

# The Economic Way of Thinking

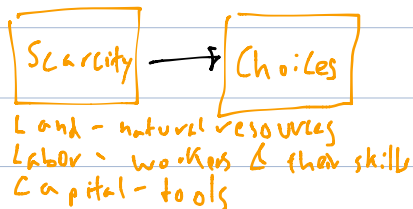
## Thomas Sowell, A Conflict of Visions

Unconstrained vs. Constrained

Unconstrained Vision: We have the resources necessary to satisfy everybody

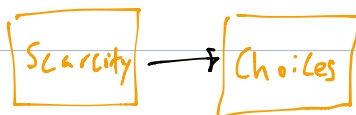
Constrained Vision: We have unlimited desires but limited resources

Scarcity: Society's resources are limited (at the time) } limited vision  
- full shed of wants and desires



Microeconomics: The study of the individual units that make up the economy

Macroeconomics: . . . .



Micro Choices

groceries  
classes  
jobs  
vehicles

Macro Choices

↓ deficit

Free community college

Social security

International Aid

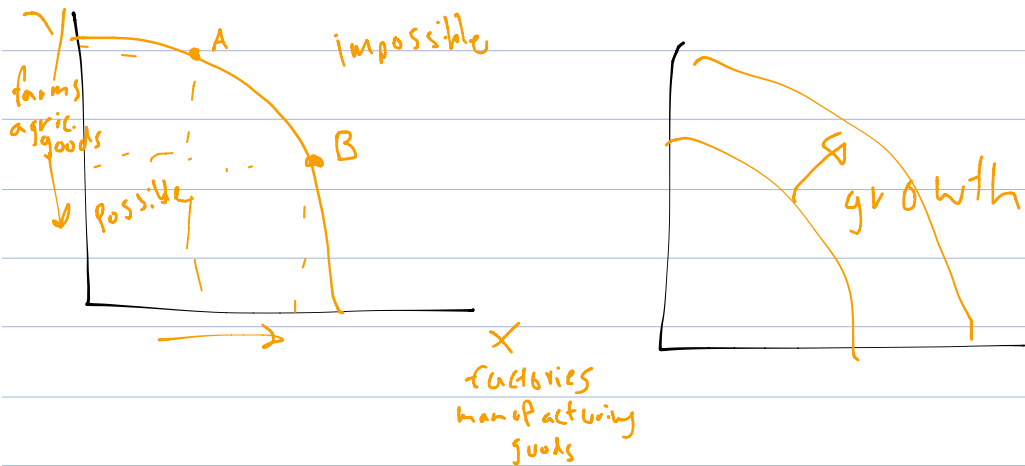
↓ Lower taxes





Opportunity Cost: The highest valued forgone alternative.

Production Possibility Frontier (PPF)



incentive: a thing that motivates or encourages one to do something

Micro:

Illegal parking on college campuses

Macro:

Low levels of education in poor countries

Incentives affect behavior

