



1

**Module 731
Microeconomics &
Accounting**

**Introduction
Courses 1 & 2**

Welcome!

HES-SO Valais-Wallis
Page 2

Hes-SO VALAIS WALLIS
School of Management

CENGAGE

ECONOMICS
N. GREGORY MANKIW
AND MARK P. TAYLOR

FIFTH EDITION

2

My contact details

Prof. Dr. Marc Schnyder

University of Applied Sciences Western Switzerland // Valais (HES-SO Valais)
TechnoPôle 3
CH - 3960 Sierre

Phone 058 606 90 79

Mail marc.schnyder@hevs.ch

LinkedIn https://www.linkedin.com/in/marc-schnyder-7807975b/?locale=de_DE



3

Introduction round

Please present yourself:

First name, last name, provenance, age, education, work experience inside and outside of tourism, hobbies?

Where would you like to work after having achieved your Bachelor degree?



4

731 respective course schedule

- ▶ **At the beginning of all courses you'll receive the topical powerpoint presentation, which you'll also find on Cyberlearn**
- ▶ **At the beginning of a lecture, 1 to 2 student(s) are going to give a short summary concerning the most important facts of the last lecture**
- ▶ **Current articles on our topics, case studies, examples and/or tasks will be integrated into the courses**
⇒ **interactive performance of lessons and group discussions**



5

731 code of conduct (I)

- ▶ **Punctuality**
- ▶ **Use of the laptop only for course purposes**
- ▶ **There are no "stupid" questions ...**
- ▶ **Mutual respect & fair play**



6

731 code of conduct (II)

- ▶ **Extract from the Module Description 731:**
“In principle, course attendance and participation in all other activities mentioned in the study plan are compulsory. In case of absence, students must inform the professor in writing, who then decides whether the absence is justified or not, as well as the possible sanction.”



7

Timing

Autumn term:

731 Microeconomics & Accounting

Spring term:

732 Macroeconomics & Finance



8

731 basic information (I)

- ▶ **E-learning platform:**
<http://cyberlearn.hes-so.ch>
- **name of this course:**
FTO_Microeconomics & Accounting
- **keyword: micro**



9

731 basic information (II)

- ▶ **Study plan BSc in Tourism**
- ▶ **Module description**
- ▶ **Evaluation**
- ▶ **Content Micro- and Macroeconomics**
- ▶ **Planning**

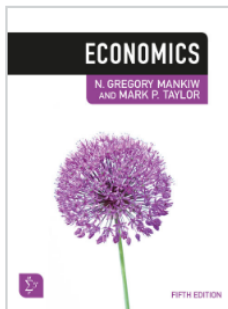


10

731 basic information (III)

Course book (for micro- & macroeconomics)

Business & Economics / Economics / Principles of Economics



Economics, 5th Edition

N. Gregory Mankiw, Mark P. Taylor

Published: © 2020
Print ISBN: 9781473768543
Pages: 832
Available

Print £57.99

BUY

CENGAGE brain

eBook £47.50

BUY

CENGAGE brain

ORDER INSPECTION COPY

SHARE



Digital Solutions

HIDE



HES-SO Valais-Wallis
Page 11

<https://www.cengage.co.uk/books/9781473768543/>



11

731 topics covered

Microeconomics

- Theory of the firm → supply curve
- Consumer choices → demand curve
- Markets
- Elasticities
- Market structures & Pricing



HES-SO Valais-Wallis
Page 12



12

731 structure of this course

Courses 1 & 2:

- What is economics? (chapter 1)

Courses 3, 4, 5 & 6:

- The market forces of supply and demand (chapter 3)

Course 7:

- Market structures (chapters 11, 12 & 13)



731 Microeconomics & Accounting

Courses 1 & 2

What is economics? (chapter 1)



I. The Economy and Economic Systems

Exchanges

In the economy we are faced with many decisions, many involving an exchange sometimes using money as the medium.

