

# **Economics Unit I: Intro To Economics**

Part 1 – Basic Economic Concepts

# What is Economics?

- The Study of how we make decisions in a world in which resources are limited



**What is the difference  
between Microeconomics  
and Macroeconomics?**

# Microeconomics

- looks at the small picture, looks at the decision making of individuals and small businesses



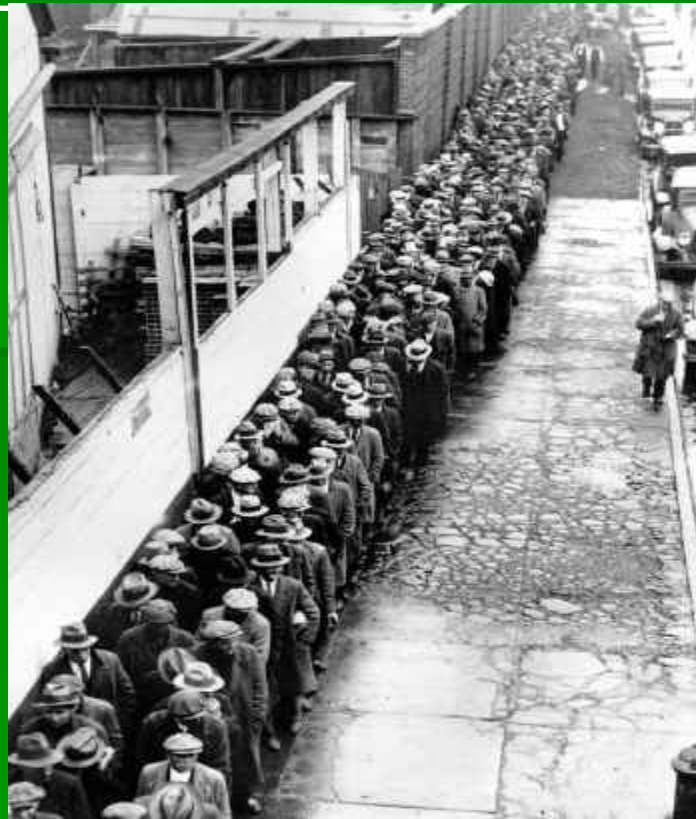
# Macroeconomics

- looks at decision making by societies, industries and governments



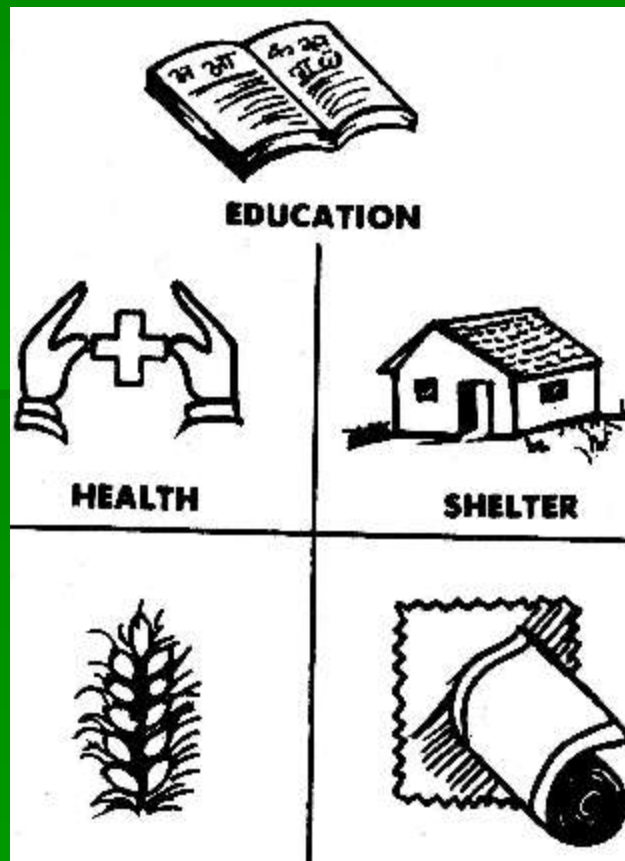
# What is an economic system?

