Guided Notes: The Study of Economics

* 1. Economics is the study of how people satisfy their wants with scarce resources.
     1. Microeconomics:
     2. Macroeconomics:
  2. The fundamental economic problem - scarcity
     1. Scarcity is the condition of having \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
        1. “Resource” has a particular meaning in economics:
           1. Productive Resources (a.k.a. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_)

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ resources

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* + 1. Resources are “scarce” for the simple reason that
    2. Discussion question: Why do you think scarcity is an issue with the rich as well as the poor? Answer:
  1. 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.
     1. What
     2. How
     3. For whom
     4. The way in which a society answers these three economic systems defines its \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
     5. Discussion question: How might the economic decisions of an island society differ from those of a landlocked society? Answer:
  2. The Scope of Economics
     1. Economists analyze how our economy is performing and how to adjust economic growth-
     2. Economists analyze the “why” and “how” of economic activity-
     3. Economists use theory to show how yesterday’s and today’s economic activities will affect potential future activity-
  3. Thinking Like an Economist
     1. Economists create economic theories
        1. Economic theory:
        2. The more detail
        3. Other-things-constant assumption (Ceteris Parabis):
     2. 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 \_\_\_\_\_\_\_\_\_\_\_\_\_\_.