

Location of MUCO



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Mission Statement

❖ Objectives:

- train college-educated experts in the fields of economics and management,
- prepare well-educated employees for small and medium-sized enterprises.

❖ MUCO puts the emphasis on:

- synergy of business and academic world,
- market sustainability,
- competitiveness of graduates in the labour market,
- innovative processes,
- practical application of theoretical knowledge.



❖ MUCO's scientific and research activity focuses on:

- the area of economics, management, marketing, and information technology and on the applied research based on the region's needs.
- Journal EMI (Economy- Management - Innovation) – registered in ERIH+, www.emijournal.cz

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Briefly about you...

Introduction

- 6 words
- 1 sentence

(...about me)

My 6 words:

children – family - teaching – students – sport – music

My sentence:

„Enjoy our active family life together!“

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MORAVIAN UNIVERSITY COLLEGE OLMOUC →

Lecture 1

The Fundamental Issue of Economics

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Homo Economicus

The human destiny

- the first application of economic laws

Definition of homo economicus

An economic man, thinking rationally and systematically, managing things by planning, focused primarily on eg. a profit, benefit, welfare, wealth, and power consumption while seeking the minimum cost.

Discussion:

Do you plan rationally and systematically? And your parents? What about your grandmother? And the people in/on the street?

Who thinks more rationally – men or women?



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Individuals choose purposefully

- Referred to as economizing behavior-try to get the most benefits for the least cost or effort
- Also known as rational behavior

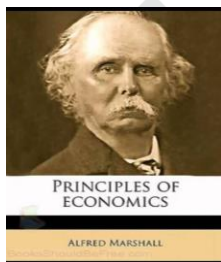
Example: drug addict, student

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Alfred Marshall

“It is deliberateness, and not selfishness, that is the characteristic of the modern age.”

Alfred Marshall (1842-1924)



When economists say that people choose rationally, this means

1. they gather all relevant information before making their purchases
2. once a pattern of behavior has been established, people tend to become set in their ways
3. people respond in predictable ways to changes in costs and benefits
4. people rarely make errors when they are permitted to make transactions

Subject and definitions of economics



TEST

- 1) What is the main issue of economics?
- 2) Write what you would like to consume (goods, services, all needs you want) in time 2-minute interval
- 3) What are the sources for point 2?

Discussion

Scarcity - the fundamental problem of economics

Resources are limited ...
wants are not

Scarcity is always relative to human wants, therefore it is always with us



White Sands, New Mexico in the 1950s, during a water shortage
photo from National Park Service

Choices are necessary.

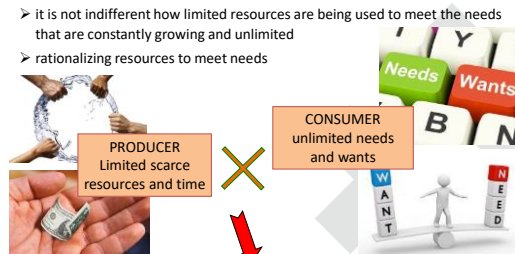
When you can't have all you want of everything, you must make choices.

Microeconomics is the study of how to make the best possible (or the **optimal**) choice under the **constraint** of limited resources.

Because of the scarcity of resources, we can have more of one thing only if we are willing to do with less of another.

The Fundamental Problem of Economics

- a mechanism for regulation of the economy
- it is not indifferent how limited resources are being used to meet the needs that are constantly growing and unlimited
- rationalizing resources to meet needs

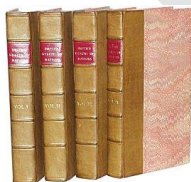


We must make choices!

Resources are limited; wants are unlimited

Scarcity = not enough resources to produce the goods to satisfy our wants.

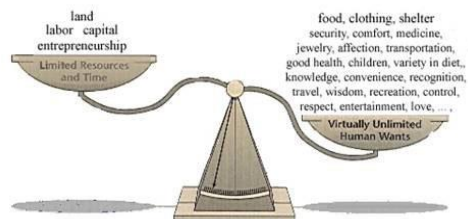
Resources: **Adam Smith** in his *Wealth of Nations* (1776) divided resources into land, labor and capital.



<http://www.adamsmith.org/smith/won-intro.htm>

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SCARCITY



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Factors of Production

- **Land**
 - any natural resources available for production
 - renewable resources: those that replenish
 - non-renewable resources: cannot be replaced
- **Labour**
 - physical and mental effort of people used in production, manual power + skill ("human capital")
- **Capital**
 - all non-natural (manufactured) resources that are used in the creation and production of other products
 - produced means of production
 - for example, hammers, drill presses, computers ...
- **Entrepreneurship** (Enterprise)
 - refers to the management, organization and planning of the other three factors of production

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The Economic Problem

- **What goods and services should an economy produce?** – should the emphasis be on agriculture, manufacturing or services, should it be on sport and leisure or housing?
- **How should goods and services be produced?** – labour intensive, land intensive, capital intensive? Efficiency?
- **Who should get the goods and services produced?** – even distribution? more for the rich? for those who work hard?

The basic economic questions:

- (1) WHAT to produce
- (2) HOW to produce it
- (3) WHO shall receive it

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A Research Question

Class activity:

- Formulate a suitable research question for the economist.
- Present the creation and the resulting question.
- Discuss the selected question.



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„I was curious about everything that happens around me. Studying economics satisfies my curiosity.“

Economics student

Economics is a game:

<https://www.youtube.com/watch?v=rcZh8zffh6s>

What do economists think (differently from others):

<https://www.youtube.com/watch?v=rYkL0nO1TA>

Nobel laureates of economics answer the question: What makes a good economist?

<https://www.youtube.com/watch?v=5gFPAC1vd50>

How to become an economist?

<https://www.youtube.com/watch?v=mF8sH4pEk28>

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Thank you for your attention!

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