

E101 - 1.1 - The Micro/Economic Problem

Economics - Study of Scarcity.
Scarcity - Limited resources.

Controversies.

Economic growth is something that we should applaud and always strive to achieve.

Government should use its income redistribution tools; Such as employment insurance, welfare payments, and pensions, to channel more income from the rich to the poor.

The time has come to introduce road pricing in congested Canadian cities to reduce traffic during peak rush hours.

Globalization only benefits large multinational corporations, not ordinary people.

Canadians must insist that free market elements are never allowed to creep into our healthcare system.

The most effective way to deal with serious problem of global warming is by a stablishing a carbon trading system.

Positive Statement - A statement of fact that can be verified.

Normative Statement - A statement of opinion or belief that cannot be verified.

Economics studies the ways that humans and societies organize themselves to make choices about the use of scarce resources, which are used to produce the goods and services necessary to satisfy human wants and needs.

Microeconomics - The study of outcomes of decisions by people and firms, it focuses on the supply and demand of goods, the cost of production, and market structures.

Macroeconomics - The study of how the major components of an economy interact; It considers unemployment, inflation, interest, rate policy, and the spending and taxation policies of government.

Resources - Physical or virtual entities that can be used to produce goods and services (Factors of Production or Inputs).

Labour - Human physical and mental effort that can be used to produce goods and services.

Capital - Human-made goods that are used to produce other products.

Land - Any natural resource that can be used to produce goods and services.

Enterprise - The human resource that innovates and takes risks.

Wages - The payment made and the income received for the use of labour.

Interest - The payment made and the income received for the use of capital.

Rent - The payment made and the income received for the use of land.

Profit - The income received from the activity of enterprise.

Logic!
Ripples...

Labour -> Wages
Capital -> Interest
Land -> Rent
Enterprise -> Profit

Technology - A method of production; the way in which resources are combined to produce goods and services.

Opportunity Cost - The value of the next best alternative that is given up as a result of making a particular choice.

Goods and Services - Products that are used by consumers to satisfy their wants and needs.

Allocative efficiency the production of the combination of products that best satisfies consumers' demands.

Staples - Coke (Normal Good) Pepsi (Substitute) Fries (Compliment) Red Cola (Inferior Good)

Normal Product - Products for which demand will increase as a result of an increase in income and vice-versa.

Inferior Product - Products for which demand will decrease as a result of an increase in income and vice-versa.

Substitutes - Products which demand varies directly in relation to the change in price of a similar product.

Compliments - Products that tend to be purchased jointly and for which demanded is related.

Productive Efficiency - The production of an output at the lowest possible average cost

Allocative Efficiency - The production of the combination of products that best satisfies consumers' demands