

What is economics? What do economists do?



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What is economics all about?

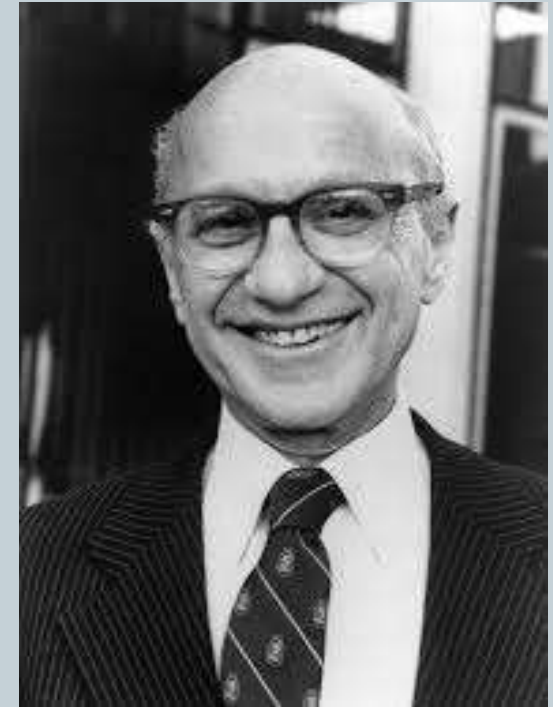
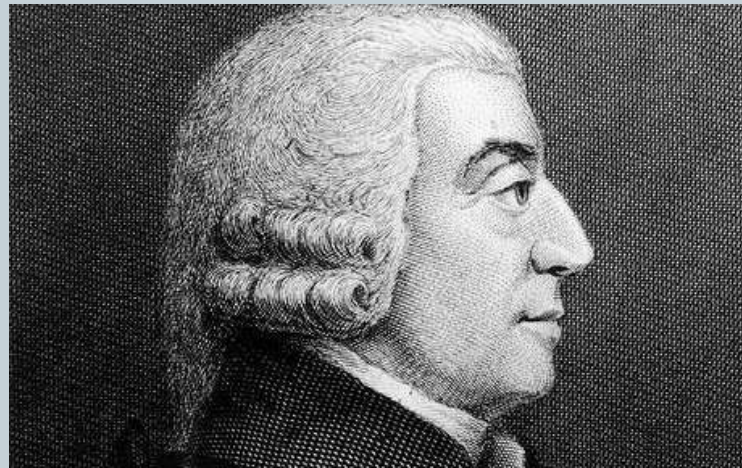
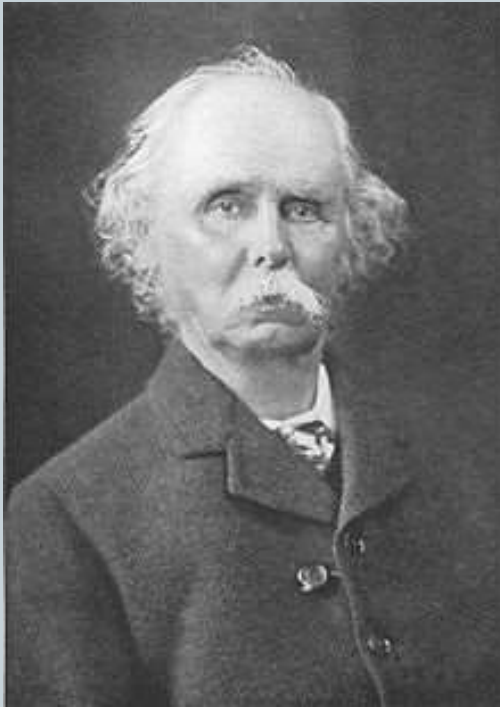


- **ECON 101 definition:**
 - Economics is “the study of how people , businesses, societies, or nations deal with scarcity”.
- Economics is “what economists do”.

What do economists do?



- *Economists study how & why* societies, nations, business and people distribute resources, and the associated implications for human wellbeing.



HOUSEHOLDS



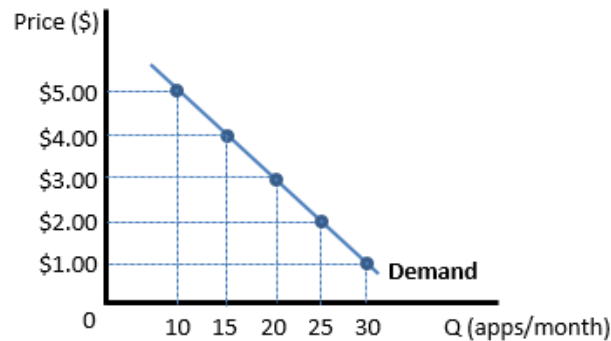
BUSINESSES

How do economists study that stuff?



