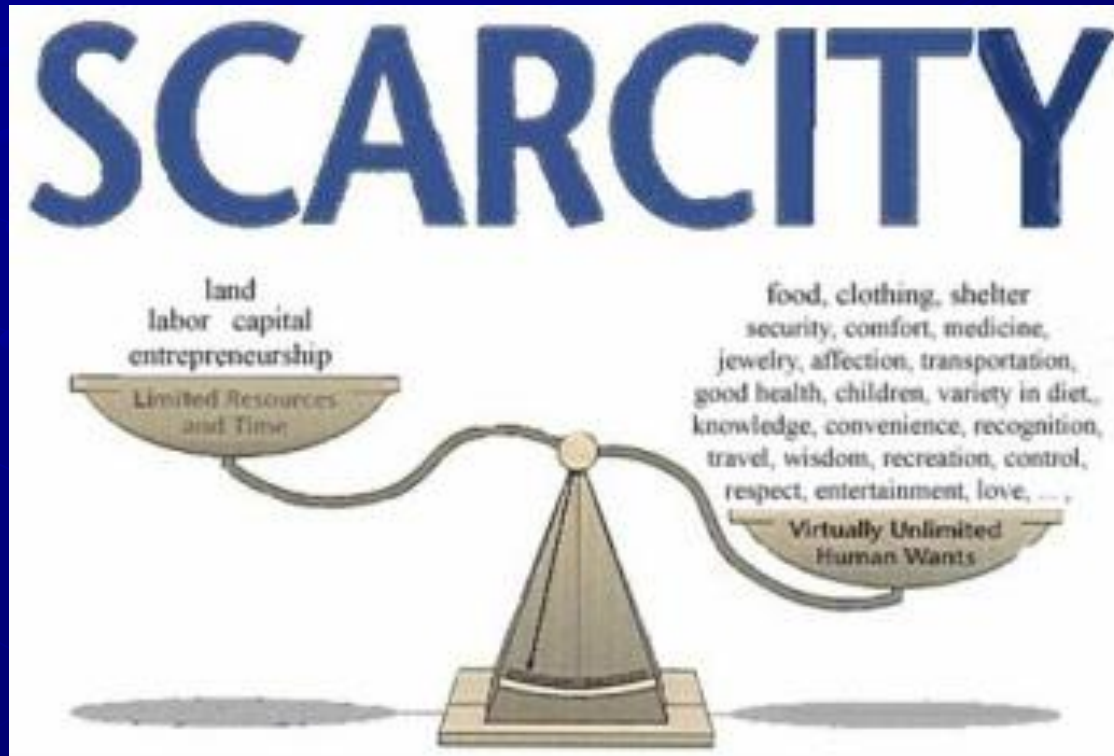


ECONOMICS

WHAT IS ECONOMICS?



CHOICES

- **ECONOMICS** – STUDY OF HOW PEOPLE SEEK TO SATISFY THEIR NEEDS AND WANTS BY MAKING DECISIONS



Micro vs. Macro Economics

- **Macro** is the study of the national economy as a whole



- **Micro** is the study of individuals, firms and industries

CHOICES

“YOU CAN’T ALWAYS GET WHAT YOU WANT” – THE ROLLING STONES

Avg. Price \$178.00

- GOODS & SERVICES = SCARCE
- **SCARCITY**: LIMITED RESOURCES TO MEET UNLIMITED WANTS AND NEEDS
- NO ONE CAN HAVE AN ENDLESS SUPPLY OF EVERYTHING (or anything)
- **ECONOMICS IS ABOUT SOLVING THE PROBLEM OF SCARCITY**



SCARCITY VS. SHORTAGE

- **SHORTAGE**: SITUATION IN WHICH A GOOD OR SERVICE IS UNAVAILABLE BECAUSE SELLERS WON'T or CAN'T PROVIDE IT
- SCARCITY ALWAYS EXISTS NO MATTER WHAT
- SHORTAGE IS TEMPORARY
- NEEDS AND WANTS ARE GREATER THAN OUR RESOURCE SUPPLY



FINISH THE STATEMENT:

● THE BEST THINGS IN LIFE
ARE.....?



