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 \_\_\_\_\_\_\_\_\_\_\_\_\_\_.