

Intro to Economics

Why Study Economics?

Every year, the world becomes increasingly more interested in the study of economics. But the questions exist, what is the study of economics, and why are we so obsessed with it? At its simplest, **Economics** is the study of how people seek to satisfy their needs and wants by making *choices*. Since it is impossible to fulfill ALL wants and needs, choices have to be made. These choices can be made by individuals, groups (businesses), or governments. Therefore, economists will study each of these sections independently, in groups called *Personal Finance, Micro Economics, and Macro Economics*.

To look at the world economically, we can focus on the decisions that people make. You, for example, have to decide what to do with your time – go to a movie or study for a test. Businesses have to decide how many people to employ and how much to produce. A city government may have to decide whether to spend its budget to build a school or a park. These decisions will reflect the satisfaction of a want or need.

Directions: In the table below, list as many examples of wants and needs that you can think of.

Needs	Wants

Needs are necessary for _____ . Wants are _____ but not necessary for _____ .

Scarcity

Living in a first-world country can make the concept of scarcity hard to understand. If store shelves are filled with goods, and most people have jobs, then it doesn't seem that anything is 'scarce.' However, all goods and services produced are scarce. Scarcity implies limited quantities of resources to meet unlimited wants. Although there may be a large quantity of a certain good or service, at some point it will become limited (run out). Therefore, all goods and services are scarce. At its core, economics is about solving the problem of scarcity.

Scarcity vs Shortage

A shortage is not the same as scarcity. A **shortage** occurs when producers will not or cannot offer goods or services at the current prices. Essentially, shortages happen when consumers do not have a certain good or service available at the current moment. Shortages can be short-term or long-term.

An example of a short-term shortage would be during the release of the newest iPhone, consumers will have a hard time getting the new phone in the first few months, and usually have to wait for one to be shipped because the store will not have any on hand. However, after a few months, consumers can walk into almost any electronics store and purchase the same phone. In contrast, a long-term shortage could last for years, due to issues such as droughts or wars.

Scarcity, on the other hand, will always exist because our needs and wants will always be greater than our resource supply.



Using the cartoon above, answer questions about scarcity and shortages.

1. What point do you think the author is making? _____

2. What is the shortage the hunter is referring? The Native American? _____

3. If there are fewer living buffaloes left to hunt, is this considered a shortage? Scarcity? Explain.

Trade-offs

Have you ever had to make a decision about spending your money today versus tomorrow? For example, you might ask yourself, 'Should I go out to dinner tonight, or should I rather save my money so I can go to the movies tomorrow?' You probably make decisions like this several times a day without even realizing it. Since your resources such as time and money are limited, you must choose how to best allocate them by making some **trade-offs**. Trade-offs are the alternatives that we sacrifice when we make a decision.

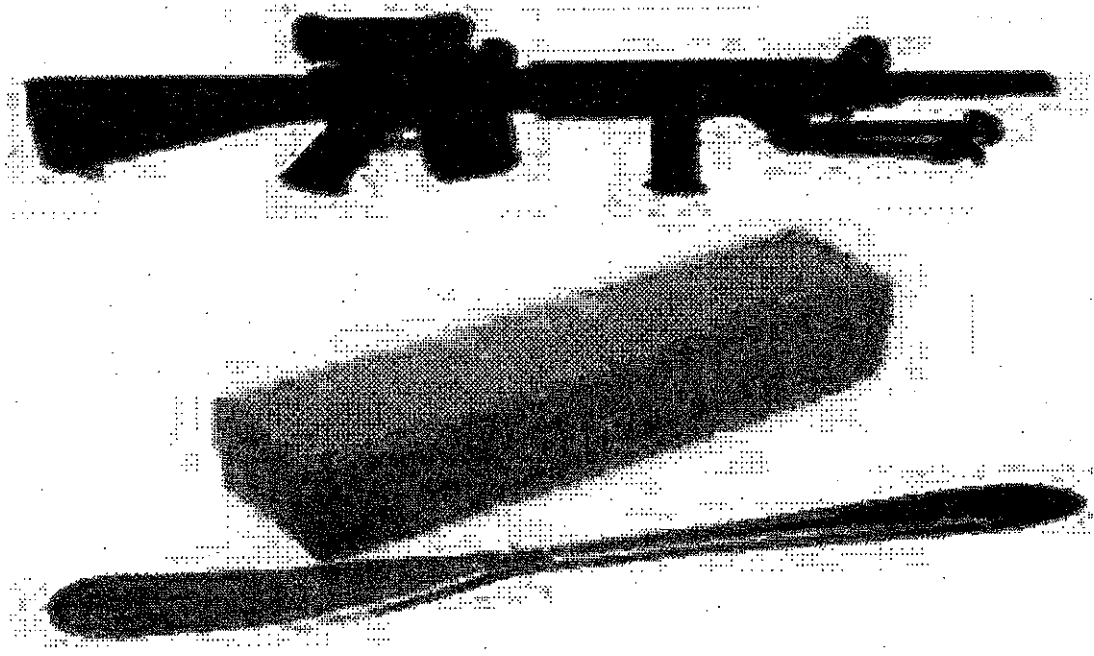
Individuals make decisions everyday about how to allocate their resources. Such as whether to spend time working on a paper, or spending time playing a video game. Likewise, businesses have to decide how to best use their resources. For example, if a farmer decides to use his land to plant broccoli, he is giving up his chance to plant other crops on that portion of the land. Lastly, governments have to decide where to spend their money, in the military or on consumer goods. We will discuss this more later.



1. What is the message of this cartoon?

2. How does this relate to trade-offs?

3. Imagine that you are going to buy a car. List some of the trade-offs involved with such a purchase. Why are these trade-offs?



1. What two items are pictured above?

2. How does this image relate to economics?

3. What do you think each item represents? Give other examples.
