

Econ 2030 - Micro

Principles of Microeconomics

- tools - small set
- apply to wide range of problems
 - environment
 - labor - education/training
 - public sector - regulations
 - defense DoD
 - macro - finance
 - banking
 - psychology - decisions
 - politics -

Principles - Markiw 10 ^{7, 8, 9}
Macro

-

Rational decision makers

Benefits vs Costs - use of
resources]

Resources - time - time budget
- money - financial budget

Opportunity cost - next best alternative
use

hierarchy of uses

Rationality → best use of resources

→ ex ante - before - less valued use
 ex post - after

irrational
mistake"

↳ "state of nature" -

←
sunk cost - bygones

↳ irrecoverable

sunk cost does not affect

decision now
 not opportunity cost (avoidable cost)

Eg - concert ticket paid \$25

value of concert \geq \$25

- arrive at concert - lost ticket

available seats

do you buy a ticket? value \geq \$25

Yes

[Opportunity cost
[Sunk cost - not opportunity cost

Trade offs - scarcity implies
making tradeoffs
opp cost \rightarrow trading off
give up "A" to get "B"
opp cost of B is value of A

Irrationality - no systematic decision
process \rightarrow random]

P. 1 & P 2
- Read ch 1 - P1 - P 7