

# Micro- and Macroeconomics

First Lecture

Academic Year 2019/20

# Miscellaneous information

- Course Title: Micro- and Macroeconomics (BMEGT30A001)
- Lecturer: Zoltán Bánhidi ([zbanhidi@gmail.com](mailto:zbanhidi@gmail.com))
- Assessment: There will be a midterm exam and a final exam, which will include multiple choice and true or false questions. In order to be allowed to participate in the final exam, you need to pass the midterm exam in both micro- and macroeconomics.
- Grades will be determined as follows:
  - Midterm exam (Microeconomics) 10%
  - Midterm exam (Macroeconomics) 10%
  - Final exam 80%.

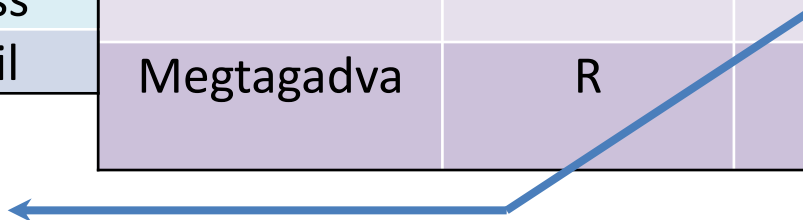
% achieved	Hungarian grade	ECTS equivalent	Explanation for the Hungarian grade
85-100	5	A	Excellent
70-84	4	B	Good
55-69	3	C	Satisfactory
40-54	2	D	Pass
0-39	1	F	Fail

# Attendance, grading

- According to academic regulations, students may miss a maximum of 25% of the classes.

% achieved	Hungarian grade	ECTS equivalent	Explanation for the Hungarian grade	Hungarian grade	ECTS Equivalent	Explanation for the Hungarian grade
85-100	5	A	Excellent	Nem jelent meg	DNA	Did not attend (no credit)
70-84	4	B	Good	Nem vizsgázott	I	Incomplete (no credit)
55-69	3	C	Satisfactory	Aláírva	S	Signed (no credit)
40-54	2	D	Pass	Megtagadva	R	Refused (no credit)
0-39	1	F	Fail			

Prerequisite for the final exam!



# 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, or can be purchased at the university's international bookstore

# 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

# Topics (Macroeconomics)

Topics	Corresponding chapter in the textbook
Introduction to macroeconomics	19
Output and aggregate demand	20
Fiscal policy and foreign trade	21
Money and banking	22
Aggregate supply, prices, and adjustment to shocks	25
Inflation, expectations and credibility	26
Unemployment	27
Exchange rates and the balance of payments	28

