summary: Alizadeh lian 227

Scarcity, opportunity cost, and the Basic tasks of an Economy.

The foundation of economics lies in the problem of scarcity. the imbalance between unlimited human wants and limited resources such as land, labor, and capital. This issue affects both rich and poor societies. Because resources are scarce, individuals and nation must make choices, which introduces the concept of opportunity cost: the value of the next best alternative sacrificed when making a decision. Every economic choice involves trad-off, and evaluating opportunity cost helps determine if the benefits outweigh the sacrifices.

Economics addresses 3 basic questions:

1. what to produce? societies must decide which goods and services to prioritize.

2. How to produce? Different methods exist, such as manual labor varsus machines, or

organic forming varsus chemical use. Efficient production aims to maximize output from limited resources.

3. For whom to produce? Distribution can be equal based on ability to pay, or through special privilleges.

Economics is divided into 2 branches:

- Microeconomics: studies individual decision, prices and markets.
- Macroeconomics: studies overall performance, unemployment, Inflation and national growth.

Economic analysis is also of 2 types:

- Positive analysis is objective, focusing on cause-and-effect relationships. it can be tested with evidence but cannot judge whether outcomes are good or bad.
- Normative analysis is subjective, involving value judgment and policy recommendation. It prescribes what the economy ought to do, often based on individual or societal notions of fairness and well-being.