

An Introduction to Economics

Mini-lecture # 1

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Outline

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1 Economics and Scarcity

1.1 What is Economics?

Economics A definition (O.E.D.)

The branch of knowledge (now regarded as one of the social sciences) that deals with the production, distribution, consumption, and transfer of wealth.

Economics A definition

Economics is the study of how society manages its scarce, or limited, resources.

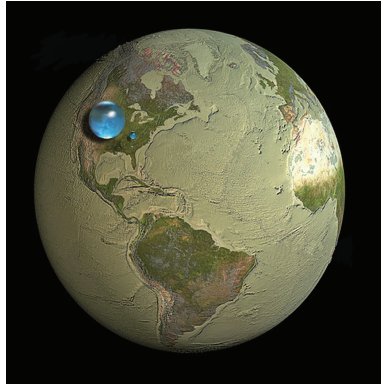
1.2 Scarcity

Scarcity

- Most everything is *scarce* – land, bell peppers, iPad's, labor, seats in a class-room..

Even water is scarce...

Figure 1: World water supply relative to size of earth.



Scarcity (cont.)

- Who decides on an allocation?
 - dictator?
 - government?
- most societies, it is the *uncoordinated* decisions of millions of individuals making decisions
- allocations work through the interactions of all these people through *markets*.

Economics

- Economics studies all of these forces – *decision making* by individuals, by firms, by government institutions.
- Focus is on how *markets* operate to allocate *scarce* resources.

This Course

- Begins by studying how markets should operate in a perfect world.
- Then study what happens in imperfect worlds where there might be instances of market failure.