“NOTHING IN LIFE IS FREE”

● TIMESHARE “FREE” BREAKFAST & GIFT CARD

3 Free Nights in Las Vegas!



Spend 3 nights in a 4 Star Vegas Hotel-No purchase necessary!*

Simply call **555-323-3464** to schedule your short presentation from Bocoba Sands Resorts.

*Bocoba Sands Resorts reserves the right to select dates and to deny participation for whatever reason so desired. No one under 50 and over 53 eligible for free vacation. Airfare not included. Not responsible for appointments or scheduling.



Opportunity Costs =

The **opportunity cost** is:
the next best alternative that
you give up when making a
decision



THINKING @ MARGIN – Deciding
whether to use one additional unit of some
resource

--Study time vs. Party time--

FACTORS OF PRODUCTION

● ALL RESOURCES THAT ARE USED TO MAKE GOODS AND SERVICES

● LAND

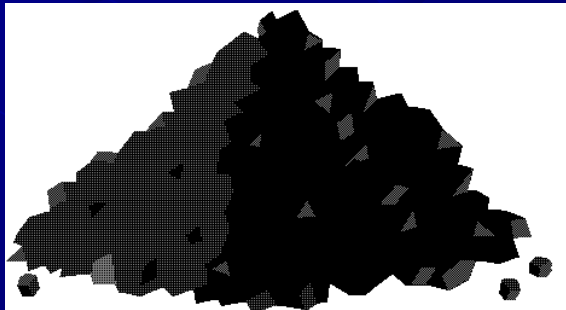
● LABOR

● CAPITAL



LAND

- NOT ONLY REAL ESTATE
- ALL NATURAL RESOURCES USED TO PRODUCE GOODS AND SERVICES



LABOR

- WORKERS – (work for “pay”)
- PHYSICAL EFFORT
- MENTAL EFFORT



CAPITAL

- ANY HUMAN-MADE RESOURCE THAT IS USED TO PRODUCE OTHER GOODS AND SERVICES
- 2 TYPES OF CAPITAL
- PHYSICAL CAPITAL
- HUMAN CAPITAL



PHYSICAL CAPITAL

- HUMAN MADE OBJECTS/TOOLS/BUILDINGS
- PHYSICAL CAPITAL ALLOWS GREATER PRODUCTIVITY



HUMAN CAPITAL

- KNOWLEDGE AND SKILL A WORKER GAINS THROUGH EDUCATION AND EXPERIENCE



PUTTING IT ALL TOGETHER

● WHO DECIDES HOW TO COMBINE LAND, LABOR, AND CAPITAL RESOURCES?

