

# Introduction

## Chapter 01



CONCEPTS OF  
ECONOMICS

## Basic Questions??

- ✓ Why some nations are rich?
- ✓ Nations can print money but still some countries are poor.



# Economic Prosperity

1. Natural Resources
2. Human Capital
3. Political Stability
4. Infrastructure
5. Economic Policies
6. International Trade
7. Financial System
8. Rule of Law
9. Innovation and Technology
10. Historical and Cultural Factors

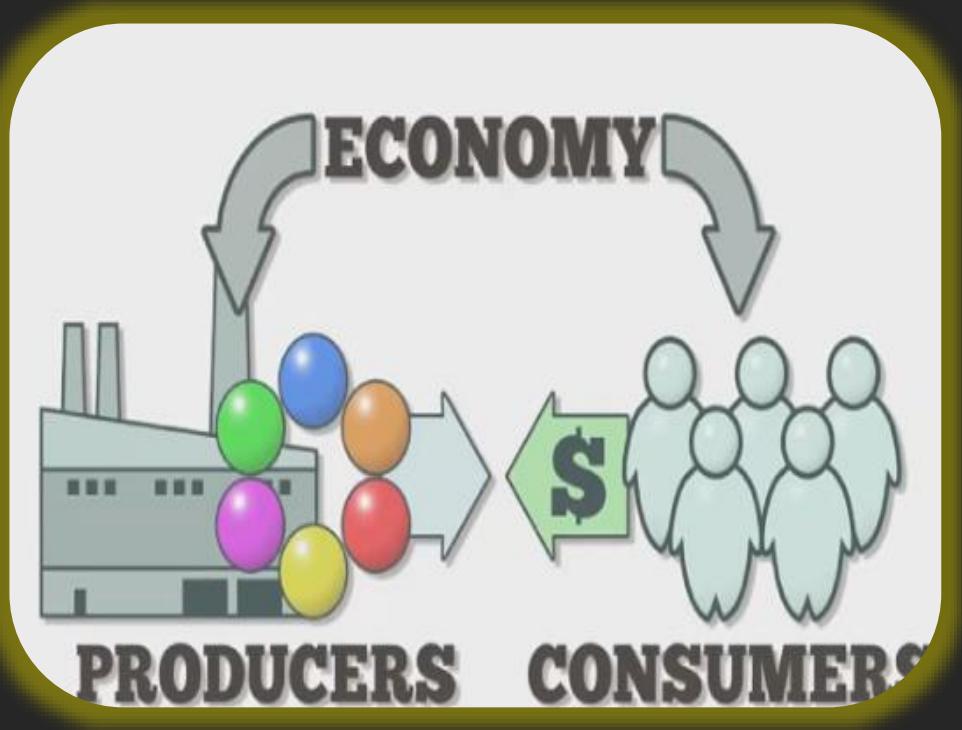
## Misconceptions

It is dry and academic, due to its reliance on statistics, graphs, and formula

It is all about money

## So, What is economics

# ECONOMY



The system by which goods and services are produced, sold, and bought in a country/region.

# TYPES OF ECONOMIES

## 1. Market Economy

Driven by supply and demand with minimal government intervention.

