

# How to Understand Western Economics for Undergraduates

## -- Framework, Assumption, Concept, Law, Mechanism

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### Abstract

**Most undergraduate students report that Western Economics is difficult to learn, which poses a challenge to the teachers. The key to deciphering the incomprehensible way of Western economics lies in the teaching of the frameworks, assumptions, concepts, laws and mechanisms in classroom teaching.**

### Keywords

**Framework; Assumption; Concept; Law; Mechanism.**

## 1. Introduction

Most of the courses offered by colleges and universities are reasonable, and their basic goal is to cultivate students' theoretical literacy and improve their ability to analyze and solve problems. Whether this goal can be achieved depends on the students' grasp and understanding of the course. To enable students to learn a course well, it depends on the joint efforts of teaching and learning. Western Economics is the main course of the two majors of economics and management. More and more people have realized its importance. However, due to the characteristics of Western Economics, it is challenging for both teaching and learning. According to many years of teaching practice, the course is prone to the following problems in teaching: difficult to understand, boring, doubtful, and credulous. Correspondingly, for teachers, how to be easy to understand is particularly important. Only when the above-mentioned work is done can students correctly master the learning methods, increase their interest in learning, create a learning atmosphere, and correctly recognize and treat this subject, so as to learn this subject well, absorb nutrition from it, and enrich their knowledge of economics. Have a solid foundation and apply what you have learned. Of course, teaching is an art, and the methods and techniques in it are inexhaustible. This article only makes a tentative exploration on the difficulties in the undergraduate teaching of Western Economics.

Western economics is theoretical economics. The economic analysis paradigm it provides is exquisite in form, rigorous in structure, and rigorous in logic, but it is difficult for beginners to understand. Why is Western Economics difficult? The reasons are as follows: First, all concepts, categories, and theories are completely different from the relevant economics knowledge that students already have. For students, this is a brand new course. Second, there are many concepts. The theoretical explanation is actually the link of the concepts. The links are intertwined, one link is out of touch, and the following content is impossible to understand. Third, all theoretical views are derived under certain assumptions. There are both constant assumptions and assumptions that can be gradually relaxed. The former produces a specific abstract theory, while the latter is a gradual one. In the process of analysis, it is difficult to grasp the economic conclusion that reflects the actual economic life. Fourth, from the perspective of analytical methods, one is the use of mathematical methods, a large number of mathematical derivations, formulas, diagrams, and difficult to remember; the other is the combined use of

deduction and induction, sometimes using deductive methods, sometimes using inductive methods, and the system structure is difficult to control [1].

For the above reasons, in order to solve the problem of the incomprehension of students, the most important thing in the teaching process is that teachers must be accurate, clear, thorough, and repeat the key knowledge points in a timely manner.

## 2. Framework

Microeconomics is actually the theory of equilibrium prices. It starts with an overview of demand, supply, and equilibrium price, and then deduces the decision of demand and supply, and then explores how the equilibrium price is determined. The main method used in the narration is deduction. In the specific theoretical analysis, from individual remarketing, from partial equilibrium to general equilibrium, the main induction method is used. Macroeconomics is actually the determinism of income and price levels. First discuss how aggregate demand determines national income, then discuss how aggregate supply determines national income, and finally how the combination of the two determines national income; and in aggregate demand analysis, it gradually expands from a two-sector economy to a four-sector economy; overall the framework starts with the equilibrium analysis of the product market, then the equilibrium analysis of the money market, then the equilibrium analysis of the labor market, and finally the simultaneous equilibrium analysis of the three markets. The main method used in the narration is induction. The above-mentioned logical relationships must be clearly explained to the students, so that they can first have an understanding of the theoretical framework and structure, and then they can grasp the Western economic system from the interrelationships. This is very important for the study and understanding of theories. Correspondingly, the frame structure of each chapter should also be explained clearly, which is also very important for students' learning [2].

