

What is Economics?

Narrow Definition

- Economics is the study of how people allocate scarce resources
- The “Dismal Science”

Broad Definition

- Economics is the study of interacting decision-makers
- *[economics] does not assume that individuals are motivated by selfishness of gain... Behavior is driven by a much richer set of values and preferences. The analysis assumes that individuals maximize welfare as they conceive it, whether they be selfish, altruistic, loyal, spiteful, or masochistic.*
 - Gary Becker, Nobel Prize Acceptance Speech

Broad Definition

- Economics is the study of interacting decision-makers
- Characterized by:
 - Maximizing Behavior
 - People are thoughtful
 - Statistics (not in this class though)

The study of economics does not seem to require any specialized gifts of an unusually high order. Is it not, intellectually regarded, a very easy subject compared with the higher branches of philosophy and pure science? Yet good, or even competent, economists are the rarest of birds. An easy subject, at which very few excel! The paradox finds its explanation, perhaps, in that the master-economist must possess a rare combination of gifts. He must reach a high standard in several different directions and must combine talents not often found together.

He must be mathematician, historian, statesman, philosopher – in some degree.

He must understand symbols and speak in words.

He must contemplate the particular in terms of the general, and touch abstract and concrete in the same flight of thought.

He must study the present in the light of the past for the purposes of the future.

No part of man's nature or his institutions must lie currently outside his regard.

He must be purposeful and disinterested in a simultaneous mood; as aloof and incorruptible as an artist, yet sometimes as near the earth as a politician.

John Maynard Keynes, *Essays on Biography*

What is Microeconomics?

- Macroeconomics is big picture economics
- Microeconomics is the rest