- A way a group of people produce the things they want and need



# What is a need?

- Something someone *has* to have to live



# What is a want?

- Something someone would like to have; a luxury





# What does scarcity refer to?

- Not having enough resources to produce all the things we would like to have



# What is the difference between scarcity and shortage?

- Scarcity means limited; shortage means in short supply
- EX: Strawberries out of season are scarce; if demand is high then there is a shortage

# Why is economics called the “Science of Decision making?”

- Because all resources are limited we have to make decisions about how to use them



# What is a trade off?

- Exchanging one thing for another; giving up something to get something
- Examples:

# What is an opportunity cost?

- *‘Opportunity Lost’ – the value of the next best alternative use of money or time when a decision is made*

D'oh, the donuts  
are way  
over there.

Think I'll  
have fruit

My cunning  
choice architecture  
will soon have  
Homer eating  
healthy

HEALTHY  
FRESH  
FRUIT

KEEP OUT

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# What is meant by the factors of production?

- The resources necessary to produce goods and services

# The Four Factors of Production

- Land
- Labor
- Capital
- Entrepreneur



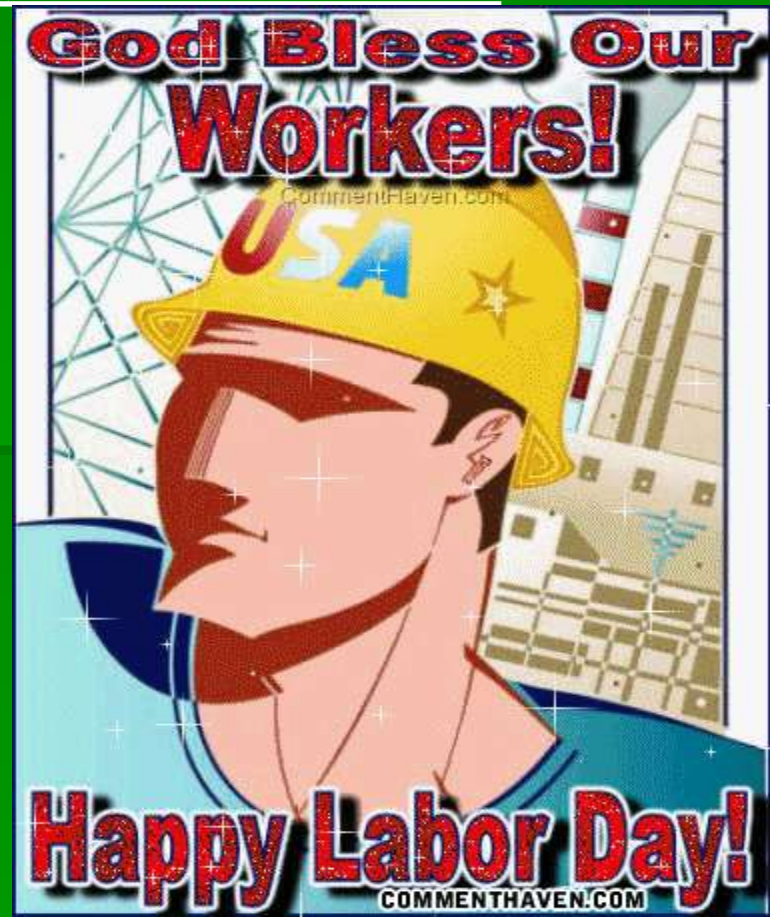
# Land

- natural resources; unaltered by man