# Economics

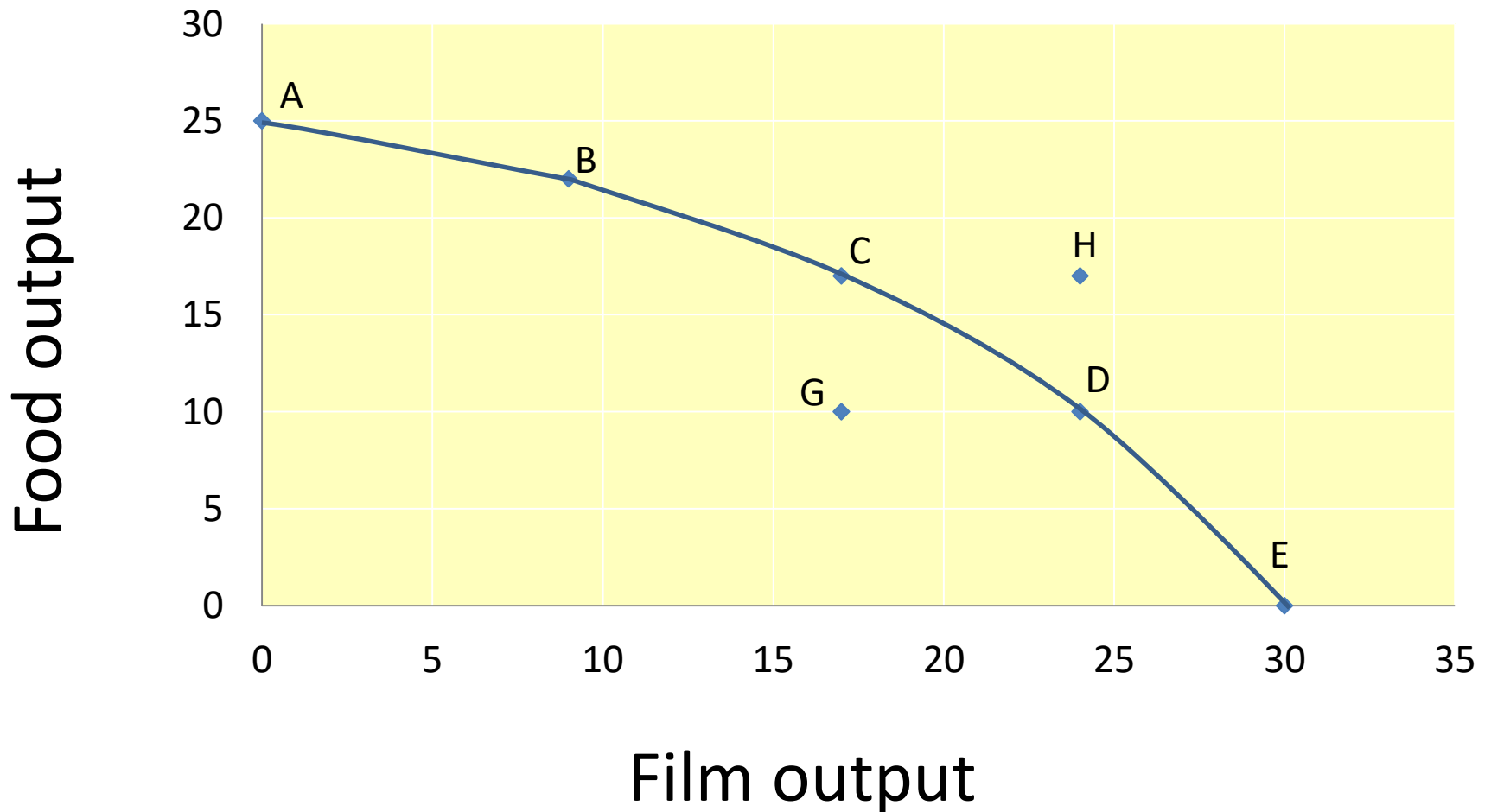
- Economics analyses **what, how, and for whom** society produces. The key economic problem is to reconcile the conflict between people's virtually unlimited demands with society's limited ability to produce goods and services to fulfil these demands.

# 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



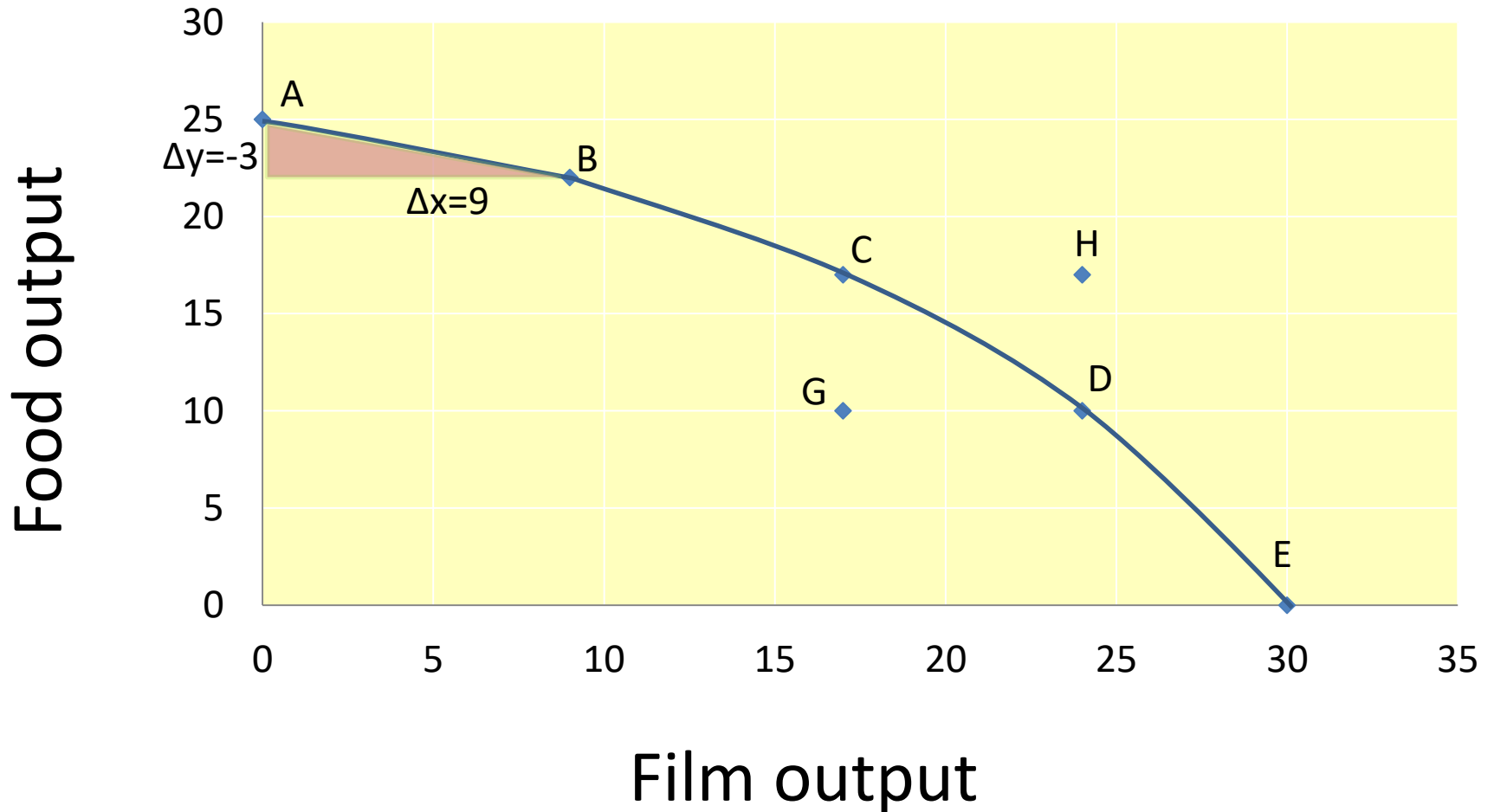
# Production possibility frontier (PPF)

