

## OUTLINE — August 28, 2019

- Administrative Matters & Overview of Course
- The Use of Economic Models
- Economics: Positive versus Normative

*No laptops allowed in lecture  
Cell phones silenced & put away*

Economics 1  
Professor Olney

## Administrative Miscellanea

1. [www.econ.berkeley.edu/~olney/fall19/econ1](http://www.econ.berkeley.edu/~olney/fall19/econ1)
2. Enrollment handled by Head GSI Vaishnavi Surendra
3. E-mails archived at bCourses.berkeley.edu
  - *Much more administrative info in email from Prof. Olney*
4. Extra copies of handouts: outside 532 Evans Hall
  - *Also available on stage before & after (but not during) class*
5. Letter of introduction due at 2<sup>nd</sup> section
6. How section is run: small groups, active learning
7. [www.piazza.com](http://www.piazza.com) for Q&A (bookmark it)

Administrative Matters &amp; Overview

Economic Models

Positive &amp; Normative

## iClicker – any type is ok



Question: Have you registered your iClicker?

- A. Yes
- B. Not yet
- C. I tried but couldn't. I'll go to ETS help on 4<sup>th</sup> floor Moffitt Library.

Administrative Matters &amp; Overview

Economic Models

Positive &amp; Normative

## Overview of Econ 1

- *Microeconomics*
  - Decision making by individual economic agents
  - The role of incentives in how we behave
- *Macroeconomics*
  - The economy as a whole
- *Goal of course*
  - Applying economics tools to real world

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## Evaluating Policy

- To evaluate any policy compare the policy's results with *what would have been* in the absence of the policy (holding all else constant)

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## Counterfactual

- Counterfactual
- How do we know "what would have been"?

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## *Models are used to answer questions*

- Characteristics of models
- Ways to express models

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## *Analyzing is not Judging*

- *Positive* Economics
- *Normative* Economics

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## *Criteria for Judging*

- Efficiency
- Growth
- Equity
- Stability
- What if goals conflict?
  - Your value system dictates which goals are more important than others

Administrative Matters & Overview

Economic Models

Positive & Normative

## *A Simple but Powerful Economic Model*

- How does the economy allocate its scarce resources?
- Resources include
- Subject to constraints

Allocating Scarce Resources

Production Possibilities Frontier

Economic Growth