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11 Aug 14

How do you participate in the American economy?

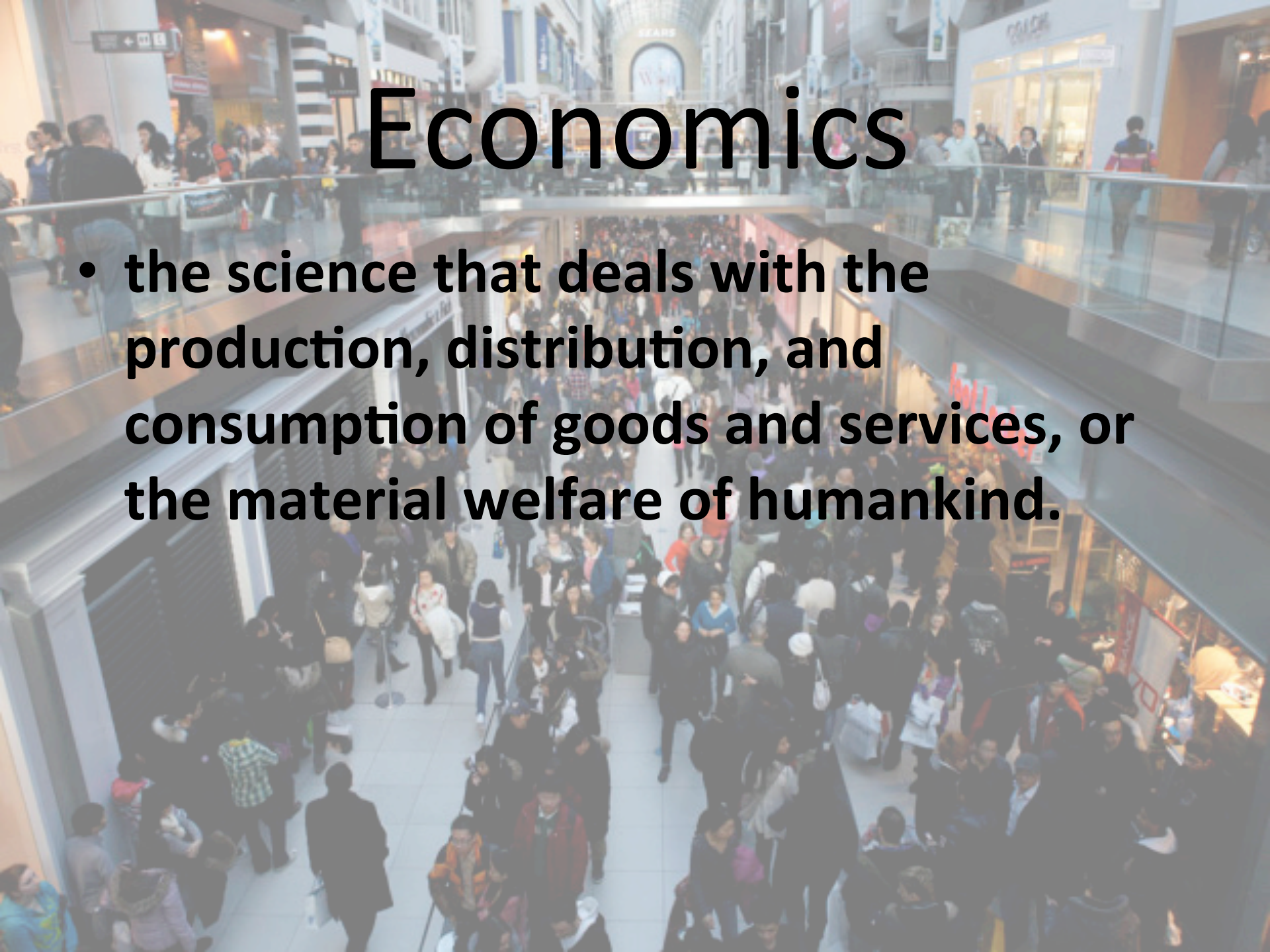
Economics & Scarcity

Clear Targets

I will be able to define terms related to economics.

