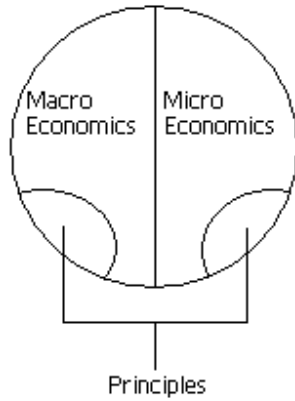


Day One

- Economics – The **Study** of the allocation of scarce resources, goods and services



Economists conduct the study

Macro – The big picture

Micro – The smaller picture (IE cars, taxes)

- How do economists add to the body of knowledge?
 - Economic Method
 - Identify the problem
 - Gather facts (Observations)
 - Generalization

Day Two

- The understanding of economics is important to effective citizenship
- Economic method is done by economists
 - Problem
 - Gather facts (About human beings meeting their true needs)
 - Make generalizations
 - Economic Theories
 - Economic Principles
 - Economic Laws
 - Economic Models
- Economic Law is supported for a long time
 - Ex. Law of demand
- Abstract – Models and principles simplify interactions between people in the economy, humans meeting needs
- Reality is too complicated to understand, so economists make abstractions

- From the theories, principles, laws, and models, politicians make policy
- Every theory, principle, law and model can be illustrated with a graph

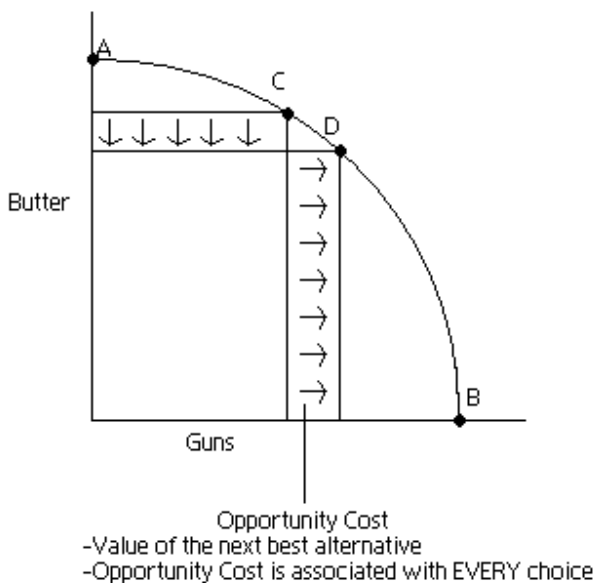


- There are pitfalls
 - Some economic definitions are not the same as popular definitions (IE: Investment... Capital)
 - Sometimes personal experience interferes
 - Causation
 - Fallacy of composition
 - What's true of the whole is not true of the parts; What's true of the parts is not true of the whole
 - Fallacy is that what's true of the parts is true of the whole (Not True)
 - Post hoc Ad hoc – Sequence of events; (Ex. Rooster crows and the sun comes up, associated, but not connected, the first does not cause the second)
 - Correlation vs Causation
 - Correlation – Two events associated
 - Causation – One event causes another (VERY difficult to prove)

Day Three

- Fundamental notion of economics
 - Choice
 - Reason that one chooses is all the same
 - Scarcity – Everything is scarce; One must choose
 - True for people and society, both have limits
- Resources – Anything used to make something else
- Goods and Services
 - Goods = Tangible (Car, Refrigerator)

- Services = Intangible (Hair cut)
 - Four categories of resources
 - Land/Natural resources
 - Labor (Human productive effort) -> Limited by number of people
 - Capital (Anything man-made used to make something else, either a good or a service)
 - Entrepreneurial Talent
 - Human ability to combine land, labor, and capital together to create business
- * When all this is utilized = Full employment
 - Production possibility
 - Limit on how much can be produced
 - Will never be enough
 - Peoples' desires are insatiable and resources limited
 - Basic dilemma -> Choice

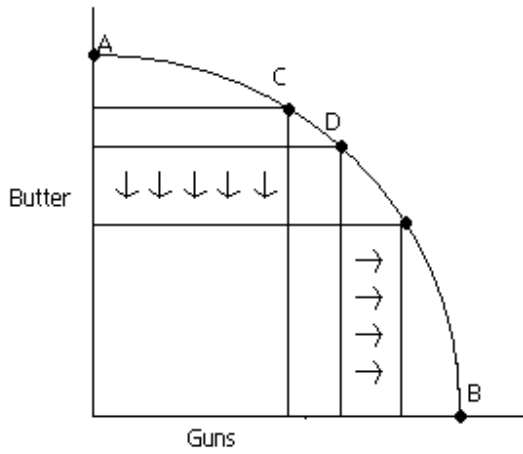


- Production Possibilities Frontier
 - Society has limited resources
 - Public can only produce Butter and Guns
- Every point on the curve represents all of The societal resources being utilized
 - A. All Butter
 - B. All Guns
 - C. A lot of Butter
 - D. ARM YOURSELVES!

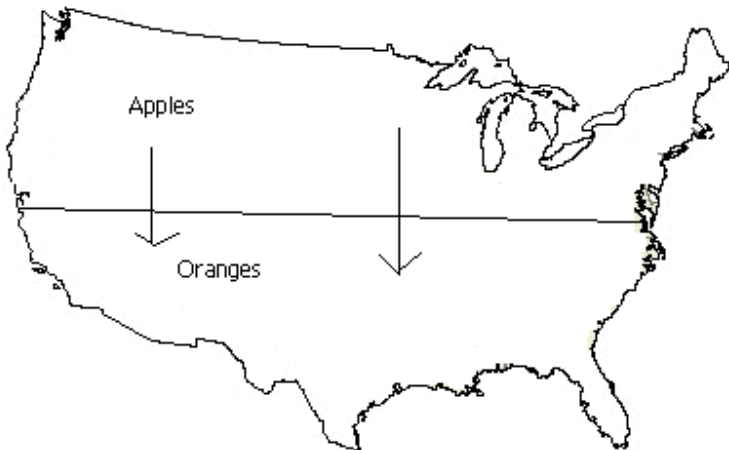
Day Four

- Basic Dilemma of economics
 - Every society has limited resources
 - Limit to how much can be produced – Production Possibilities
 - Limited Resources; Unlimited Desires
 - The result -> Choice

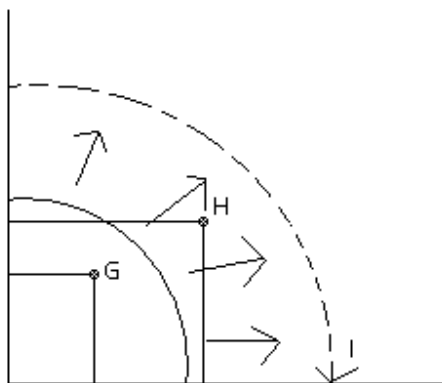
- Opportunity cost – Value of the next best alternative



- The more down the curve (the more you produce of one thing, the higher the opportunity cost.
- Reason -> ADAPTABILITY of resources



- Apples grow better in the north, but if more apples are wanted, they need to be grown in the south, so resources are not as efficient thus the sacrifice and higher opportunity cost... Giving up the opportunity to produce lot of oranges to produce a little apples



G – Not full capacity (Where we are now)

Productions possibility shows what CAN be produced, not what is

H is impossible unless the amount or utility of resources changes (To I)

Economic growth is when the production possibility expands