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.

Scarcity and Economics

What is Economics?

Economics is the study of how we work together to transform scarce resources into goods and services to satisfy the most pressing of our unlimited wants, and how we distribute these goods and services among ourselves.

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”.

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.

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.