

Week 1

Introduction to Economics

Economics

Definition

-refers to an area of study under social science. It deals with human behavioural attitudes and perceptions towards material resources.

Basic concepts of Economics

Scarcity - the available resources are insufficient to satisfy people's wants - is universal.

Choice - Because goods and services are scarce, choices must be made.

Opportunity cost - The opportunity cost of an action is the highest-valued alternative foregone.

Economic System

Types of Economic Systems

- **Traditional Economy** – Traditions and rituals answer the basic questions. Answers are often based on cultural or religious practices and ideals that have been passed down for generations.
- **Market Economy** – In a pure market economy, there is no government involvement in economic decisions.
- **Command Economy** – A system in which the government controls the factors of production and makes all decisions about their use.
- **Mixed Economies** – All economies in the world today (including the Free Enterprise System in the U.S.) are mixed with varying degrees of government regulation.

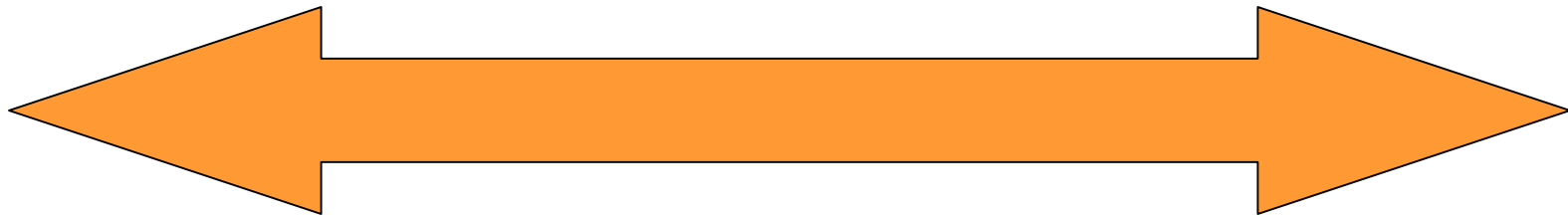
Types of Mixed Economies

- **Capitalism** -- Characterized by private ownership of businesses and marketplace competition.
- **Socialism** – there is increased government involvement in people's lives and the economy.
 - Tend to have more social services to ensure a certain standard of living for everyone
 - Government runs key industries and makes economic decisions
- **Communism** – Countries have a **totalitarian** form of government, which means that the government runs everything.
 - All who are able to work are assigned jobs
 - Housing and schooling are decided by the government

Conclusion

Command Economy

Market Economy



Communism

Socialism

Capitalism