**Lecture Notes - Chapter 1 Introduction**

**1. Decision, decision, decision**

Why do we have to **make choices**?

**2. Economics** is the study of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

* Resources
* Land
* Labor
* Capital

**Scarcity** – Since people’s needs and wants are \_\_\_\_\_\_\_ but resources are \_\_\_\_\_\_\_, scarcity exists \_\_\_\_\_\_\_\_ in the world.

**3. Three basic economic questions**

1. what
2. how
3. who

 **4. Economic Systems**

1. Command economy –
2. Market economy –
3. Mixed economy –
4. Transition economy –

**5. Opportunity cost**

**6.** **Macroeconomics** –

**Microeconomics** –

Macro or micro?

* The unemployment rate was 8.3% in July 2012.
* People’s average income has been growing.
* A grocery store chain decided to open 2 new stores next year.
* Two people who are in love decided to get married next month.
* A person decides to vote Adam Smith for president.

**7. Economist’s method of study**

*Stage 1*.

*Stage 2*.

*Stage 3*.

**8. Positive economics vs Normative economics**

Classify the following as positive statement or normative statement:

a) The unemployment rate in July 2012 is 8.3%.

b) The unemployment rate of 8.3% is too high. The government should do something to lower it!

c) Prices rise when the government prints too much money.

d) Government should not print too much money because it would cause inflation.

e) The government should lower taxes to encourage more work.

f) It reduces people’s incentive to work if they have to pay more taxes on their wage earnings.