

Introduction to Economics

Orientation Lecture

MGM112

The Economic Problem

Prepared by
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GENERAL INFORMATION

- **Course Name: MGM112- Introduction to Economics**
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GENERAL INFORMATION

- ترفع المحاضرات الأسبوعية على المنصة التعليمية Moodle يوم السبت من كل أسبوع في تمام الساعة ١٢ ظهرًا بتوقيت الرياض

GENERAL INFORMATION

- **حلقات النقاش** وهي حلقات أسبوعية اختيارية للطالب وغرضها مناقشة ما تم طرحه خلال المحاضرة المسجلة لكل أسبوع ستكون بأذن الله علي رابط والذي يعلن عنه علي المنصة التعليمية Moodle

GENERAL INFORMATION

- يفتح الاختبار القصير الأسبوعي يوم السبت في تمام الساعة العاشرة مساءً وهو متاح لمدة أسبوع ثم يقفل يوم السبت الذي يليه في تمام الساعة التاسعة مساءً
- الاختبار يشمل أسئلة كتابية وصوتية
- تعد الإجابة علي الاختبار القصير بمثابة حضور للطلاب والطالبات
- الاختبار القصير من ٨ درجات (بمجموع ٨٠ درجة)
- فترة السماح للاختبار القصير ٢٤ دقيقة.

Quizzes

Exams & Marks

80% Short exams during the semester

20% Final Exam

Course Content

LEC 1 - The Economic problem

LEC 2 Demand Theory

LEC 3 Supply theory

LEC 4 Market Equilibrium, and its applications

LEC 5 Elasticity of Demand, and Elasticity of Supply

LEC 6 Government Intervention in Markets

LEC 7 output, and Cost

LEC 8 Monetary Policy, and Fiscal policies

LEC 9 MEASURING GDP AND ECONOMIC GROWTH

LEC 10 International Trade

Learning Outcomes

At the end of this course, students should be able to:

Describe and evaluate the models and methods used in economic analysis.

Formulate real world examples in the language of economic modeling.

Apply and use the economic models to analyze these issues.

Assess the potential and limitations of the models and methods used in economic analysis.

Program level competencies.



Objectives of this Lecture

After studying this lecture, you will be able to:

- Define economics and distinguish between microeconomics and macroeconomics
- Explain the three big questions of microeconomics
- Explain the three big questions of macroeconomics
- Explain the ideas that define the economic way of thinking

The diagram illustrates the concept of Scarcity and its relationship to choices and incentives. It features a central flowchart on a light green background. At the top, two blue arrows point downwards: the left one is labeled 'Unlimited wants' and the right one is labeled 'Limited resources'. These arrows point to a red rectangular box labeled 'SCARCITY'. From the 'SCARCITY' box, a red arrow points down to a yellow rectangular box labeled 'Choices'. From the 'Choices' box, three red arrows point down to three separate yellow rectangular boxes: 'WHAT to produce', 'HOW to produce', and 'FOR WHOM to produce'. To the right of the 'Choices' box, an orange arrow points to a blue rectangular box labeled 'incentive'. Below the 'incentive' box is a white rounded rectangle containing a bulleted list: '• The choices we make depend on the incentives we face', '• An incentive is', '• a reward that encourages an action or', and '• a penalty that discourages an action.' A red thought bubble originates from the 'SCARCITY' box and points to the right, containing the text: 'We want more than we can get', 'Wants exceed scarce resources', and 'Scarcity cannot be eliminated'.

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graph TD; UW[Unlimited wants] --> S[SCARCITY]; LR[Limited resources] --> S; S --> C[Choices]; C --> W[WHAT to produce]; C --> H[HOW to produce]; C --> F[FOR WHOM to produce]; C --> I[incentive]; I --> L["• The choices we make depend on the incentives we face<br/>• An incentive is<br/>• a reward that encourages an action or<br/>• a penalty that discourages an action."]; S -.-> TB((We want more than we can get<br/>Wants exceed scarce resources<br/>Scarcity cannot be eliminated))
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Unlimited wants

Limited resources

SCARCITY

Choices

WHAT to produce

HOW to produce

FOR WHOM to produce

incentive

- The choices we make depend on the incentives we face
- An incentive is
- a reward that encourages an action or
- a penalty that discourages an action.

We want **more** than we can get

Wants **exceed** scarce resources

Scarcity cannot be **eliminated**



1. WHAT IS ECONOMICS?

Scarcity

- All economic questions arise because we are unable to satisfy all our wants—because we face **scarcity**.
- **Economics** is the social science that studies the **choices** that individuals, businesses, governments, and societies make as they cope with **scarcity**.

