

Guided Notes: The Study of Economics

I. Economics is the study of how people satisfy their wants with scarce resources.

i. Microeconomics:

ii. Macroeconomics:

II. The fundamental economic problem - scarcity

i. Scarcity is the condition of having _____ and _____.

1. "Resource" has a particular meaning in economics:

a. Productive Resources (a.k.a. _____)

i. _____ resources

ii. _____

iii. _____

iv. _____

ii. Resources are "scarce" for the simple reason that

iii. Discussion question: Why do you think scarcity is an issue with the rich as well as the poor?
Answer:

III. Each nation in the world has something fundamental in common with all other nations: each has to decide how to answer the three economic questions.

i. What

ii. How

iii. For whom

- iv. The way in which a society answers these three economic systems defines its _____.

- v. Discussion question: How might the economic decisions of an island society differ from those of a landlocked society? Answer:

IV. The Scope of Economics

- i. Economists analyze how our economy is performing and how to adjust economic growth-

- ii. Economists analyze the “why” and “how” of economic activity-

- iii. Economists use theory to show how yesterday’s and today’s economic activities will affect potential future activity-

V. Thinking Like an Economist

- i. Economists create economic theories
 - 1. Economic theory:

 - 2. The more detail

 - 3. Other-things-constant assumption (Ceteris Parabis):

- ii. Marginal Analysis
 - 1. **MARGINAL=**

 - 2. Economic choice is based off of comparing the marginal _____ to the marginal _____.

 - 3. A rational decision maker will choose to do something as long as the expected marginal _____ exceeds the marginal _____.