Economics

- **the science that deals with the production, distribution, and consumption of goods and services, or the material welfare of humankind.**



Economy

- **the management of the resources of a community, country, etc., especially with a view to its productivity.**

Microeconomics

- **The branch of the economics that deals with behavior and decision making by small units such as individuals and businesses.**

- **Micro= small scale**

Macroeconomics

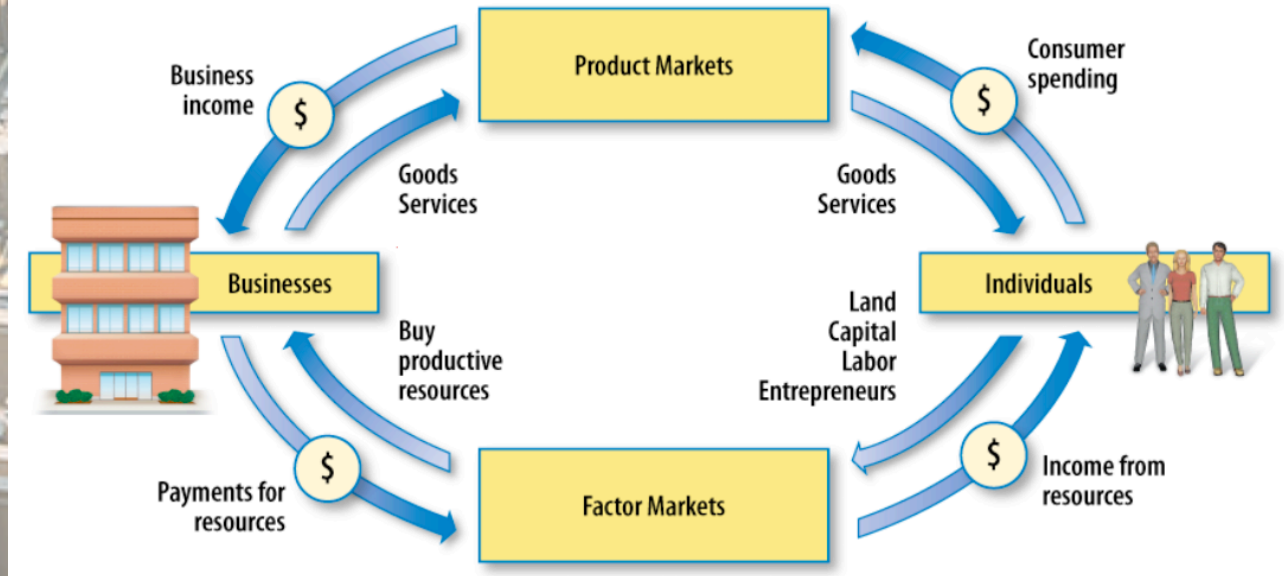
- **The branch of economics that deals with the economy as a whole and decision making by large units such as governments.**

