

## What Economics Is All About

### ■ Scarcity

- \_\_\_\_\_  
Relative scarcity      Absolute scarcity

### ■ Wants...

- \_\_\_\_\_

1

1

## What Economics Is All About

### ■ Scarcity

..... \_\_\_\_\_

### ■ Economics

..... \_\_\_\_\_  
\_\_\_\_\_

2

2

## Managing the Scarce Resources

### ■ Also known as, "Organizing economic activity"

Means determining....

- \_\_\_\_\_ ?
- \_\_\_\_\_ ?
- \_\_\_\_\_ ?

3

3

## Organize Economic Activity: Economic Systems

■ \_\_\_\_\_ economy

■ \_\_\_\_\_ economy

■ \_\_\_\_\_ economy

4

4

## Economic Systems

Market System (OS 1.1)

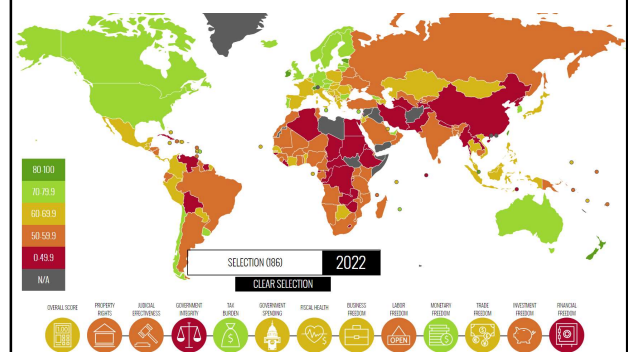
\_\_\_\_\_ : "Father of Economics"

- *The Wealth of Nations*, 1776 -- Households & firms act as if "\_\_\_\_\_" to promote general economic well-being (\_\_\_\_\_ decision-making)
- Division of Labor: Specialization, Economies of Scale, Trade
- Markets organize economic activity through \_\_\_\_\_.

5

5

## Index of Economic Freedom



6

6

## Economic Systems

- Basic model of the market system:

\_\_\_\_\_ Model

7

7

## Models...and Assumptions

- Models: \_\_\_\_\_
- Assumptions \_\_\_\_\_
- Ceteris Paribus: \_\_\_\_\_

8

8

## The Circular-Flow Model

- Circular-Flow Model:** \_\_\_\_\_ of the economy, shows how \_\_\_\_\_ interact in \_\_\_\_\_
- Includes two types of "actors":

- \_\_\_\_\_
- \_\_\_\_\_

9

9

## The Circular-Flow Model

- And includes two markets:

1) Market for \_\_\_\_\_

2) Market for \_\_\_\_\_

10

10

- Factors of production:** resources the economy uses to produce goods & services (G&S); inputs

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- OS adds FOP
  - \_\_\_\_\_
  - \_\_\_\_\_

11

11

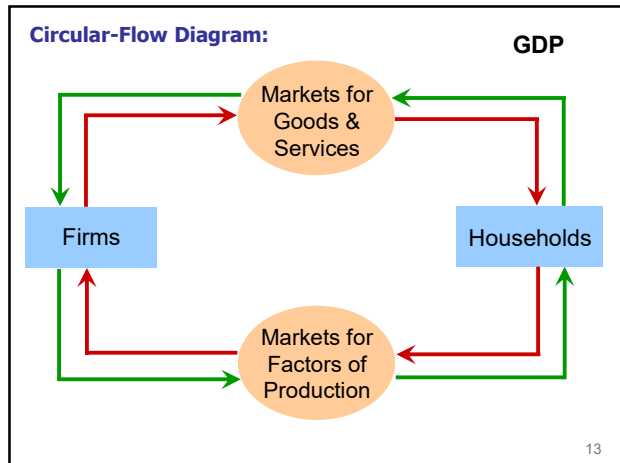
## Circular-Flow Diagram:

- \_\_\_\_\_:
- own factors of production, sell/rent them to firms for income
  - buy and consume G & S

- \_\_\_\_\_:
- buy/hire factors of production used to produce G&S
  - sell G&S

12

12



13

## What Economics Is All About

### ■ Economics

**Microeconomics:** focuses on \_\_\_\_\_

\_\_\_\_\_

**Macroeconomics:** study of \_\_\_\_\_

\_\_\_\_\_

14

## The Roles of an Economist

- Economists play two roles:

1) \_\_\_\_\_  
(scientific method)

2) \_\_\_\_\_

15

## The Economist at Work...

- Positive statements –

- Normative statements –

16

## Scarcity Gives Rise To...

\_\_\_\_\_

\_\_\_\_\_

(Individual, Firm, Govt, Society)

17

## The Cost of Something ... Is What You Give Up to Get It

\_\_\_\_\_ of any item ... whatever  
must be \_\_\_\_\_ to obtain it;

**think**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

18