- Households purchase final goods and services for final consumption and also provide the inputs into production – land labour and capital.
- The organizations which buy these factors and use them to produce goods and services are referred to collectively as firms.

What is an economy?

Economic activity is how much buying and selling goes on in the economy over a period of time.

The *economy* is all the production and exchange activities that take place every day.

The Economic Problem

The three big questions are:

- What goods and services should be produced?
- How should it be produced using combinations of land, labour and capital?
- Who should get the goods and services produced?

Scarcity and Choice

Society and Scarce Resources:

- The management of society's resources is important because resources are scarce.
- *Scarcity* means that society has limited resources and therefore cannot produce all the goods and services people wish to have.
- *Economics* is the study of how society manages its scarce resources.

II. How People Interact

Different scales

'*The economy*' refers to all the production and exchange activities that take place every day - all the buying and selling.

The economy exists at different scales:

- Local
- National e.g. the UK
- International e.g. EU

People Face trade-offs

To get one thing, we usually have to give up another thing.

- Food v. clothing
- Leisure time v. work
- Clean environment v. higher incomes
- Efficiency v. equity
- *Efficiency* is how society gets the most that it can from its scarce resources.
- *Equity* means the benefits of those resources are distributed fairly among the members of society.

Making decisions requires trading off one goal against another.

Opportunity Cost

Decisions require comparing costs and benefits of alternatives.

- Whether to go to university or to work?
- Whether to study or go out on a date?
- Whether to go to class or sleep in?

The *opportunity cost* of an item is what you give up to obtain that item. It is a ratio expressed as the sacrifice in one good in terms of the gain in the other.

FOR USE WITH MANKIW AND TAYLOR, ECONOMICS 5TH EDITION 9781473768543 © CENGAGE
EMEA 2020

23

Thinking at the Margin

- *Marginal changes* are small, incremental adjustments to an existing plan of action.
- *Economic agents*: an individual, firm or organization that has an impact in some way on an economy.
- *Being rational* is the assumption that decision-makers can make consistent choices between alternatives.

People make decisions by comparing costs and benefits at the margin.

FOR USE WITH MANKIW AND TAYLOR, ECONOMICS 5TH EDITION 9781473768543 © CENGAGE
EMEA 2020

24

People Respond to Incentives

Assuming rational people make rational decisions, then....

- Marginal changes in costs or benefits motivate people to respond.
- The decision to choose one alternative over another occurs when that alternative's marginal benefits exceed its marginal costs!
- Public policies can create incentives or disincentives that alter behaviour.
- Sometimes policymakers fail to understand how policies alter incentives and behaviour.

FOR USE WITH MANKIW AND TAYLOR, ECONOMICS 5TH EDITION 9781473768543 © CENGAGE
EMEA 2020

25

III. How people Interact

FOR USE WITH MANKIW AND TAYLOR, ECONOMICS 5TH EDITION 9781473768543 © CENGAGE
EMEA 2020

26

Trade Can Make Everyone Better Off

- People gain from their ability to trade with one another.
- Competition leads to gains from trading.
- Trade allows people to specialize in what they do best.
 - However, sometimes this leads to people losing their jobs as production moves overseas. They need alternative skills and the area needs to attract new investment, which does not always happen.

FOR USE WITH MANKIW AND TAYLOR, ECONOMICS 5TH EDITION 9781473768543 © CENGAGE
EMEA 2020

27

The Capitalist Economic System

- An *economic system* is the way in which resources are organized and allocated to provide for the needs of an economy's citizens.
- A *capitalist economic system* incorporates the principles of the private ownership of factors of production to produce goods and services which are exchanged through a price mechanism and where production is operated primarily for profit.
- Critics of the capitalist system argue that they are inherently unstable and lurch from boom-to-bust and that owners of the factors of production are too powerful and can distort resource allocation.

