What is economics?
What do economists do?
What is economics all about?

- **ECON 101 definition:**
  - Economics is “the study of how people, businesses, societies, or nations deal with scarcity”.

- Economics is “what economists do”.

What do economists do?

- Economists study how & why societies, nations, business and people distribute resources, and the associated implications for human wellbeing.
How do economists study that stuff?

- Depict economic relationships with mathematics-based theory... Reasoning.
- Economists also collect, compile and analyze data. ...Reasoning.

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<thead>
<tr>
<th>Year</th>
<th>Sales</th>
<th>Index value</th>
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</thead>
<tbody>
<tr>
<td>2010</td>
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\begin{align*}
(1) & \quad Q^D = 200 - 5P \\
(2) & \quad Q^S = 50 + 10P \\
(3) & \quad Q^D = Q^S
\end{align*}
Then what?

- Economists try to provide information that will be useful for decision-makers.
  - What is the nature and magnitude of cause-and-effect?
    - How did we get here?
    - What would happen if...?
  - What are the costs and benefits of an action (or inaction)?
  - What is the best way to accomplish a particular goal?

- Economists use theory, data, math and statistics to help solve real-world problems.
Economics is (supposed to be) objective

- When economists analyze a situation, they tend to do so without personal opinion.

- A cold-hearted search for the truth...
Is economics a science?

- Yes and no.
- Science can viewed as the study of *things that can be proven false* (even if the likelihood is very small).
  - Karl Popper
- Economists use theory to examine how facts fit together.
- Economists empirically test theory to see whether the facts support what theory predicts.
- But, unlike some *physical* scientists, economists rarely use controlled experiments to test theories.
- We must use whatever facts are available and rely on statistical analysis to draw conclusions.
Is economics a ‘science’?

“The problems that we want economists to help solve are more like predicting how leaves will fall on a windy day than predicting how objects will fall in a vacuum.”

Daniel Hausman, NYT, 2015
What can economists study?

• Anything that involves decision-making.
• Anything that involves choices and tradeoffs.
• Anything.
### Journal of Economic Literature

**Classification of Fields**

<table>
<thead>
<tr>
<th>Letter</th>
<th>Field</th>
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<tbody>
<tr>
<td>A</td>
<td>General Economics and Teaching</td>
</tr>
<tr>
<td>B</td>
<td>History of Economic Thought, Methodology, and Heterodox Approaches</td>
</tr>
<tr>
<td>C</td>
<td>Mathematical and Quantitative Methods</td>
</tr>
<tr>
<td>D</td>
<td>Microeconomics</td>
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<td>E</td>
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<tr>
<td>Z</td>
<td>Other Special Topics</td>
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Micro and Macro

- **Macro**economics is the study of the entire economy.
- Macroeconomists are concerned with relationships between broadly defined economic variables such as the overall price level, total output and unemployment.
  - Macroeconomists might attempt to forecast the effects of large scale unemployment, economic growth, inflation, productivity, and investments.
  - What is the economy going to do next...?
Fields of Macroeconomics

- **Monetary economics**
  - Money
  - Central banking and policy
  - Interest rates
  - Credit markets

- **International economics**
  - Trade
  - Exchange rates
  - International investment
  - Growth and development
  - Foreign aid
Micro and Macro

Microeconomics is the study of the choices and behaviors of individual consumers, businesses and governments.

- Private sector microeconomists might help businesses maximize profits, reduce costs or establish prices.
- Public sector microeconomists might analyze the costs and benefits of government programs or policies (e.g. transportation, health care, environment).
Fields of Microeconomics

- Health economics
- Economics of education
- Environmental and natural resource economics
- Industrial organization
- Urban/regional economics
- Labor and demographics
What kind of skills do economists use?

- Critical thinking
- Mathematics
- Statistics
- Data acquisition & analysis
- Technical software
- Writing, reporting & communication
Where do economists work?

- Roughly *half* of all economists work for local, state or federal governments.
- Other areas:
  - Banking & Investments
  - Consulting (public or private)
  - Manufacturing
  - Transportation
  - Nonprofit organizations/NGOs
  - International organizations (World Bank, IMF etc)
  - Academics
Is everyone that studies economics an economist?

• Potential job titles for those with an economics background:
  ○ Financial analyst
  ○ Market/pricing analyst
  ○ Public policy consultant
  ○ Researcher /research assistant
  ○ Purchasing manager
  ○ Journalist
  ○ Lawyer
  ○ Urban/regional planner
  ○ Private sector upper manager
  ○ Data analyst
Do economists agree on everything?

- No.
What do economists agree on?

- The goal of public policy should be to improve the well-being of the public.
- People respond to incentives.
- Voluntary transactions are good.
- Analyzing costs and benefits provides a lot of insight into the way the world works.
What are the most important concepts in econ?

- Opportunity costs ("TiNSTaaFL")
- Thinking at "the margin"
Thank you!