Lecture: 1

Chapter 1: Introduction

Natural Resources:

The lands, water, metals, minerals, animals, and other gifts of nature that are available for producing goods and services.

Renewable Natural Resources:

- Our supply of forests.
- Sea and land animals.
- Water and Grasses.

Question: Are renewable natural resources inexhaustible.

Nonrenewable Natural Resources:

- Metal and Mineral Resources.

Insatiable Wants:

- Want: Things we desire.
- Need: Things we require.
- Demand: Wants that are backed by purchasing power.

Economics as a part of Social Science:

Sociology, Anthropology, Political Science and Psychology

Consumer Sovereignty:

The ability of consumers to exercise complete control over what goods and services the economy produces (or does not produce) by choosing what goods and services to buy (or not buy).

Economics Focuses on 4 Central Issues:

1. Who produces what?
2. How it is produced?
3. Who consumes?
4. Who decides?
Economic Model:
It is a simplified representation of complex economic relationships. Sometimes to untangle the complexities of the relationship, economists have to abstract from reality.

The Assumption of Ceteris Paribus:
It means, “Everything else is remaining the same”.

Positive and Normative Economics:
Positive Economics:
A subset of Economics that analyzes the way economy actually operates (a factual statement).

Normative Economics:
A subset of Economics founded on value judgements and leading to assertions of what ought to be.

The Circular Flow Model:
Resource Market
Wages, Rent, Interest & Profit
Labor, Land, Capital & Entrepreneurship.
Goods and Services
Product Market
Consumer spending for goods & services.

Subtract 12 from the product of 4 multiplied by 6 plus the quotient of 8 divided by 2.

\[(4)(6) + (8/2) - 12 = 16\]

Micro and Macro Economics
Microeconomics: It studies the behavior of an individual household, firm or even industry.

Macroeconomics: It focuses on the behavior of the economy as a whole.

Economics
Study 0 hours, Test Score = 20
Study 2 hours, Test Score = 50
Study 5 hours, Test Score = 70
Study 7 hours, Test Score = 80
Study 10 hours, Test Score = 85
Biology

Study 0 hours, Test Score = 12
Study 2 hours, Test Score = 35
Study 5 hours, Test Score = 55
Study 7 hours, Test Score = 70
Study 10 hours, Test Score = 75

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Price | Quantity Demanded
------|---------------------
10    | 1
9     | 2
8     | 3
7     | 4
6     | 5
5     | 6
4     | 7
3     | 8
2     | 9
1     | 10

Slope = \frac{\text{rise}}{\text{run}} = \frac{\text{Change in the value on vertical axis}}{\text{change in the value on horizontal axis}}
Slope = -1/1 = -1
Slope = -2/2 = -1
Slope = 1/2 = .5
Slope = 3/1 = 3
Slope = 5/4 = 1.25
Slope = 2/1.61 = 1.242
Slope = 5/4 = 1.25
Slope = 2/1.61 = 1.242
Slope = 5.25/4.25 = 1.24