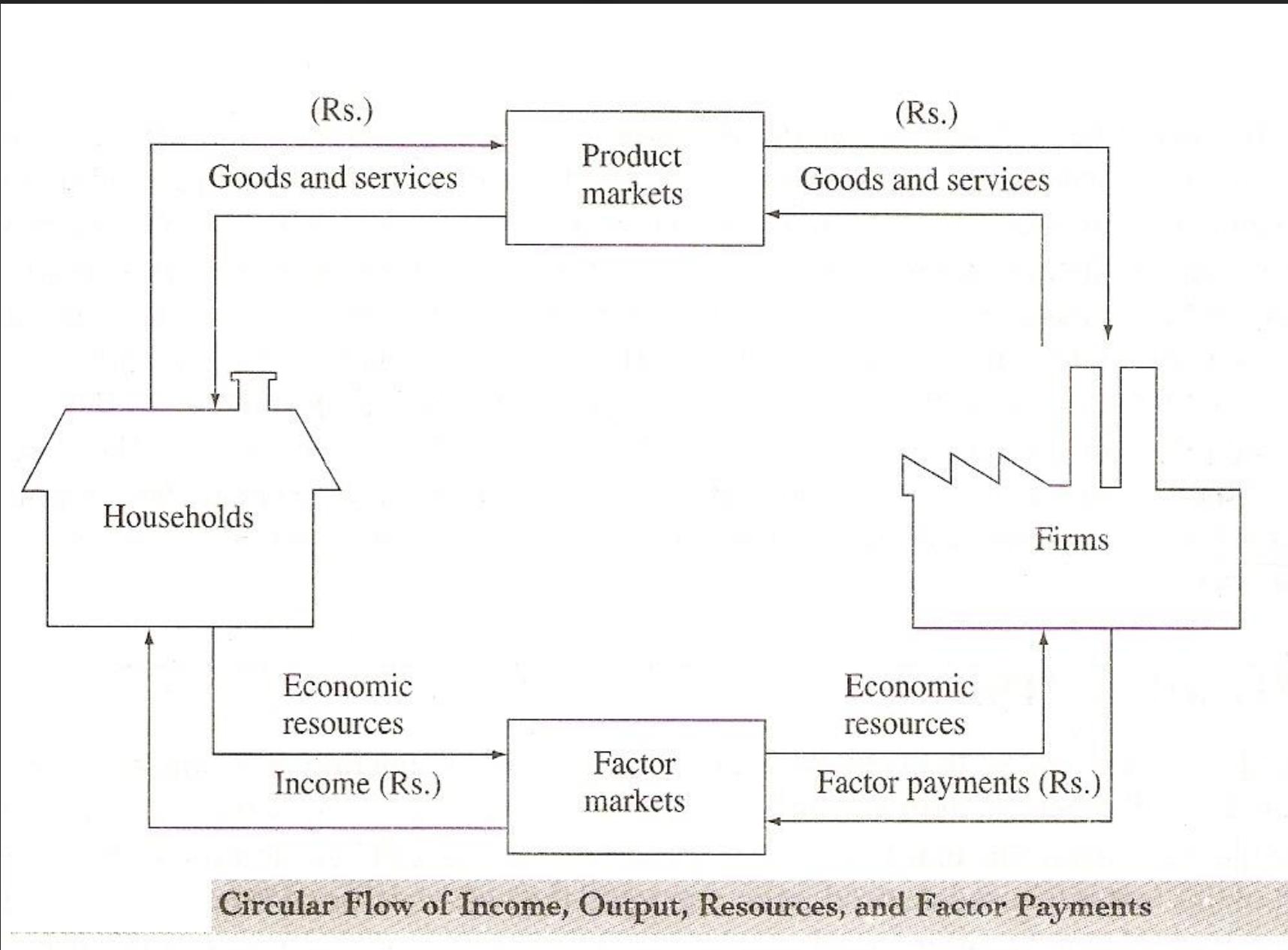
## 2. Command Economy

Centrally planned, where the government controls production and distribution.

## 3. Mixed Economy

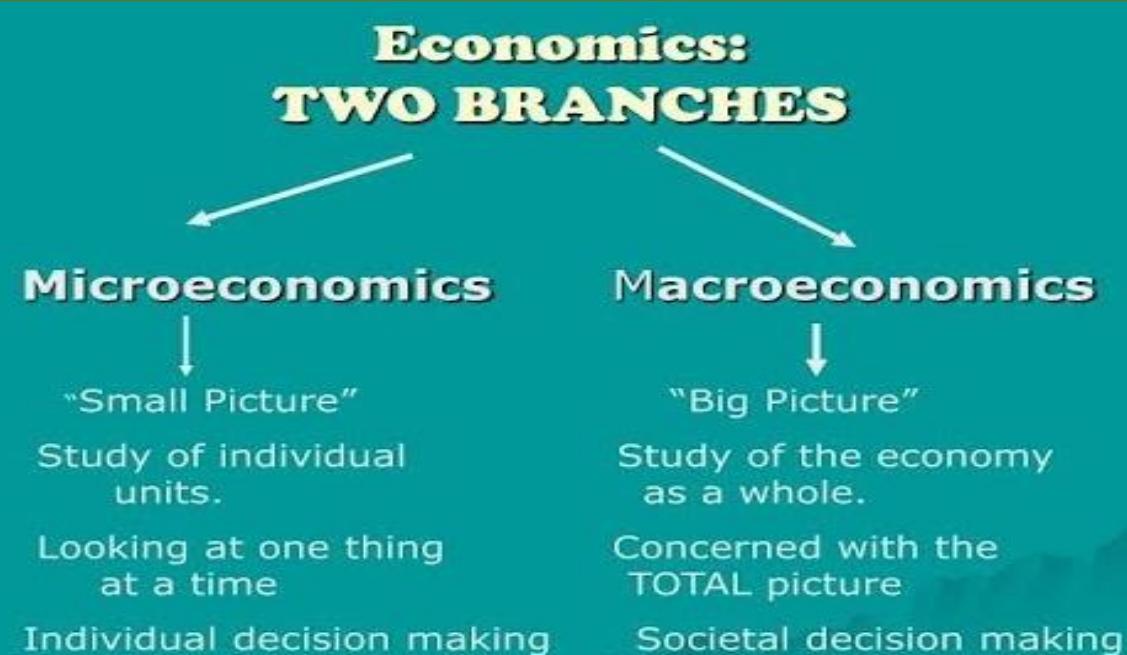
Combines elements of both market and command economies, common in most countries.