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

<i>Year</i>	<i>Sales</i>	<i>Index value</i>
2010	\$205,000	100.00
2011	\$217,000	105.85
2012	\$238,000	116.10
2013	\$242,000	118.05
2014	\$243,000	118.54



$$(1) Q^D = 200 - 5P$$

$$(2) Q^S = 50 + 10P$$

$$(3) Q^D = Q^S$$

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 be 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’?



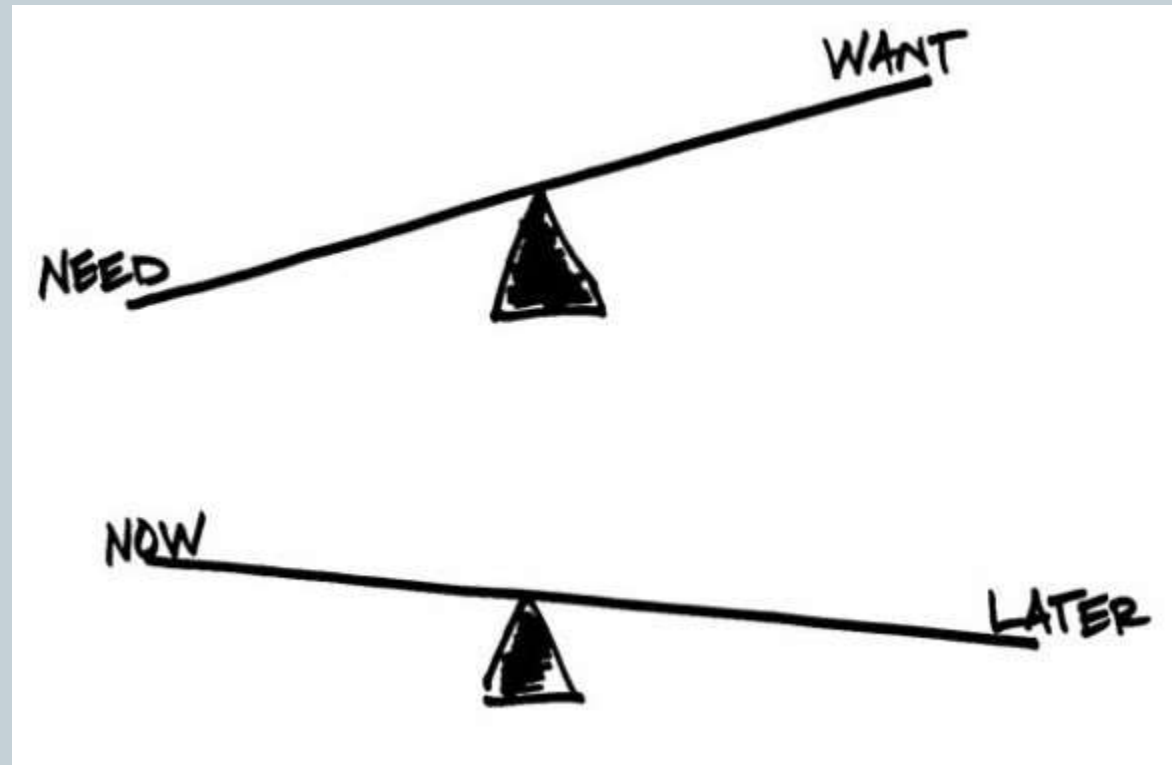
- *“The problems that we want economists to help solve are more like predicting how leaves will fall on a windy day than predicting how objects will fall in a vacuum.”*
 - Daniel Hausman, NYT, 2015



What can economists study?



- Anything that involves decision-making.
- Anything that involves choices and tradeoffs.
- Anything.



Journal of Economic Literature

Classification of Fields



A	General Economics and Teaching
B	History of Economic Thought, Methodology, and Heterodox Approaches
C	Mathematical and Quantitative Methods
D	Microeconomics
E	Macroeconomics and Monetary Economics
F	International Economics
G	Financial Economics
H	Public Economics
I	Health, Education, and Welfare
J	Labor and Demographic Economics
K	Law and Economics
L	Industrial Organization
M	Business Administration & Business Economics • Marketing • Accounting • Personnel
N	Economic History
O	Economic Development, Innovation, Technological Change, and Growth
P	Economic Systems
Q	Agricultural & Natural Resource Economics • Environmental & Ecological Economics
R	Urban, Rural, Regional, Real Estate, and Transportation Economics
Y	Miscellaneous Categories
Z	Other Special Topics

Micro and Macro



- **Macroeconomics** 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!