● ENTREPRENEURS

- JOHN D. ROCKEFELLER
- ANDREW CARNEGIE
- SAM WALTON
- RAY KROC
- BILL GATES
- JEFF BEZOS



Guns or Butter



Some Foods Healthier Than Either Guns or Butter

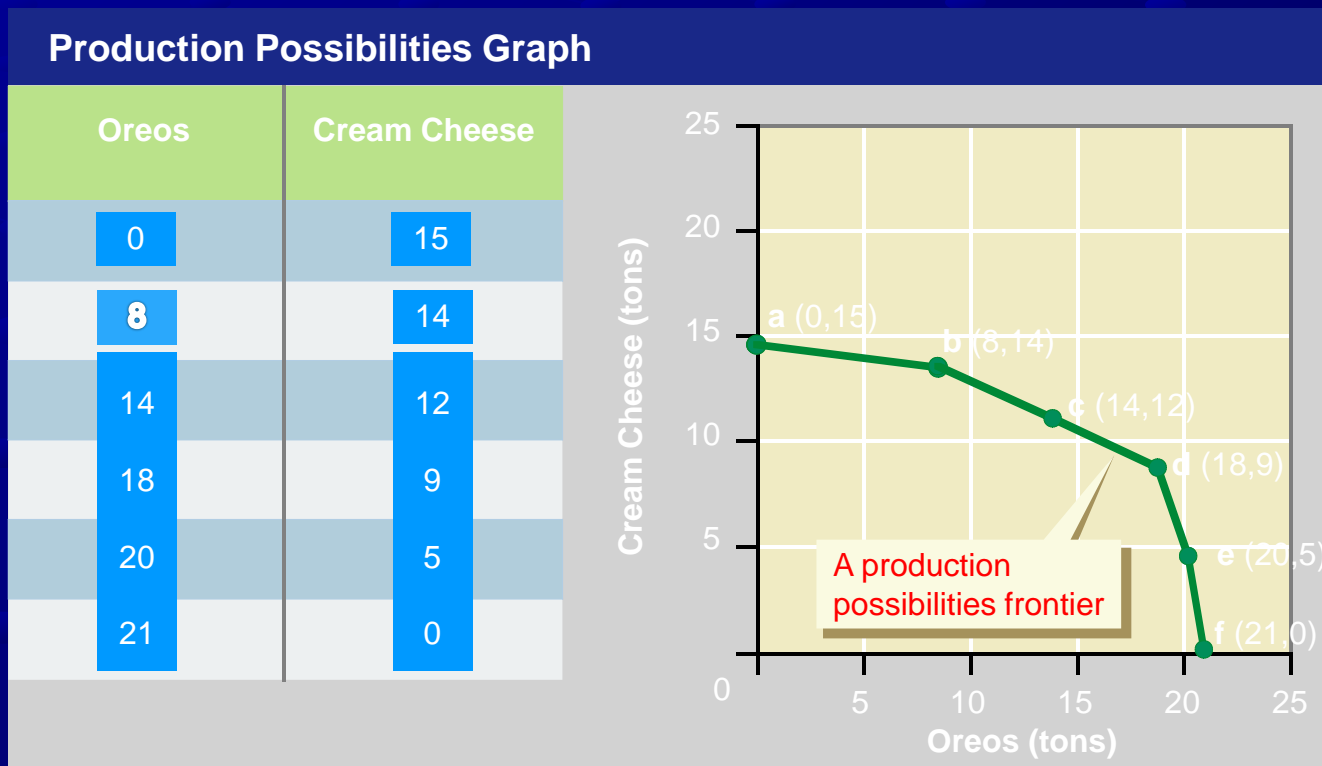


Production Possibility Curves

Production Possibility Curve

- Graph – Shows alternative ways to use an economy's productive resources.
- Compare 2 Goods
- Nabisco Example

Production Possibilities Curve (& Frontier)