# Circular Nature of Economy



# Economics

Is the social science that studies the behavior of individuals, businesses, and societies concerning the production, distribution, and consumption of goods and services.



# *Economics*

## *Key Concepts in microeconomics*

1. Supply and Demand
2. Consumer Behaviour
3. Producer Behaviour
4. Market Structure
5. Elasticity

## *Key Concepts in macroeconomics*

1. GDP
2. Inflation
3. Unemployment
4. Fiscal Policy
5. Monetary Policy

# Economics

The word is derived from the Greek word **Oikonomia**, meaning “household management”

“  
The first lesson of economics is scarcity: there is never enough of anything to satisfy all those who want it.

The first lesson of politics is to disregard the first lesson of economics.

**Thomas Sowell**  
US economist (1930–)

”

“  
Economics is, at root, the study of incentives: how people get what they want, or need, especially when other people want or need the same thing.

**Steven D. Levitt**  
**Stephen J. Dubner**  
US economists (1967– and 1963–)

”

## Economics: The Study of Scarcity and Choice

- ✓ Economics is a social science that examines how individuals, businesses, and societies allocate scarce resources to satisfy unlimited wants and needs.

## Why Economics Matters

- ✓ Economics helps us understand how markets function, how policies impact the economy, and how societies can improve their living standards.

## Central Problem of an Economy



Ideology

## COMMUNISM

Communism aims to achieve a classless society characterized by collective ownership of capital and eradication of social classes.

### COMMON CHARACTERISTICS

- Collective ownership
- Centralized government
- Abolition of private property
- Classless society
- Planned economy
- Lack of individual freedoms
- Censorship
- Authoritarianism

### EXAMPLES

- USSR (1922-1991)
- China (1949-Now)
- Laos (1975-Now)
- Cuba (1959-Now)
- Vietnam (1979-Now)
- Cambodia (1975-1979)
- North Korea (1948-Now)

### Advantages:

- Elimination of Class Struggles
- Central Planning
- Social Equality

### Disadvantages

- Lack of Incentive
- Centralization of Power
- Limited Individual Freedom

# Capitalism



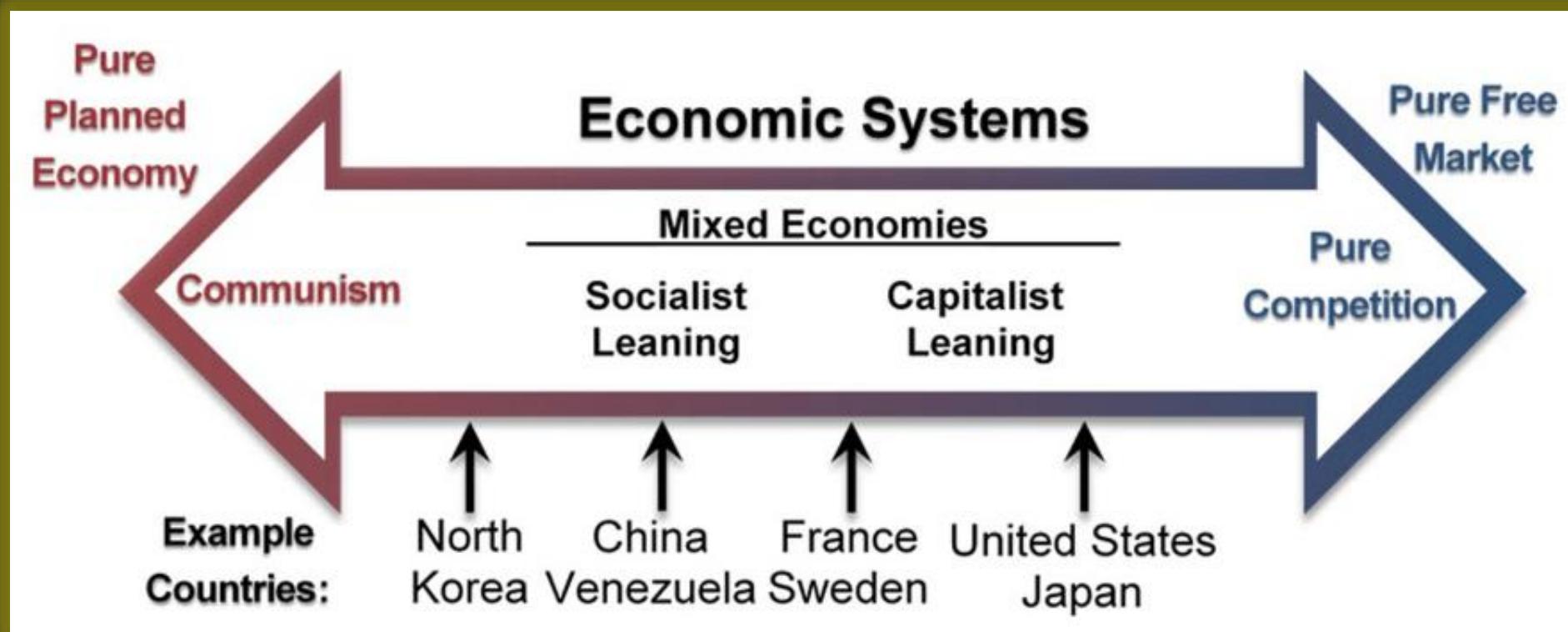
### Advantages:

