



Introduction to **APPLIED ECONOMICS**



LESSON 1



Lesson Outline



Defining Economics

Macroeconomics and Microeconomics

Scarcity and Opportunity Cost

ECONOMICS

Well – known economist Alfred Marshall described economics as a study of mankind in the ordinary business of life.

It examines part of the individual and social action that is most closely connected with the attainment and use of material requisites of well-being.

SCARCITY

is a condition where there are insufficient resources to satisfy all the needs and wants of a population.

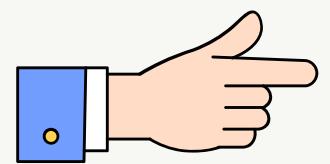
Relative Scarcity Absolute Scarcity

is when good is scarce compared to its demand.

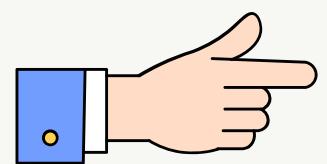
when supply is limited

1. Economics

is a social science because it studies human behavior



the branch of knowledge concerned with the production, consumption, and transfer of wealth.



s a branch of social science focused on the production, distribution and consumption of goods and services

TERMS TO REMEMBER

2. **Social Science** – the scientific study of human society and social relationships.
3. **Macroeconomics** – division of economics that is concerned with the overall performance of the entire economy.
4. **Microeconomics** – concerned with single factors and the effects of individual decisions.

MICRO E VS MACRO E

MICROECONOMICS

- *Studies individual income*
- *Analyzes demand and supply for labor*
- *Deals with households and firms decision*
- *Studies individual prices*
- *Analyzes demand and supply of goods*

MACROECONOMICS

- *Studies national income*
- *Analyzes total employment in the economy*
- *Deals with aggregate decisions*
- *Studies overall price level*
- *Analyzes aggregate demand and aggregate supply*

5. Opportunity Cost – refers to the value of the best forgone alternative. (TOTGA)

Trade-off – the exchange or choosing between alternative. (It is in reality of life that getting one thing would mean giving up another thing.)

6. Economic Resources – factors of production, are the resources used to produce goods and services.

Land – soil and natural resources that are found in nature and are not man-made

Labor – physical and human effort exerted in production.

Capital – man – made resources used in the production of goods and services.



10. Economic System – means through which society determines the answers to the basic economic problems.

11. Traditional economy – decisions are based on traditions and practices.

12. Command Economy – authoritative system wherein decision making is centralized in the government

13. Market Economy – based on the workings of demand and supply.

14. Positive Economics – deals with what is, things that are actually happening.

15. Normative Economics – refers to what should be – embodies the ideal, policy formulation.

16. GNP – market value of the final products, both sold and unsold, produced by the resources of the economy in a given period.



17. GDP – market value of the final products produced within the country.

18. Applied Economics – application of economic theory and econometrics in specific setting with the goal of analyzing potential outcomes.

19. Unemployment – occurs when a person who is actively searching for employment is unable to find work.

20. Poverty – the state of being extremely poor

21. Poverty Line – the estimated minimum level of income needed to secure the necessities of life





THANK YOU