* Topic 1 *

Scarcity and opportunity cost and the basic tasks of an Economy:

1. The Fandamental Economic problem: Scarcity:

Scarcity is the conflict between unlimited wants and limited resources.

Economics is the study of how societies manage scarce resources.

2. opportunity cost:

The cost of any choice is the value of the next best alternative you give up.

It is a key measure of the true sacrifice in any decision.

3. Three Basic Economic questions:

Due to scarcity, every society must answer:

1) what will be produced? choosing what goods/ services to make

2) How will goods and services be produced? choosing production methods.

3) For whom will goods and services be produced?

Deciding how output is distributed.

4. microeconomics VS. Macroeconomics

microeconomics: Studies individual choices (consumers, firms) and how prices are set.

Macroeconomics: Studies the whole economy Focusing on:

1) unemployment
2) Inflation
3) Economic Growth

5. Positive vs. Normative Analysis

* Positive Analysis: objective, testable, facts (what is)

* Normative Analysis: Subjective value judgments (what ought to be)