 2nd Mid-term exam: $S_2 = \max 40$ pts
 - % achieved = $(S_1 + S_2) * (100/80)$

% achieved	Hungarian grade	ECTS equivalent	Explanation for the Hungarian grade
85-100	5	A	Excellent
70-84	4	B	Good
55-69	3	C	Satisfactory
40-54	2	D	Pass
0-39	1	F	Fail

Textbook and student workbook

- Course textbook: Begg, D. – Fischer, S. – Dornbush, R.: Economics. McGraw-Hill, 9th Edition
- Student workbook: Ward D. – Begg, D.: Student Workbook for Economics. McGraw-Hill.
- The textbook is available in limited quantities in the library.

Topics (Microeconomics)

Topics	Corresponding chapter in the textbook
Economics and the economy	1
Demand, supply and the market	3
Elasticities of demand and supply	4
Consumer choice and demand decisions	5
Introducing supply decisions	6
Costs and supply	7
Perfect competition and pure monopoly	8
Market structure and imperfect competition	9
Welfare economics	15

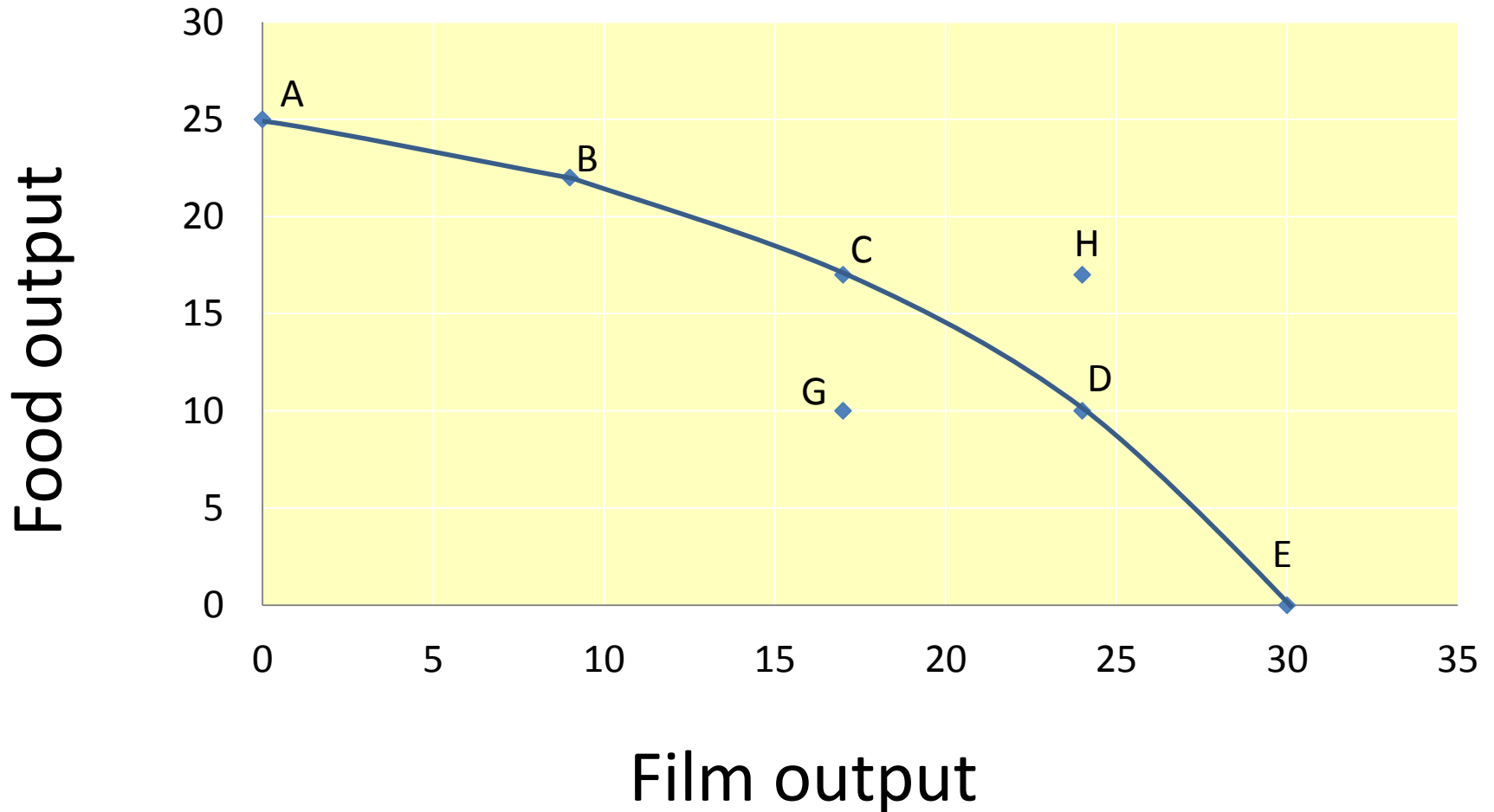
Economics

- Economics analyses **what, how, and for whom** society produces.
- The key economic problem is to reconcile the conflict between people's virtually unlimited demands with society's limited ability to produce goods and services to fulfil these demands.
- Framework: market economy (mixed economy), positive economics

