

Chapter 1

1. What is economics?

- Definitions

Scarcity

2. What are the two major fields of economics.

- micro

- macro

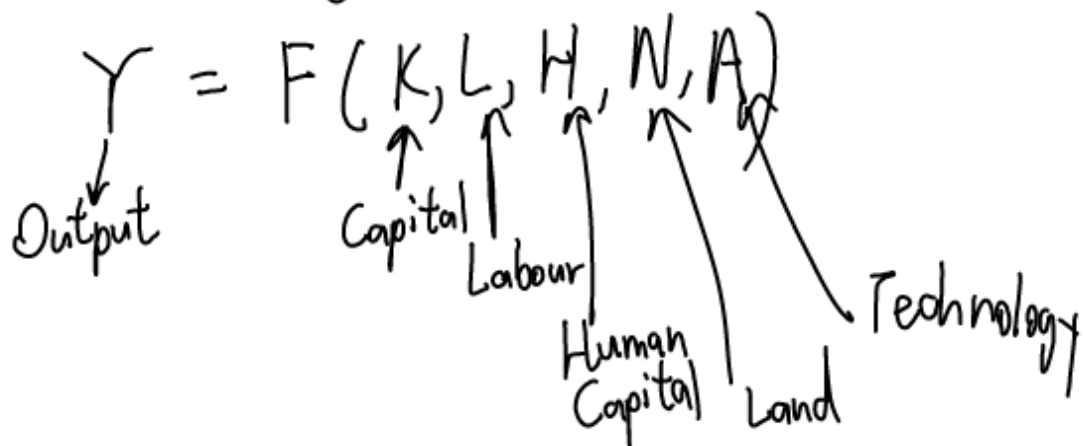
3. What is the scope of economics?

Or, what questions do economists try to answer?

4. What is the economic way of thinking?

5. Is economics a social science?

6. What is the relationship between economic system and the environment?



Six ideas define the economic way of thinking:

1. scarcity

2. choices and tradeoffs.

3. rationality

4. marginal analysis - comparing benefits and costs

5. cost - opportunity cost

6. Incentives

Economic model - simplified model of a more complex reality.

An economic model consists of 2 or more variables.

- exogenous
 - endogenous
- } variables