Think

- Scarcity requires that people must
 - A) cooperate.
 - B) compete.
 - C) trade.
 - D) make choices.
- As an economic concept, scarcity applies to
 - A) both money and time.
 - B) money but not time.
 - C) time but not money.
 - D) neither time nor money.

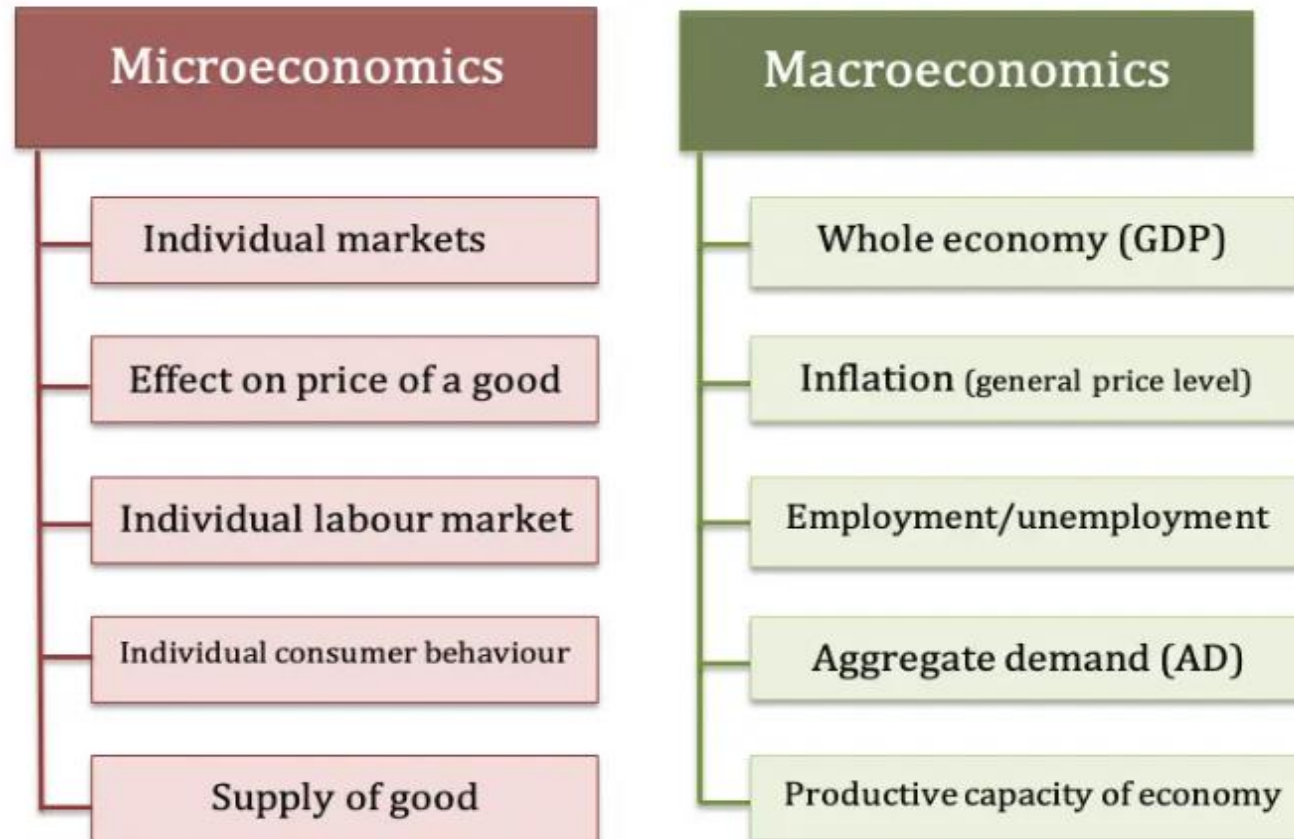


2. Compare between Microeconomics and Macroeconomics.

- Economics divides into Two Main parts: Microeconomics, Macroeconomics

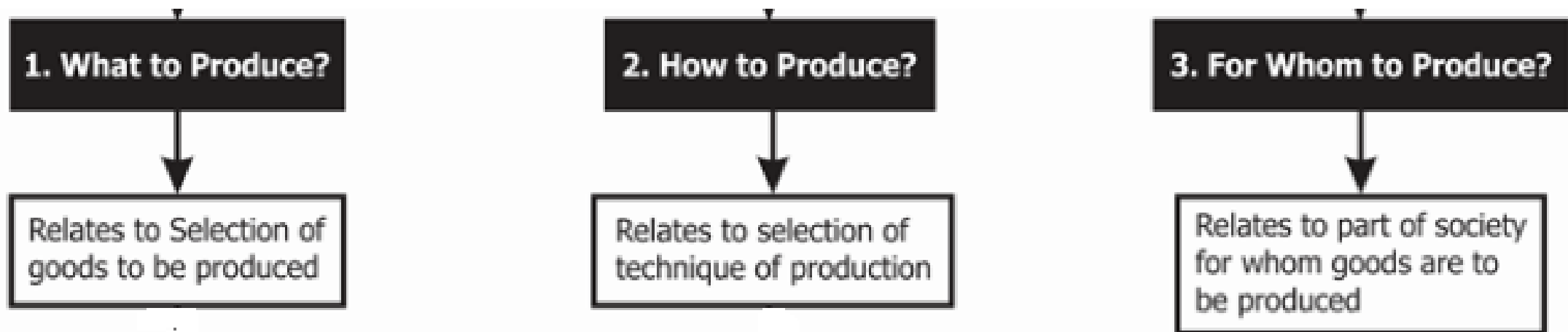
	Microeconomics	Macroeconomics
Definition	Microeconomics is the study of choices that individuals and businesses make, the way those choices interact in markets, and the influence of governments.	Macroeconomics is the study of the performance of the national and global economies.