Production possibilities

Food		Films	
Workers	Output	Workers	Output
4	25	0	0
3	22	1	9
2	17	2	17
1	10	3	24
0	0	4	30

Production possibility frontier



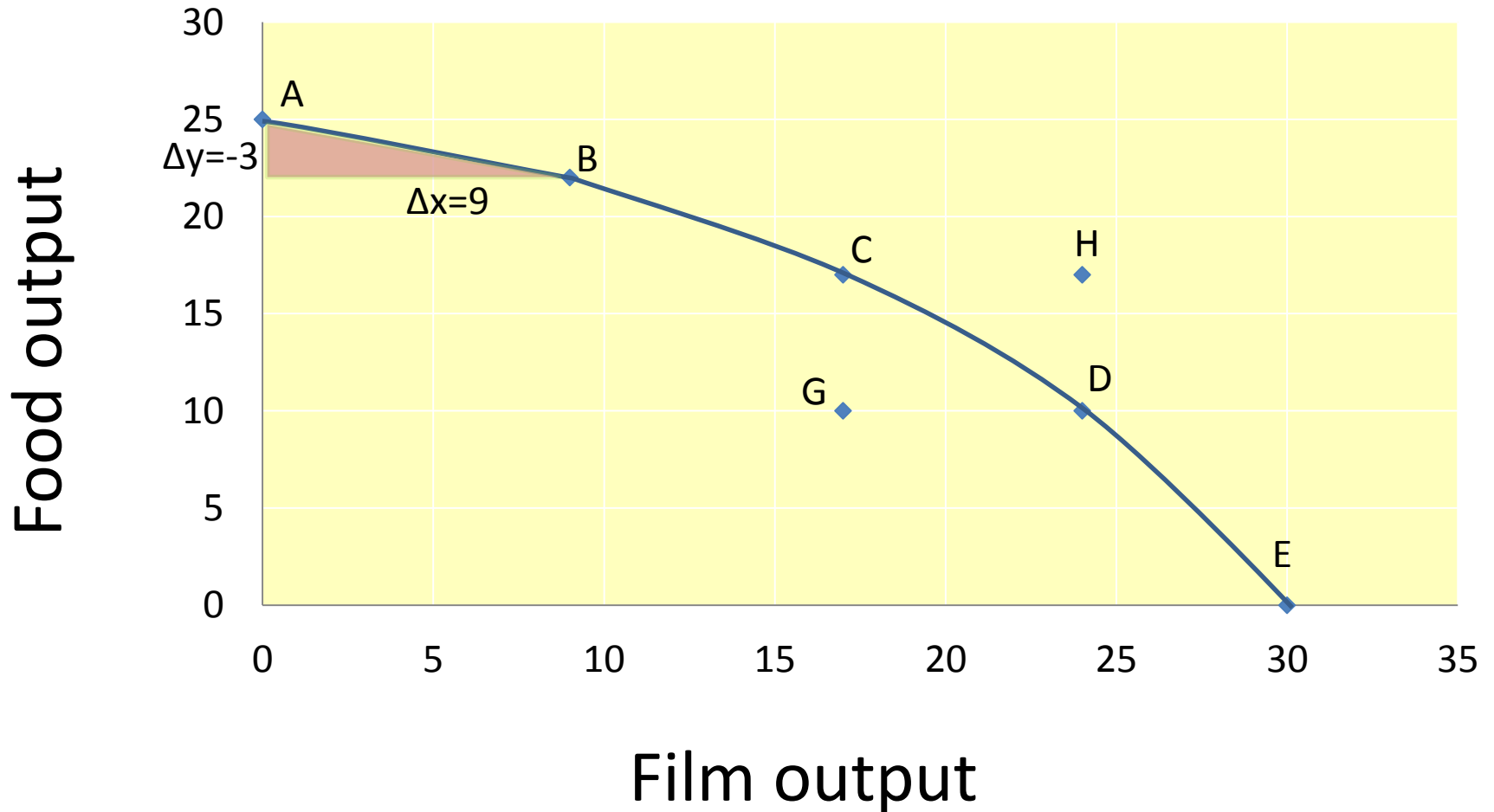
Production possibility frontier (PPF)

- The production possibility frontier shows the maximum amount of one good that can be produced given the output of the other good. It depicts the trade-off or menu of choices for society in deciding what to produce. Resources are scarce and points outside the frontier are unattainable. It is inefficient to produce within the frontier

Opportunity cost

- The opportunity cost of a good is the quantity of other goods sacrificed to make an additional unit of the good. It is the slope of the production possibility frontier.
- Suppose we start at point A with 25 units of food but no films. Moving from A to B, we gain 9 films but lose 3 units of food. Thus, 3 units of food is the opportunity cost of producing the first nine films.

Opportunity cost



Micro- and macroeconomics

- **Microeconomics** offers a detailed analysis of particular activities in the economy. For simplicity, it may neglect some interactions with the rest of the economy.
- **Macroeconomics** emphasizes these interactions at the cost of simplifying the individual building blocks.
 - ➔ Economics II.