

BT243: Macroeconomics Notes

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1 Introduction

1.1 Basic Definitions

Scarcity is a situation in which resources are limited and can be used in different ways, so we *must sacrifice one thing for another*.

Labor is the primary source for providing goods and services.

Opportunity cost is what we give up when we make a choice or a decision.

Economics is the study of the choices made by people (*individuals and societies*) who are faced with scarcity. The two major fields are microeconomics and macroeconomics. *Microeconomics* studies consumers and producers. *Macroeconomics* studies the economy as a whole.

1.1.1 Economic questions a society is faced with...

1. What will be produced?
2. How will it be produced?
3. Who consumes the goods and services produced?