- **Macro= Large scale**

Economic Model

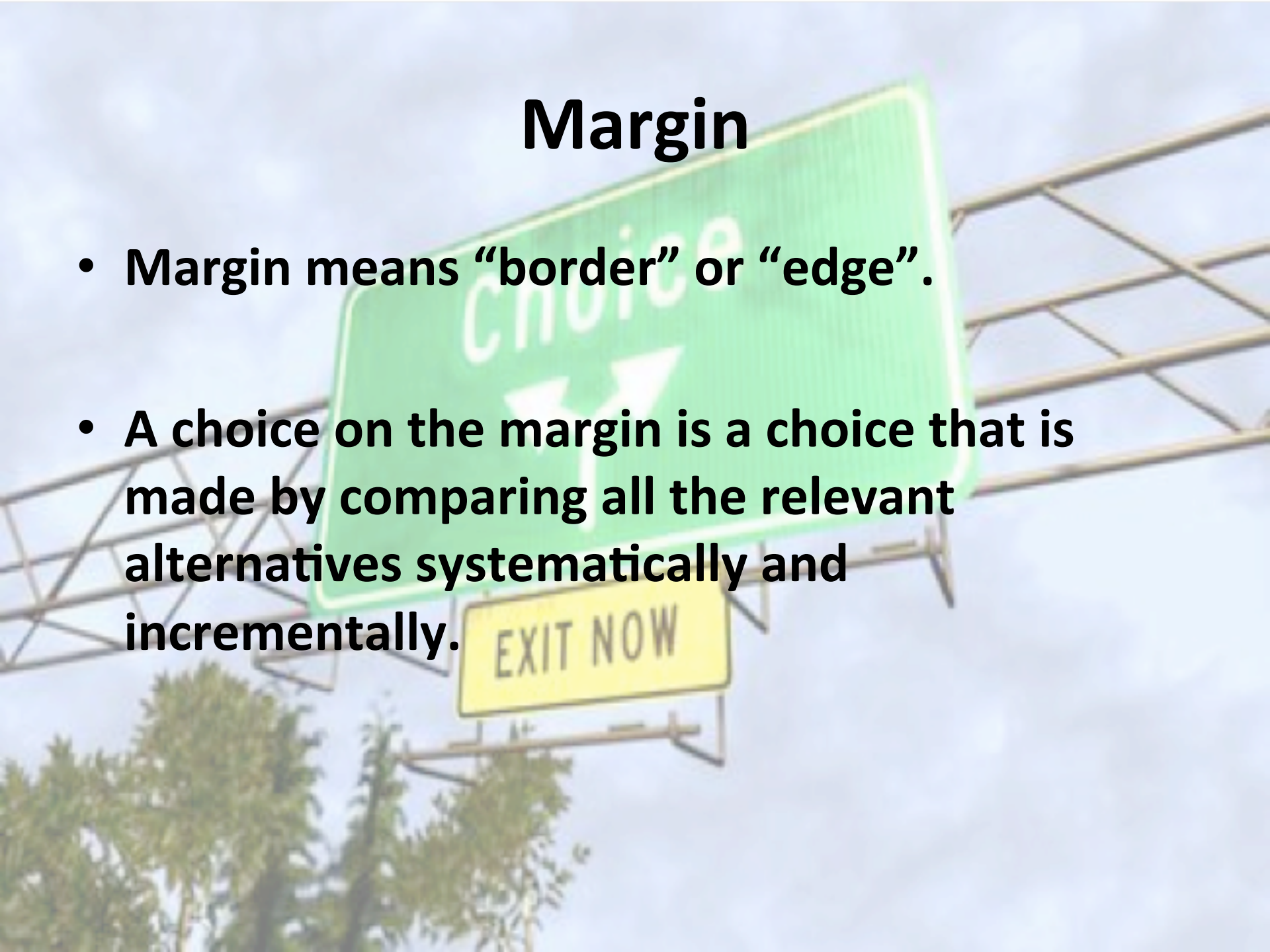
- A theory or simplified representation that helps explain and predict economic behavior in the real world.

Figure 1.3 ▶ **The Circular Flow of Economic Activity**



Margin

- Margin means “border” or “edge”.
- A choice on the margin is a choice that is made by comparing all the relevant alternatives systematically and incrementally.



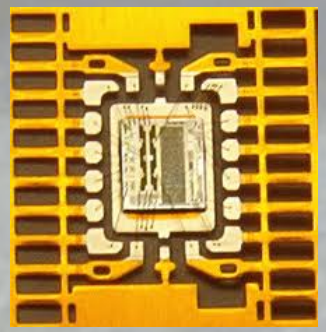
Margin

- Marginal benefit is the benefit that arises from a one unit increase in an activity.
- Marginal cost is the cost that arises form a one unit increase in an activity.

Goods & Services

- Goods are tangible objects that can satisfy people's wants or needs.
- Services are actions that can satisfy people's wants or needs.

Scarcity



- **The Basic economic problem that results from a combination of limited resources and unlimited needs.**

Shortage

- **Situation in which quantity demanded is greater than the quantity supplied.**