
Fundamentals of Economics

? Volkswirtschaftslehre – Economics ?

- Economics*: study of how societies use scarce resources to produce valuable commodities and distribute them among different people

*economic = ökonomisch, wirtschaftlich

- **scarcity** of resources/goods → necessity of **efficiency**

Microeconomics

- the “smaller” picture
- focuses on exploring the market behaviour of individual entities: households, companies, ...
- interaction of supply and demand

Macroeconomics

- the “big” picture
- analyses the overall performance of the economy as a whole
- e.g.: unemployment, monetary policy, ...



converge to form modern economics

Three Fundamental Questions

What to Produce?

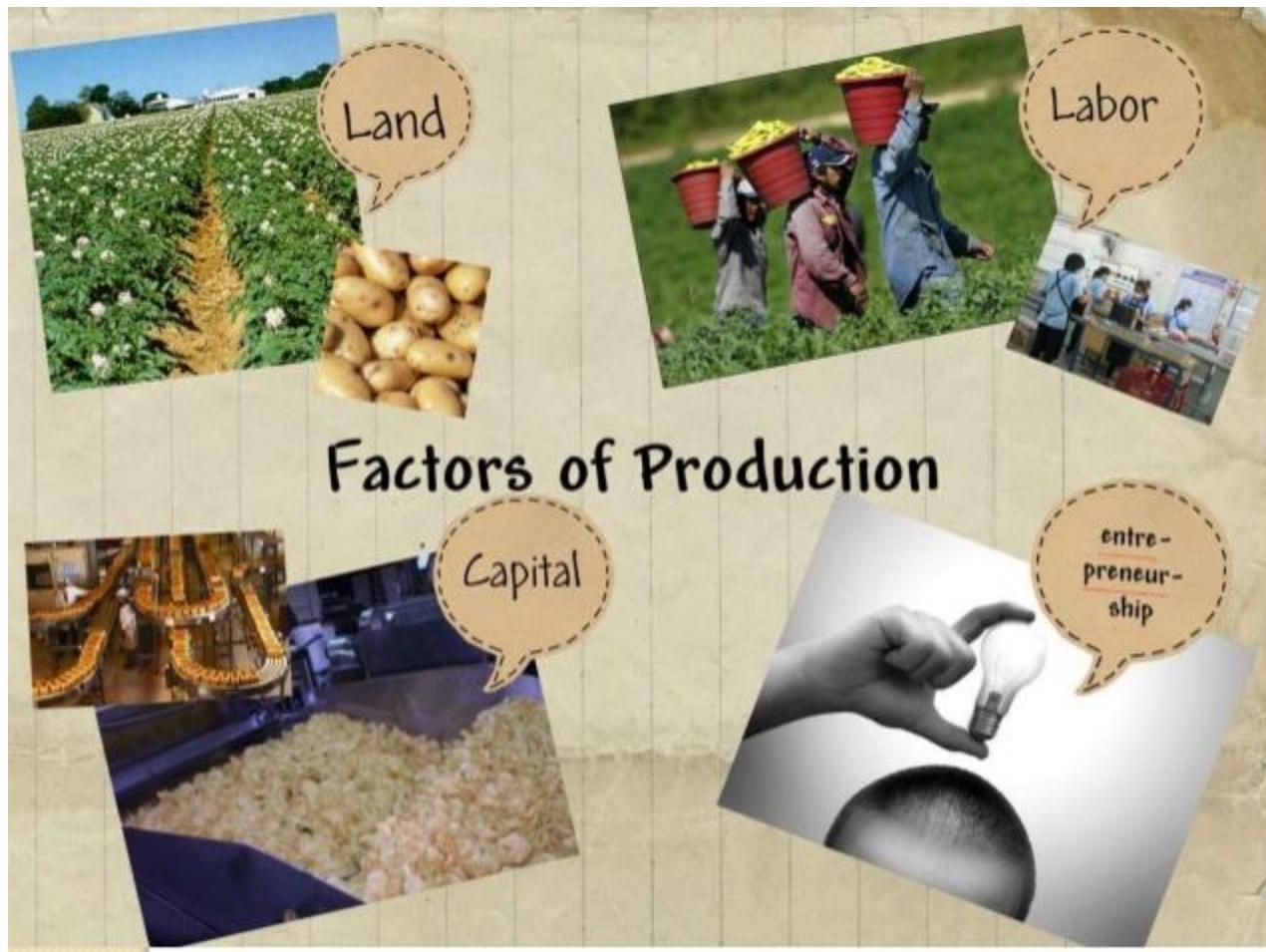
How to Produce?

For Whom to Produce?



Wanted: EFFICIENCY!!!

(Scarce) Factors of Production



Input → Output

Wants – Needs – Demand

wants/desires
~ Bedürfnisse

needs
~ Bedarf



Demand
~ Nachfrage



Think of what can influence demand.

Minimum vs. Maximum Principle

Burger King needs a scooter to deliver food



Maximum principle	Minimum principle
Given a defined budget, get the best product	Get a specific product at the lowest costs
EUR 1.500 → researching models → comparing features → decide for the best option available at the budget given	Model XYZ → researching suppliers → comparing prices → opt for cheapest offer

Find more examples.

Economic Players

Households

Producers

Who else?

State

Foreign Countries