Fundamentals of Economic & Financial Literacy

The document outlines the foundational consepts economics, starting with the core problem of scarcity - the fundamental imbalance between unlimited human wants and the limited resources available to satisfy them. Because of scarcity, choices must be made, and every choice entails an opportunity cost which is the value of the next best alternative that must be sacrificed.

To address the problem of scarcity, every society must answer three basic economic questions:

1) what to produce? Deciding which goods and services to create with limited resources.

2) How to produce it? choosing the methods and technologies for production (more labor vs. more machines)

3) For whom to produce? Determining how the resulting goods and services are distributed among the population

The field of economics is divided into two main branches to study these issues:

Microeconomics: Focuses on the decisions of individual actors (consumers, firms) and how they interact in markets. It is concerned with price determination and is sometimes called price theory

Macroeconomics: Examines the economy as a whole. Its primary concerns are issues like unemployment (the percentage of the labor force without a job) inflation (a general increase in the price level that erodes purchasing power) and the growth of national output

Finally the text explains two types of economic analysis:

Positive Analysis Objective, fact-based statements that describe "what is" or predict outcomes (if this, then that) It can be tested and verified with evidence

Normative Analysis subjective, value-based statements that prescribe "what ought to be"

economics is the study of how societies mange scarce resources to fulfill unlimited wants,