FOR USE WITH MANKIW AND TAYLOR, ECONOMICS 5TH EDITION 9781473768543 © CENGAGE
EMEA 2020

28

Markets Can Be a Good Way to Organize Economic Activity

Pure market economy has no government intervention.

- It allocates resources through the decentralized decisions of many firms and households as they interact in markets for goods and services.

Market prices reflect both the value of a product to consumers and the cost of the resources used to produce it.

- Therefore, decisions to buy or produce goods and services are made based on the cost to society of providing them.

FOR USE WITH MANKIW AND TAYLOR, ECONOMICS 4TH EDITION 9781473725331 © CENGAGE
EMEA 2017

Planned Economic Systems

- A planned *economic system* is when economic activity organized by central planners who decide the answers to the fundamental economic questions.
- Most countries that once had centrally planned economies have abandoned this system and are developing more market-based economies.

FOR USE WITH MANKIW AND TAYLOR, ECONOMICS 5TH EDITION 9781473768543 © CENGAGE
EMEA 2020

FYI Adam Smith and the Invisible Hand

In 1776 Adam Smith made the observation that households and firms interacting in markets act as if guided by an “invisible hand.”

- People are motivated by self-interest. Households and firms look at prices when deciding what to buy and sell.
- Prices guide decision makers to reach outcomes that tend to promote general economic well-being.

FOR USE WITH MANKIW AND TAYLOR, ECONOMICS 5TH EDITION 9781473768543 © CENGAGE
EMEA 2020

31

Governments Can Sometimes Improve Market Outcomes

Markets do not always lead to efficient or equitable outcomes.

- *Market failure* occurs when the market fails to allocate resources efficiently.
- When the market fails government can intervene to promote efficiency and equity.
- Market failure may be caused by:
 - an *externality*, which is the impact of one person or firm's actions on the well-being of a bystander.
 - *market power*, which is the ability of a single person or firm to unduly influence market prices.

FOR USE WITH MANKIW AND TAYLOR, ECONOMICS 5TH EDITION 9781473768543 © CENGAGE
EMEA 2020

32

IV. How the Economy as a Whole Works

FOR USE WITH MANKIW AND TAYLOR, ECONOMICS 5TH EDITION 9781473768543 © CENGAGE
EMEA 2020

33

Macroeconomics and Microeconomics

- *Microeconomics* is the study of how households and firms make decisions and how they interact in markets.
- *Macroeconomics* is the study of economy-wide phenomena, including inflation, unemployment and economic growth.
 - Changes in the overall economy arise from the decisions of millions of individuals, so macroeconomics and microeconomics are linked.

FOR USE WITH MANKIW AND TAYLOR, ECONOMICS 5TH EDITION 9781473768543 © CENGAGE
EMEA 2020

34

An Economy's Standard of Living Depends on its Ability to Produce Goods and Services

Economic growth - the increase in the amount of goods and services in an economy over a period of time.

Gross domestic product per head - the market value of all final goods and services produced within a country in a given period of time divided by the population of a country to give a per capita figure.

FOR USE WITH MANKIW AND TAYLOR, ECONOMICS 5TH EDITION 9781473768543 © CENGAGE
EMEA 2020

35

An Economy's Standard of Living Depends on its ability to produce goods and services

- *Standard of living* - a measure of welfare based on the amount of goods and services a person's income can buy.
 - Usually measured by the inflation adjusted (real) income per head of the population.
 - Most variations in living standards are explained by differences in countries' productivities.
- *Productivity* is the amount of goods and services produced from each hour of a worker's time.

FOR USE WITH MANKIW AND TAYLOR, ECONOMICS 5TH EDITION 9781473768543 © CENGAGE
EMEA 2020

36

Prices Rise When the Government Prints Too Much Money

- *Inflation* is an increase in the overall level of prices in the economy.
 - One cause of inflation is the growth in the quantity of money.
 - When the government creates large quantities of money, the value of the money falls.
 - High inflation imposes various costs on society.