# Labor

- human resources; mental and physical work



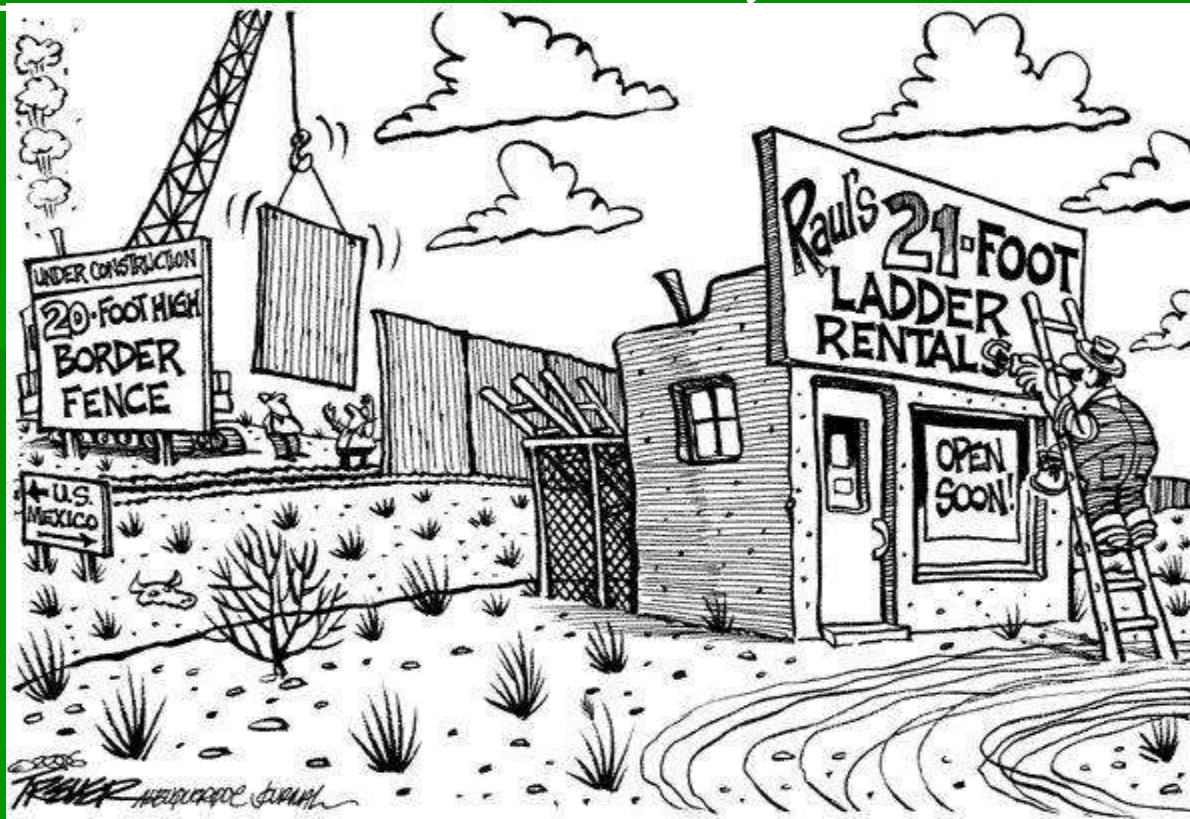
# Capital

- manufactured tools used to make other goods



# The Entrepreneur

- the organizer, risk taker; person who starts own business, invents



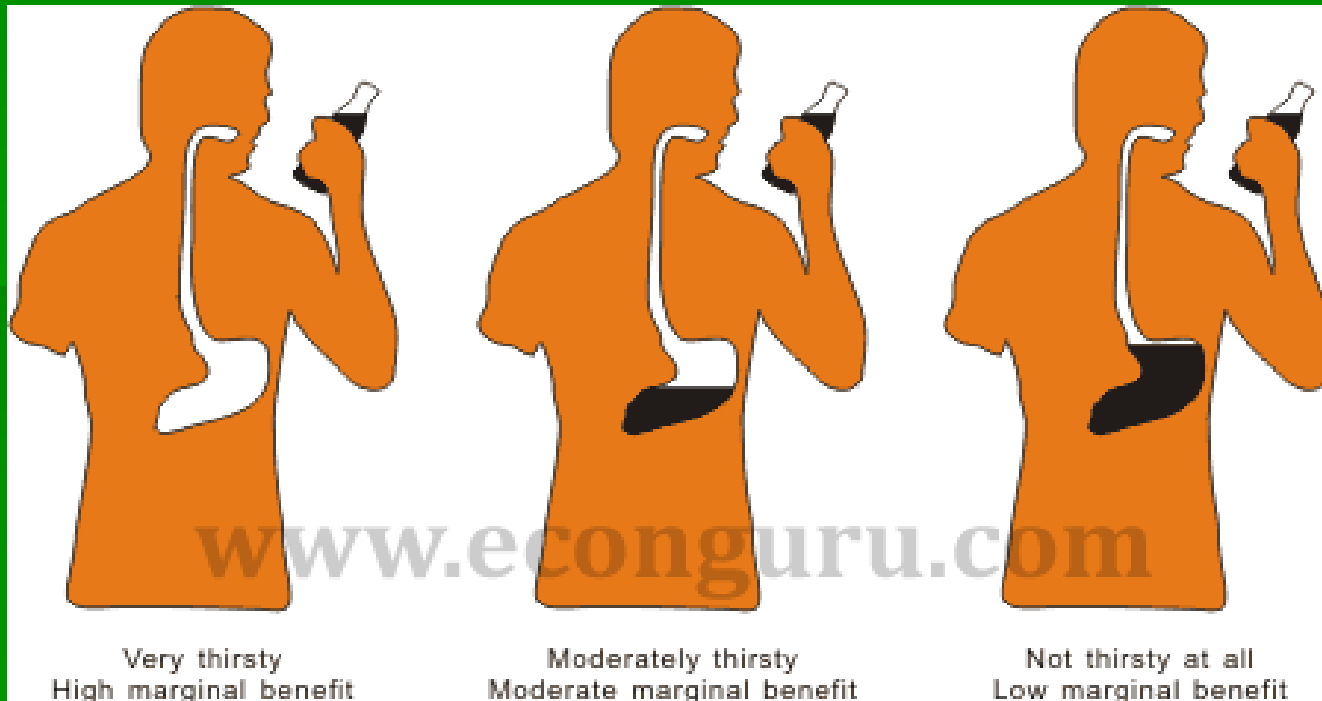
# Four Basic Economic Questions

- What to produce?
- How to produce?
- For whom to produce?

**What influences how  
we use our resources?**

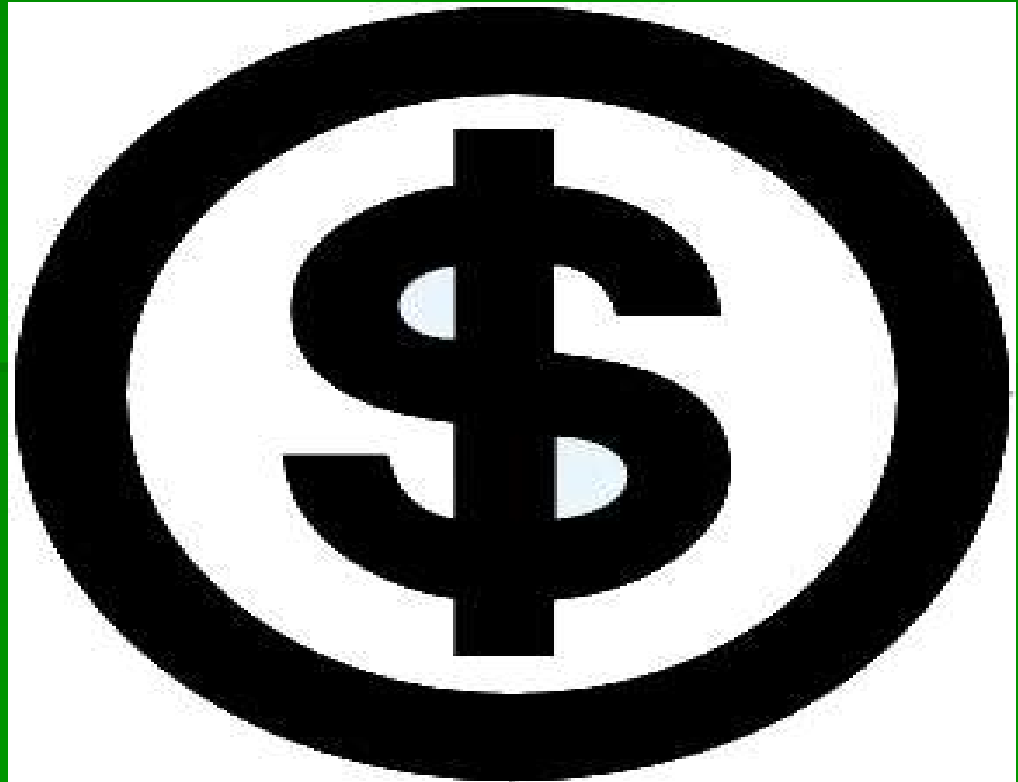
# Marginal Benefits

- How much additional satisfaction we get when one more unit is produced



# Marginal Cost

- The additional cost of producing one more unit





# Cost-Benefit Analysis

- Comparing the marginal benefits to the marginal costs of a decision