## 3. Assumption

The overall premise of Western economics is the optimization assumption, that is, consumers seek to maximize utility, and producers seek to maximize profits. The optimization assumption is based on the assumption of complete information and rational people. If the information is not complete, it will produce unfavorable choices, and the optimization of decision-making cannot be achieved; if people are indifferent to benefits, they will not pursue the maximization of benefits and do not need to choose. In order to satisfy this assumption, Western economics has set up three types of assumptions in its analysis. One is the need to establish general economic theory. It requires abandoning the secondary factors, and only discusses the relationship between the main factors that affect the development of the movement of economic things and this economic thing, so that it can roughly describe the regularity of the movement of this economic thing; the second is to study a certain economic thing. It can accurately study the quantitative dependence relationship between the two and the specific influencing factors, assuming other conditions remain unchanged; the third is the need to study the problem at different levels, which is often simplified first, and then gradually added other factors, which can easily discuss some complex economic phenomena. Regarding the first assumption, in economic analysis, when looking at changes in a single variable, it is often necessary to determine the most important influencing factors. For example, output is a function of labor and capital input, cost is a function of output, and consumption is a function of income. , Investment is a function of the interest rate, exports are a function of income, and so on. Regarding the second situation, such as the demand function, demand is affected by a variety of factors. However, assuming other conditions remain unchanged, it is convenient to discuss the relationship between the quantity of goods demanded and their own prices,

consumers' income, and the prices of related goods. Such assumptions can be seen everywhere in Western economics, and they are used the most. But this is different from the first assumption. The assumption of constant factors is not unimportant, but out of the need to explore separately. Regarding the third hypothesis, individual equilibrium in microeconomics, then market equilibrium, partial equilibrium and then general equilibrium; in macroeconomics, product market equilibrium, then money market equilibrium, then labor market equilibrium, and the last three markets are total Demand-total supply analysis; in the analysis of total demand, the first two sectors are determined by economic income, the third is determined by economic income, and finally the four sectors are determined by economic income. This is the case. It is simple first, then gradually complicated, and finally a model that is close to reality. This method is often used in many disciplines [3].

In class, help students carefully distinguish and grasp these premises, and tell students the conditions for the establishment of various theories, not only to enable students to have a clear understanding of the entire theoretical system, but also to enable students to understand each theoretical point of view. When students understand the prerequisites of the theory, they will understand that any theory in Western economics is nothing more than the relationship between one variable and another variable or multiple variables. As long as they have certain economic common sense, Can make a rough judgment, not as complicated as it seems. They will realize that any theory is only established under certain premises. Without these premises, there will be no theory. Together, when students observe, think, analyze, and solve real economic problems, they can expand their horizons and ideas and learn to use these methods on the one hand, and on the other hand, they will not abuse the theoretical views of Western economics.

#### 4. Concept

There are many concepts in Western Economics, mainly a series of variables and their rates of change. Most of them can be expressed by functions and formulas, and theories are the links of these concepts. In a sense, concepts are also theories. For students, Western economics is difficult to learn, largely due to incomprehension and confusion of concepts. There are two reasons for this, one is the memory of nouns, and the other is the mastery of mathematical derivation and its formulas.

How to enable students to pass the concept pass smoothly, teachers must do a good job in two aspects: First, the concepts that are commonly used and play an important role in theoretical analysis must be repeatedly emphasized in the classroom, so that students can understand and master them. Concepts that are rarely used and have little effect on theoretical analysis require only general understanding. The second is to emphasize understanding and overcome rote memorization. All concepts are a refinement and generalization of economic common sense or economic phenomena. Therefore, understanding the economic phenomena in them is the best way to memorize concepts, and rote memorization is only for a while, and then forgotten, and will be stunned. . This requires that students not only listen carefully to the class, read the textbooks, and try to figure out carefully, but also in daily life, they must be good at observing and thinking about a series of economic phenomena, comparing them with the knowledge they have learned, and looking for the similarities and differences between theory and practice. The advantage of this is that, on the one hand, students can obtain materials for understanding concepts and theories, and on the other hand, let students know that theory is different from reality. Theory is an abstraction of reality. When theory is used to analyze practical problems, there are many things to do, and they must not be simply applied. As for mathematical derivation and formulas, it is no longer a problem for undergraduates. As long as the concepts are clear, they can derive them by themselves. The formulas can be easily derived without

memorizing [4]. Therefore, for teachers, the explanation of the concept should not only stop at the explanation of the term, but more importantly, it is necessary to clarify the economic principles.

## 5. Law

Western Economics expounds a series of laws, all of which, under certain assumptions, express the tendency of a certain variable to change with the change of another or more variables. The objective existence of these laws requires economic entities to act on certain principles when making choices. A deep understanding of these laws is the key to learning Western economics well.

