

CONCEPT: INTRODUCTION TO ECONOMICS

- Facts about the real world (of economics):

- **Scarcity** – we have *unlimited* wants, but _____ resources to fulfill those wants

- **Trade-offs** – giving up one thing to get something else

- **Opportunity Costs** – the value of the next-best alternative to a choice

- **Economics** – a social science focused on the _____ made by individuals, institutions, and society under conditions of *scarcity*.

- **Microeconomics** – choices that individuals and businesses make

- Prices: How a price change affects supply and demand of a product

- Profit: Maximizing profit in different market structures

- Operations: Deciding how many laborers to hire and what to pay them

- **Macroeconomics** – the study of the economy as a whole (nationally or globally)

- Recessions: Underlying causes of economic recessions and booms

- Inflation: The effects of inflation on interest rates and the supply of money

- Unemployment: Defining and understanding the reasons for unemployment

PRACTICE: The opportunity cost of going to a baseball game is

- a) The face value of the ticket
- b) The face value of the ticket plus the cost of snacks at the ballpark
- c) The total cash spent plus the value of your time
- d) Zero, if you enjoyed the baseball game

PRACTICE: Economics can be best defined as the study of

- a) Profit maximization
- b) Predicting inflation patterns
- c) Income distribution and the effects of poverty
- d) How society manages its scarce resources