- 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

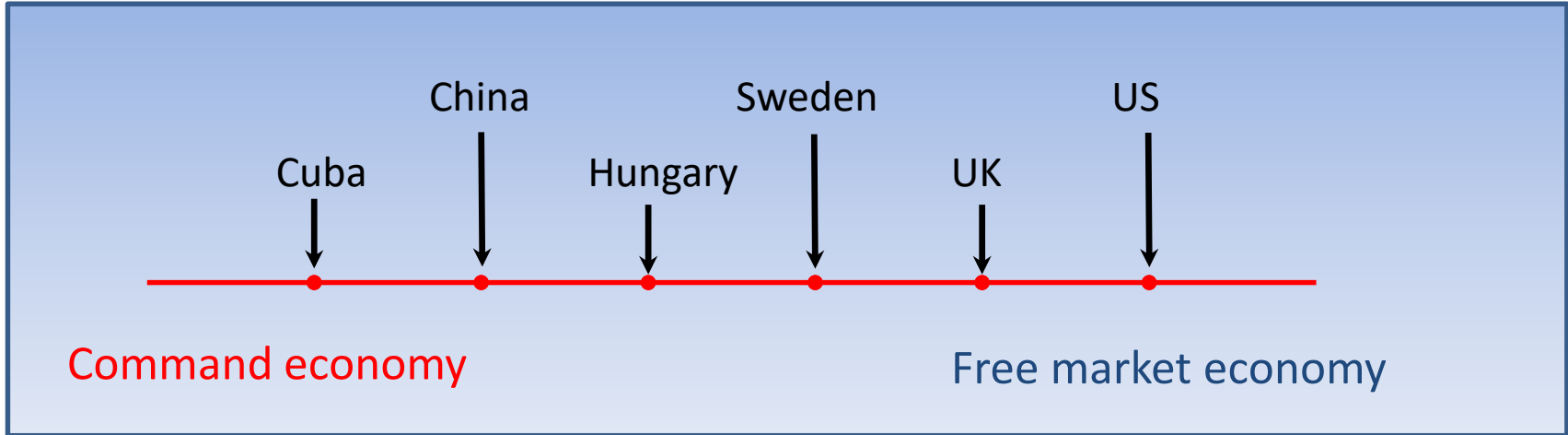
# Opportunity cost

- 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



# Market orientation



In the command economy resources are allocated by central government planning. In the free market economy there is virtually no government regulation of the consumption, production, and exchange of goods. In between lies the mixed economy, where market forces play a large role but the government intervenes extensively.

# Positive and normative economics

- **Positive economics** studies how the economy actually behaves. **Normative economics** recommends what should be done. The two should be kept separate. Given sufficient research, economists could agree on issues in positive economics. Normative economics involves subjective value judgements. There is no reason why people should agree on normative statements.

# 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.