In microeconomics, due to the existence of the law of diminishing marginal utility and the diminishing rate of marginal substitution, consumers must choose the purchase amount of various commodities according to certain rules when purchasing activities to ensure maximum utility; due to marginal Diminishing returns, diminishing marginal technology substitution rate, diminishing marginal productivity, and the existence of returns to scale and economies of scale cause producers to choose product varieties and output according to certain rules to ensure maximum profit; due to marginal conversion Increasing rates have caused society to allocate resources in accordance with certain rules when choosing various products and output to ensure the maximization of social and economic welfare. This leads to the general principle of supply and demand. In macroeconomics, the existence of diminishing propensity to consume, diminishing marginal efficiency of capital, liquidity preference and crowding-out effects, etc., determine public and government expenditures, and at the same time determine the government's optimal policy goals and measures. Moreover, since the total amount is obtained by adding up individual quantities, the laws of microeconomics still play a role in many occasions of macroeconomics. All these laws should not only be elaborated and elaborated in class, but also fully explained their status and role in theoretical analysis [5]. Only by accomplishing this can students understand the ins and outs of various theoretical viewpoints and their conclusions, so that they can look at each theoretical viewpoint in connection rather than in isolation, so that students can grasp Western economics as a whole, but also have a thorough understanding of individual theoretical views.

## 6. Mechanism

Economic mechanism refers to the process in which changes in certain variables have an effect on other variables. The economic mechanism in microeconomics is mainly the supply and demand mechanism (price mechanism), the consumer selection mechanism (utility maximization principle) and the producer selection mechanism (profit maximization principle). The supply and demand mechanism represents the interaction between price and supply and demand. If the price of a commodity changes, the user's cost (consumer expenditure, producer cost, and the loss of consumer factor reward for factor use) Factor prices paid by producers) will change, and user benefits (consumers' utility, producer's benefit, consumer's own utility for factor use, and the marginal product value obtained by producers) will change, leading to Consumer demand changes, producer supply changes; if commodity supply and demand changes, supply and demand changes at a specific price, which in turn will change market prices. The principle of maximum utility illustrates how consumers can maximize utility through changes in commodity prices, purchase volume, and marginal utility. This is the consumer choice mechanism. The principle of profit maximization uses changes in the cost and benefits of commodities (price and productivity for factors) to illustrate how firms maximize output (for factors that are optimal use), and under a fixed price, it depends the best combination of elements. This is the optimal selection mechanism for producers.

Generally speaking, the economic mechanism in macroeconomics can be divided into two types: quantity mechanism and price mechanism. When the price is assumed to be constant, overall economic activities are regulated by quantitative mechanisms, such as the inventory mechanism in the analysis of aggregate demand, the mechanism that changes in currency supply and demand cause changes in aggregate demand, and so on. When the price level is considered as an endogenous variable, a price mechanism is produced: changes in the price level will cause changes in the actual money supply, which in turn will cause changes in aggregate demand; changes in the price level will also cause changes in labor supply and demand, which will lead to changes in total demand. And when the second-level adjustment mechanism (whether money wages are automatically raised and lowered, is it rigid, or sticky) is different, the changes in the total supply caused are different. In addition, there are mechanisms such as expenditure multipliers, currency multipliers, etc., which determine that income and the amount of money will change exponentially.

All the above-mentioned mechanisms must be given special attention in teaching. Under certain premises, it is these mechanisms that link concepts into the intermediate links of the theory. Take the simplest example, such as the theory that the real money supply increases and the market interest rate decreases. There are only two forms of bonds (concept) and currency (concept) in the public's asset portfolio (concept), and the price level (concept) and aggregate demand (concept) are certain. When the money supply (concept) increases, the amount of money in the hands of the public is too much. In order to balance the assets (concept), the holding of bonds will inevitably increase and the amount of money in hand will be reduced, so the demand for bonds (concept) increase, and its price (concept) rises, and if the bond yield (concept) is constant, the interest rate (concept) must fall. It shows [theory]: the real money supply increases and the market interest rate decreases. Here, all changes that occur after the increase in the real money supply are economic mechanisms, and it is these mechanisms that cause the interest rate to fall. It can be seen that theoretical premises, concepts, and mechanisms are equally important. If you clarify these three, you will naturally understand the theory [6].

Therefore, teachers' explanations of economic mechanisms should be precise, thorough, and accurate. Students should be fully reminded to pay attention to these mechanisms, and they should be repeated in the classroom. They can also increase the intensity of exercises, pass homework, quizzes, questioning various forms such as discussion and designated reading documents allow students to learn and understand these mechanisms autonomously.

Of course, in terms of learning, even if the teacher's classroom teaching is perfect, if students neither listen to the class nor read the book seriously, they will inevitably be confused. Most students who fail the exam fall into this situation. What's more, some of the test papers did not even have the slightest western economics language, so nonsense, that is no longer a problem that classroom teaching can solve.

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