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The economy operates under scarcity, meaning that available resources such as land, labor, and capital are limited, while human wants are unlimited. Because of this imbalance, individuals and societies must make choices about how to use their resources. Economics studies how people make these choices in order to satisfy their needs and wants are effectively as possible. scarcity leads to opportunity cost, which is the value of the next best alternative that must be scarificed when a decision is made. using resources for one purpose means giving up the chance to use them for something else, so rational decision-making requires weighing benefits against these costs. As a result of scarcity, every economy must answer three basic economic questions: what goods and services will be produced and in what quantities, how they will be produced using available resources and technology, and for whom they will be produced. different production methods and distribution systems lead to unequal outcomes and no society has yet found a way to distribute goods equally while still encouraging productivity and innovation.

Microeconomics takes a close-up view, focusing on individual choices made by consumers, workers, and businesses. It analyzes how prices are determined and influence decisions, why its often called «price theory». It also examines market transactions and alternatives to markets, providing insight into social and political issues.

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macroeconomics looks at the broader economy as a whole. It studies total national production, average price levels, and employment. Its main goals are to: Explain and stabilize economic fluctuations to prevent excessive.

positive Analysis is objective and fact-based, dealing with what is. It makes testable «if-then» predictions about economic outcomes (e.g. the effects of a policy change) and identifies who gains or loses. It describes consequences but does not judge them.

Normative Analysis is subjective and value-based, dealing with what ought to be. It makes value judgments and policy recommendations based on underlying goals and ethics. It evaluates the desirability of outcomes.