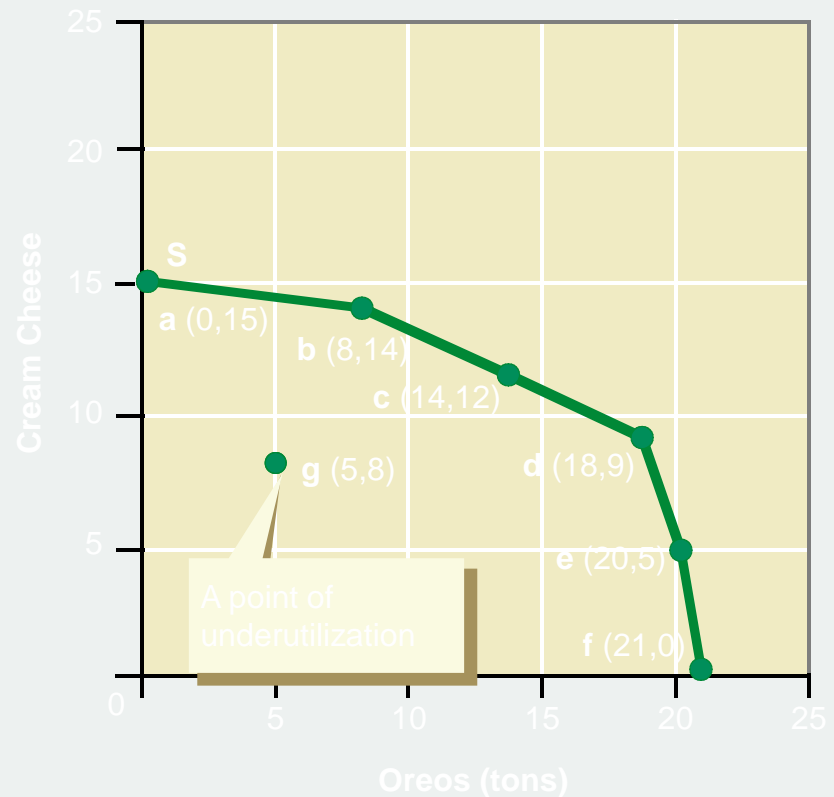


Are they efficient producing 14 tons of Oreos and 12 tons of Cream Cheese?

Efficiency

- **Efficiency** means using resources in such a way as to maximize the production of goods and services. An economy producing output levels on the production possibilities frontier is operating efficiently.

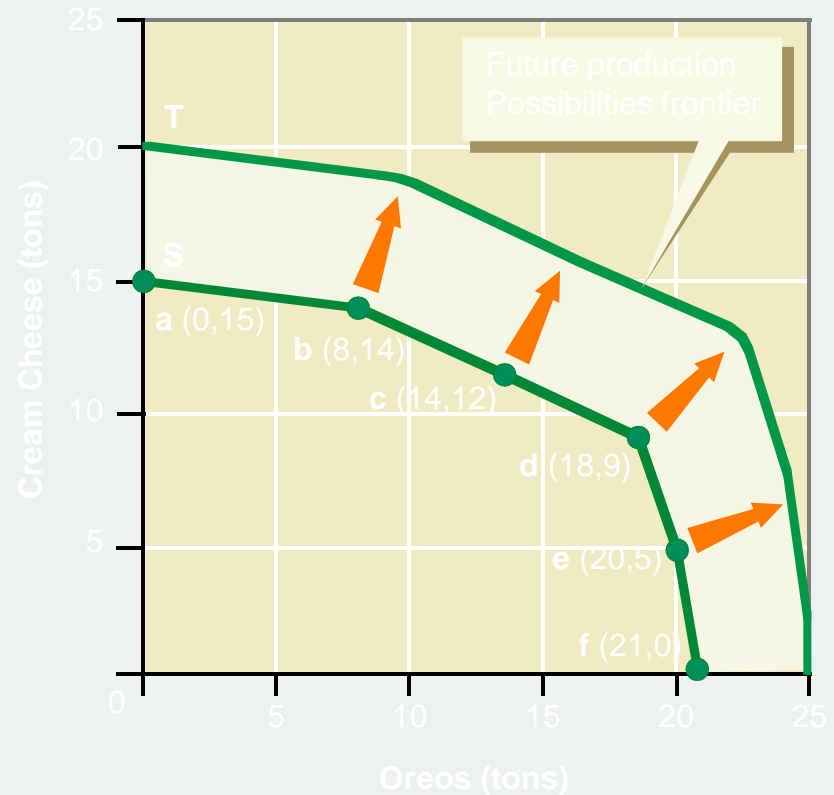
Production Possibilities Graph



Growth

- **Growth** If more resources become available, or if technology improves, an economy can increase its level of output and grow. When this happens, the entire production possibilities curve “shifts to the right.”

Production Possibilities Graph



Cost: A production possibilities graph shows the cost of producing more of one item. To move from point c to point d on this graph Nabisco has an opportunity cost of what?