- Economic Efficiency
- Individual Freedom
- Consumer Choice

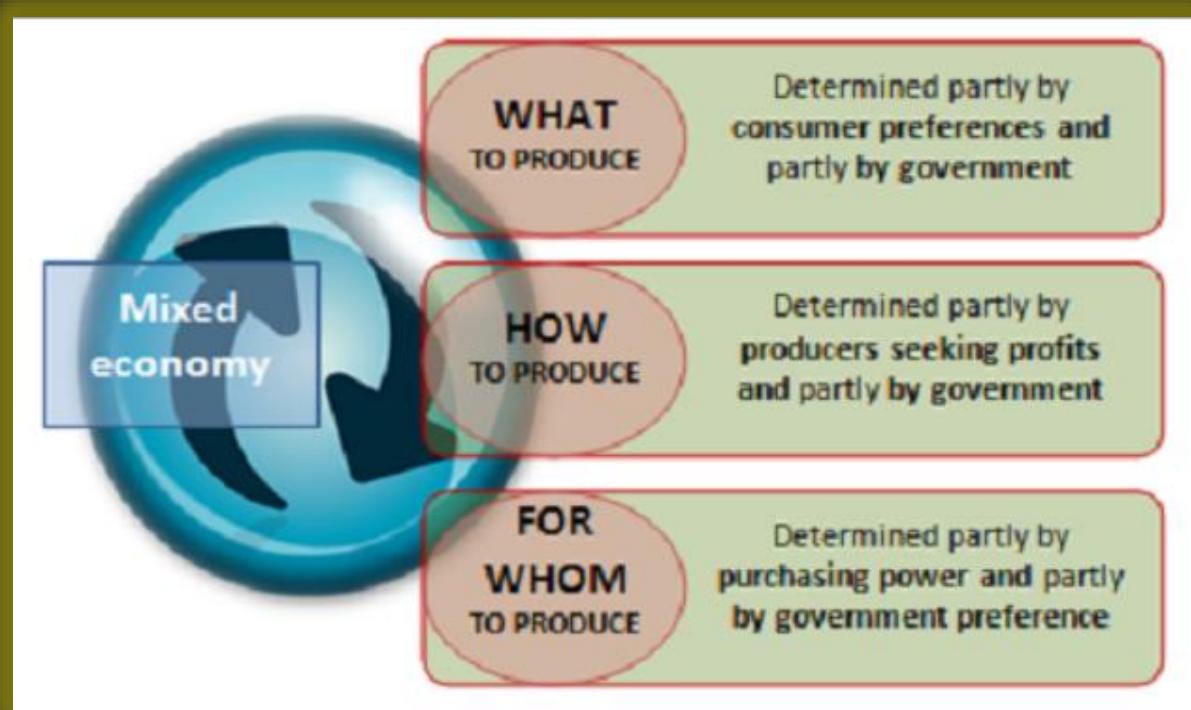
### Disadvantages

- Income Inequality
- Lack of Social Safety Nets
- Environmental Concerns

# Mixed Economy



# Mixed Economy



## Advantages:

- Balancing Efficiency and Equality
- Government Intervention
- Diversity of Economic Activities

## Disadvantages

- Inefficiency
- Political Debate