Topic 1:

scarcity, opportunity cost, and the basic tasks of an Economy:

1. Scarcity and opportunity cost:

. scarcity: resources (land, labor, capital, knowledge) are limited, but human wants are unlimited. this imbalance is the central economic problem.

opportunity problem; choosing one option means giving up the next best alternative. It measures the true cost of every decision (e.g choosing study time over leisure).

2. The three basic economy questions:

1. what to produce?

limited resources require prioritizing between goods (e.g military vs consumer goods.

2. how to produce?

choices of production methods (labor intensive vs. machine based organic vs. chemical farming).

3. for whome to produce?

distribution of goods: equally based on income, or with special privileges.

3. microeconomics VS. macroeconomics:

microeconomics: foacuses on individuals, firms, and markets.
studies how prices and incentives affect decisions.

macroeconomics:
looks at the enter economy national production, unemployment, inflation, and growth. seeks policies for stability, low inflation, and steady output growth.

4. inflation and growth:

inflation: general rise in prices reduces purchasing power and causes instability.

economic growth: steady increases in national output improve living standards, especially if output grows faster than population.

5. Posetive and normative analysis:

posetive analyse: objective fact-based (if X happens, then Y will result). Can be tested with evidence.

normative analyse: value-based, subjective (what ought to be). involves judgements about fairness, welfare, and policy goals.