



ECO101: Introduction to Microeconomics

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SECTION: 11

WEEK 01, LECTURE 01

What is Economics

- ▶ Is it about money? Is it about Government and jobs? Is it about why some nations are rich and others are poor?
- ▶ Economics at its core is the study of choices and their consequences. It is about how people make choices about using resources.
- ▶ Economics is the social science that studies the **choices** individuals, businesses and governments and entire societies make as they cope with **scarcity** and the **incentives** that influence and reconcile those choices.

What do you do with Economics

Two big questions of Economics:

- ▶ How do choices end up determining ***what, how*** and ***for whom*** goods and services get produced?
 - ▶ What: Goods and Services
 - ▶ How: Factors of production: Land, Labour, Capital, Entrepreneurship.
 - ▶ For whom: Rent, Wages, Interest, Profit.
- ▶ When do choices made in the pursuit of ***self-interest*** also promote ***social interest*** ?

Economic Way of Thinking

Six key ideas that define the economic way of thinking. These ideas are:

- ▶ A choice is a ***trade-off***.
- ▶ People make ***rational choices*** by comparing benefits and costs.
- ▶ ***Benefit*** is what you gain from something.
- ▶ Cost is what you ***must give up to get something***
- ▶ Most choices are “how-much” choice made at the ***margin***.
- ▶ Choices respond to ***incentives***.