Examples	Why are people buying more e-books and fewer hard copy books?	Why is the unemployment rate so high?
Questions	1) What to produce ? 2) How to produce? 3) For whom to produce ?	1)What Determines the Standard of Living? 2)What Determines the Cost of Living? 3)Why Does Our Economy Fluctuate?

2. Compare between Microeconomics and Macroeconomics.



3.Explain the three big questions of Microeconomics?

Microeconomics seeks to understand what determines:

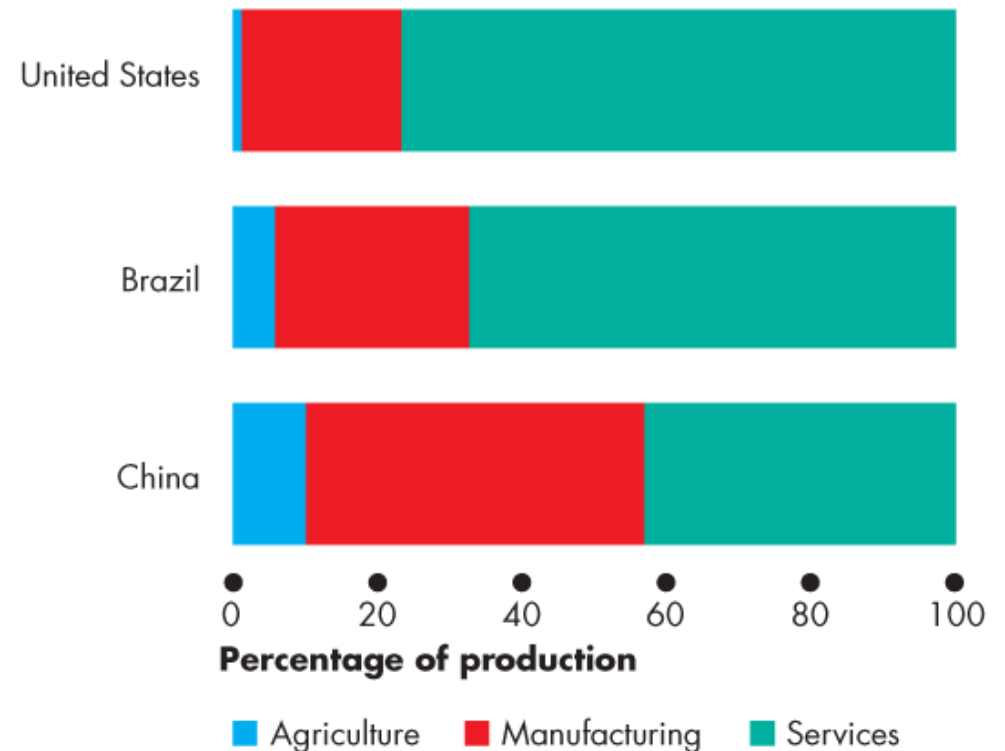


3.Explain the three big questions of Microeconomics?

Microeconomics seeks to understand what determines:

1. What.... ?

- **Goods and services** are the objects that people value and produce to satisfy human wants.

