

Introduction to Economics 1

Syllabus:

The nature of economics

- the economic problem – wants, resources, scarcity
- the need for choice by individuals and society
- opportunity cost

Economics is about...

scarcity



there ain't
enough to go
around, yall



**Unlimited
wants...**



Limited Resources



We call this the Economic Problem

Unlimited Wants, Limited
Resources



1. Wants are Unlimited

2. Resources are scarce

3. So...we must choose which wants we will sacrifice

4. Some wants will be unsatisfied



There's scarcity and then
there's scarcity...

The problem of **RELATIVE SCARCITY** is universal.

That is, resources are scarce relative to wants.

Every society must learn to use their

limited resources to satisfy their unlimited wants.



**Let's talk about
Resources...**



Resources

(In Economics)

1. Land
2. Labour
3. Capital
4. Entrepreneurship

Land

Gifts from nature





Labour

Human effort or skill



Capital

Man made goods that help further production.



Entrepreneurship

The ability to
organise the other
resources

Let's talk about Needs and Wants...



Needs...





Wants...

Wants can be individual or Collective



**The Economic Problem leads to the 4
Economic Questions.**

1. What to produce?



Because of Scarcity,
we must choose what
Goods and Services
we will produce,
because we can't do
everything.....

2. How to produce?

We must look for the most efficient method of production using the least amount of resources so the greatest number of wants can be satisfied.



3. How much to produce?

We need to allocate resources efficiently to maximise the satisfaction of wants...



4. To whom does production go?

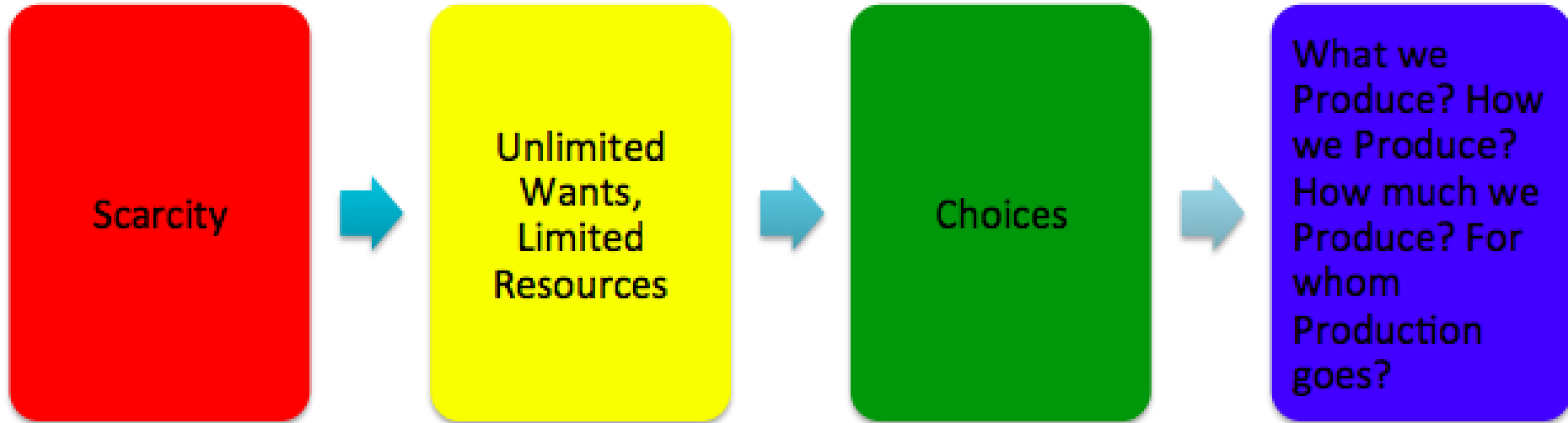
There is often a decision between **EQUITY** and **EFFICIENCY**.

More efficient systems will usually produce less equitable outcomes

Market based solutions (efficient) Vs Planned—
Government solutions (Equitable)



Resources are allocated by how we answer the Economic questions.



The Economic problem is about
scarcity.

Scarcity leads to choice and choice
leads to costs...

Opportunity Cost



Represents the alternative use of Resources

The opportunity we gave up when we chose one option over another

Sometimes referred to as the 'Real or Economic Cost'



Opportunity Cost

Represents the cost of satisfying one want over another....



John studies all night for his exam.

Next day John is very sleepy.

Opportunity

Cost



A good night's sleep.



or



Take a minute, think of your morning...

Identify an Opportunity Cost that you personally experienced.

Scarcity & Opportunity Cost



I have a scarcity of money. I only have \$20. What will I buy?

The thing I don't buy is an opportunity I won't have.

It's the next best thing...that you gave up.

Opportunity Cost can be applied to...



Vs



The Individual...

Business...





The Government...



Choices for individuals and society to make include:

- The mix of consumer goods to be consumed
- The mix of individual wants and collective wants to be satisfied
- The mix of consumer & capital goods produced (current consumption versus future consumption)

To do...

1. List 3 Individual Wants

2. List 3 Collective Wants

3. Explain the difference between a need and a want.

4. Identify the Opportunity Cost in the following scenarios:

A. Paying \$300 for a mobile phone

B. Missing a basketball game to go to the Movies

C. Missing a basketball game because the train was late

D. Closing a public school to expand the police service

5. Write a paragraph explaining the concept of Opportunity Cost. In your paragraph, you might like to use the following phrases:

Scarcity; Choice; Wants; Resources; Opportunity forgone; Alternative; Real or Economic Cost.

6. Outline the meaning of the four economic questions.

7. In Australia, explain how resources are allocated according to these 4 questions.

8. Think about how different societies answer the economic economic questions...(Think different political systems...)