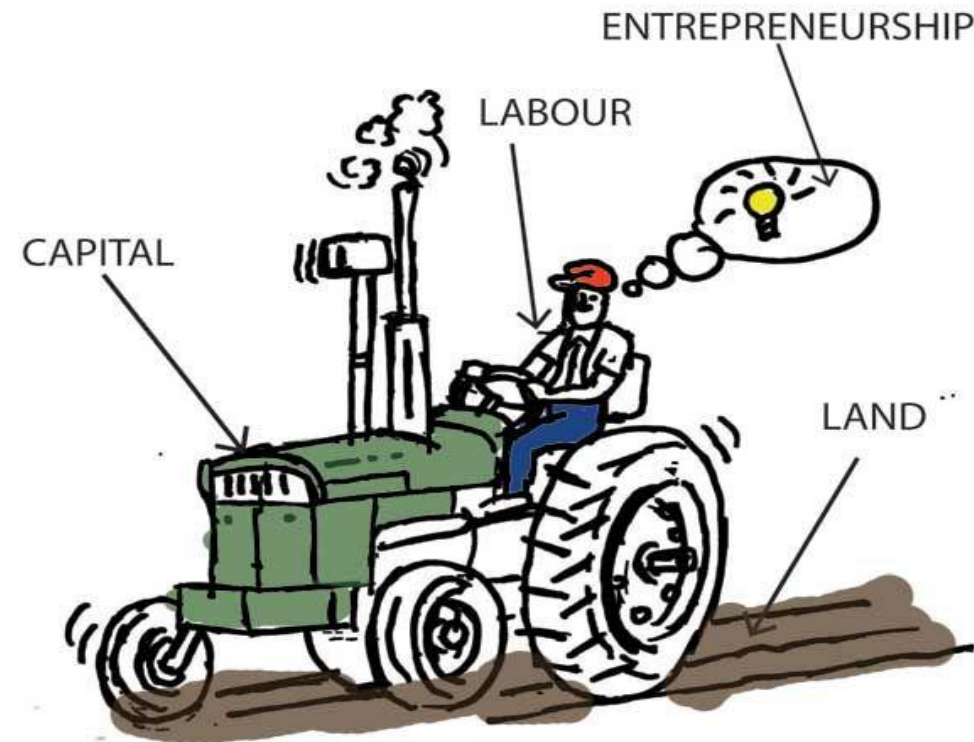


3.Explain the three big questions of Microeconomics?

Microeconomics seeks to understand what determines:

2. How....?

Goods and services are produced **by using factors of production**: the inputs used to produce goods and services



3.Explain the three big questions of Microeconomics?

2. How.... ?

1. Land:

- The “**gifts of nature**” that we use to produce goods and services .

2. Labor:

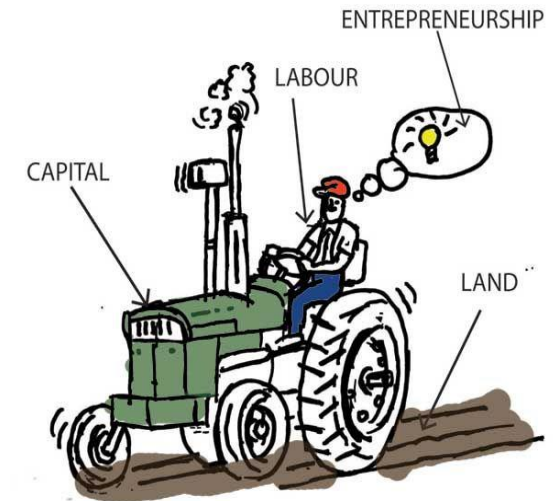
- The **work time and work effort** that people devote to producing goods and services
- **The quality of labor** depends on **human capital**, which is the knowledge and skill that people obtain from education, on-the-job training, and work experience.

3. Capital:

- The tools, instruments, machines, buildings, and other constructions that businesses use to produce goods and services

4. Entrepreneurship :

- The human resource that organizes land, labor, and capital.



3.Explain the three big questions of Microeconomics?

3. For Whom / Who.... ?

- Who gets the goods and services depends on the **incomes** that people earn.
 - **Land** earns **rent**.
 - **Labor** earns **wages**.
 - **Capital** earns **interest**.
 - **Entrepreneurship** earns **profit**

Think

- When firms in an economy start producing more computers and fewer televisions, they are answering the ____ question.

A) "when"
B) "for whom"
C) "what"
D) "where"

- few machines and a great deal of labor, it is answering the _____ part of one of the two big economic questions.

A) "what"
B) "how"
C) "where"
D) "for whom"



Think

The fact that people with higher incomes get to consume more goods and services addresses the _____ part of one of the two big economic questions.

- A) "for whom"
- B) "when"
- C) "where"
- D) "how"



4.Explain the three big questions of Macroeconomics?

1) What Determines the Standard of Living?

- The standard of living is the level of consumption that people enjoy on the average and is measured by average income per person.

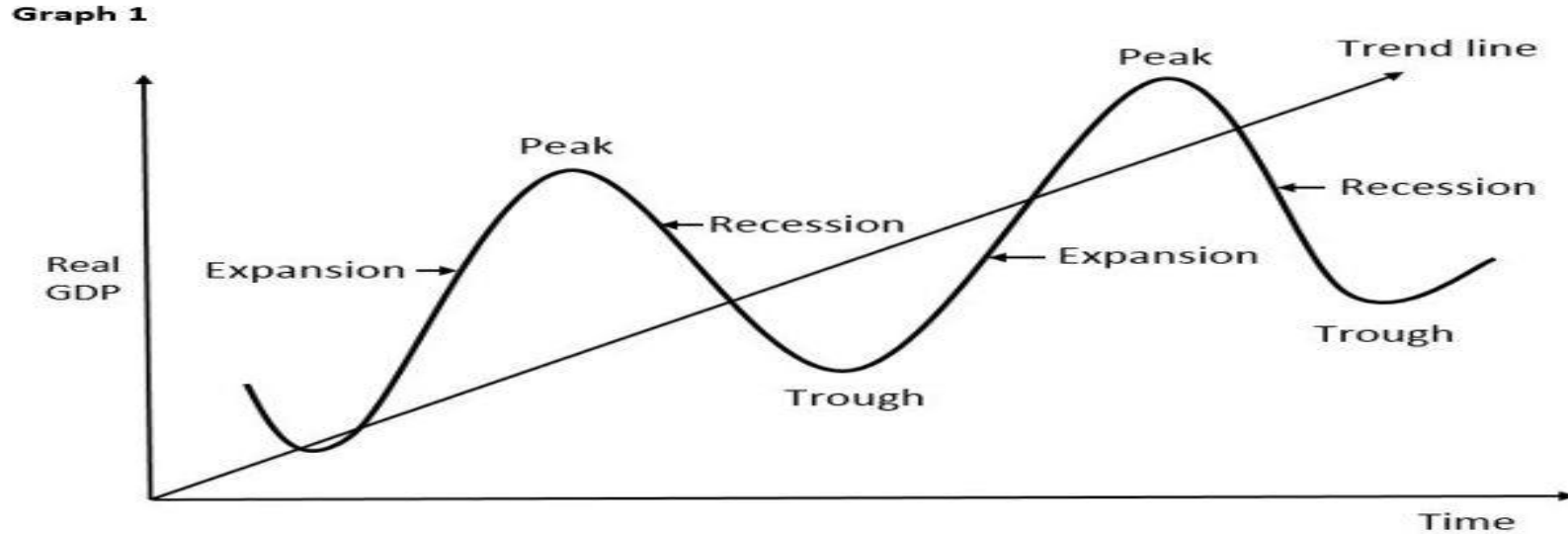
2) What Determines the Cost of Living?

- The cost of living is the amount of money it takes to buy the goods and services that a typical family consumes
- In the time of inflation, decreasing value of \$, increasing cost of living.
- In the time of deflation, increasing value of \$, decreasing cost of living.

4. Explain the three big questions of Macroeconomics?

3) Why Does Our Economy Fluctuate?

- The business cycle is the periodic but irregular up-and-down movement in production and jobs in an economy.



5. Compare ,contrast between Positive statements and Normative statements

	Positive statements	Normative statements
Definition	- are about what is Statements may be right or wrong, Statements can be tested They are economics.	- Are about what ought to be. (a value judgment.) Statements express an opinion, but they don't assert a fact that can be checked. - Statements depend upon values and cannot be tested. They are not economics.
Examples	"Our planet is warming because of the amount of coal that we are burning" "A rise in the minimum wage will bring more teenage unemployment."	"We ought to cut back on our use of coal" "The minimum wage should not be increased".

Think

- The statement “Prices rise more in countries with rapid growth in the money supply” is
 - A) a political statement.
 - B) a positive statement.**
 - C) a normative statement.
 - D) an ethical statement
- “Government should act to reduce poverty levels.”
 - A) This statement is a normative statement.**
 - B) This statement is a positive statement.
 - C) This statement is an example of the fallacy of composition.
 - D) This statement is an example of the *post hoc* fallacy.



Summary outlines

1. Definition of Economics, and Scarcity
2. Microeconomics, and Macroeconomics
3. The 3 big Questions of Microeconomics
4. The 3 big Questions of Macroeconomics
5. Comparison between Positive statements and Normative statements



Thank You