

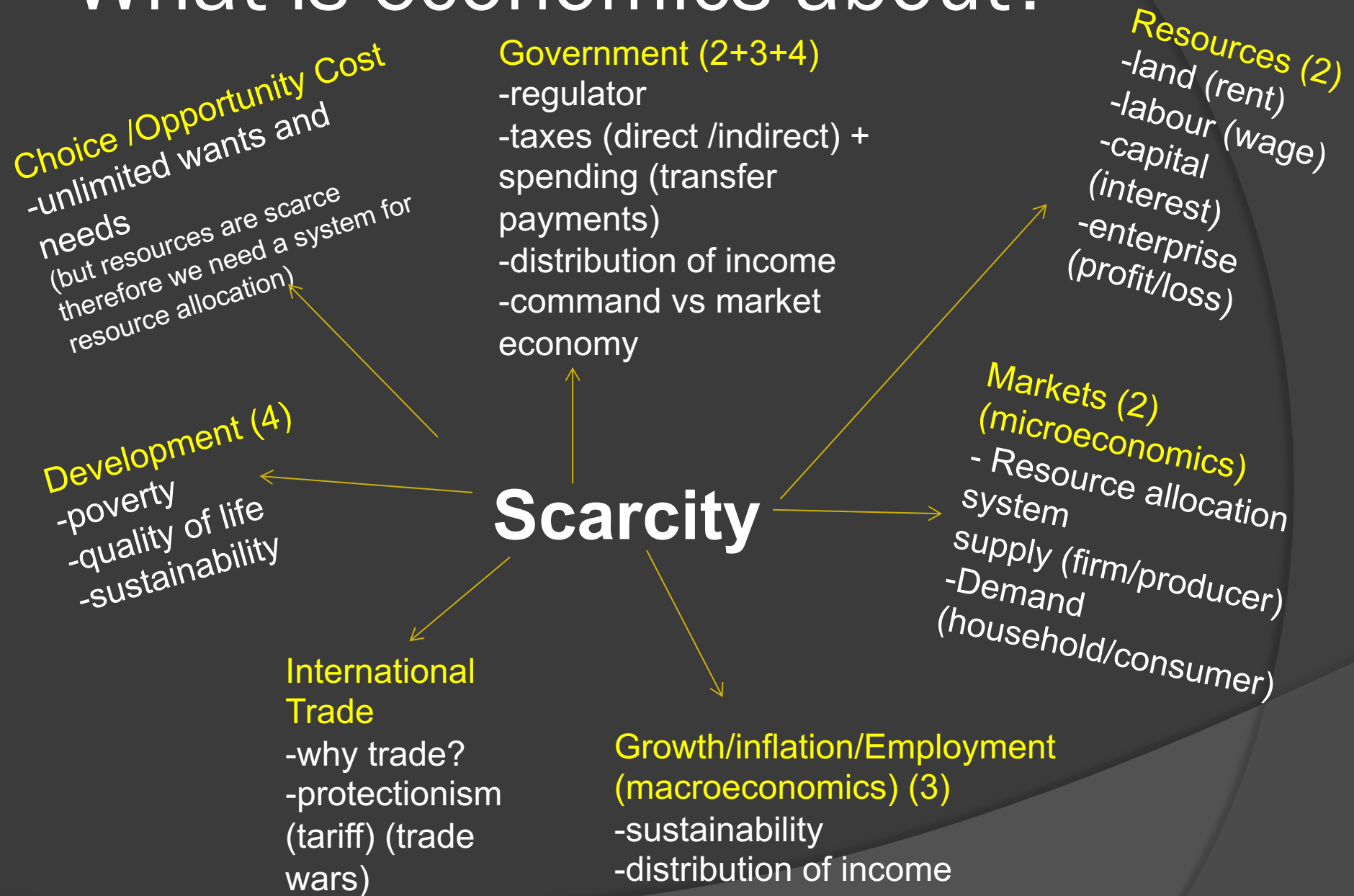
1.1 Introduction to economics

- ⦿ Economic Problem: **scarcity**

- ⦿ Solution: 3 Key questions

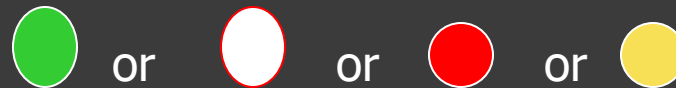
- ⦿ = 3 economic models for 3 questions....

What is economics about?



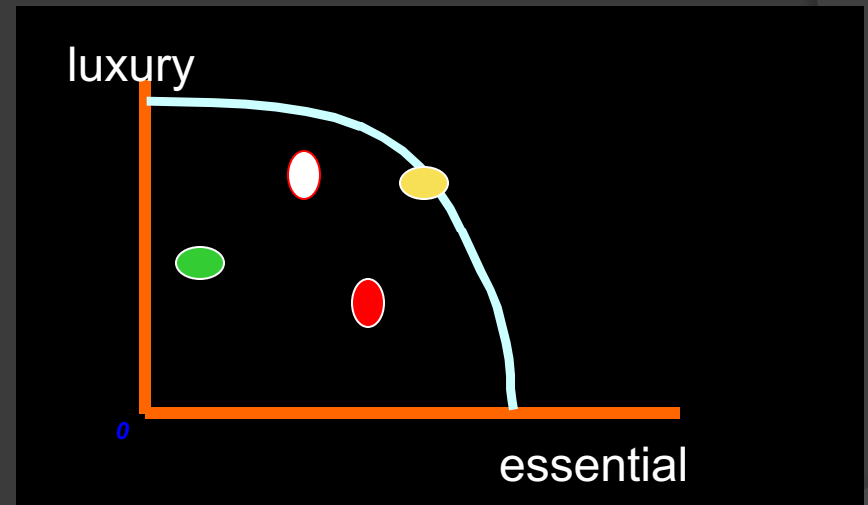
Scarcity drives **3** Economic Questions: **Resource Allocation** decisions

① **What** to produce?



② **How** to produce?
Labour or capital intensive

③ **For whom** to produce?
Who gets the goods+services?



9 KEY concepts

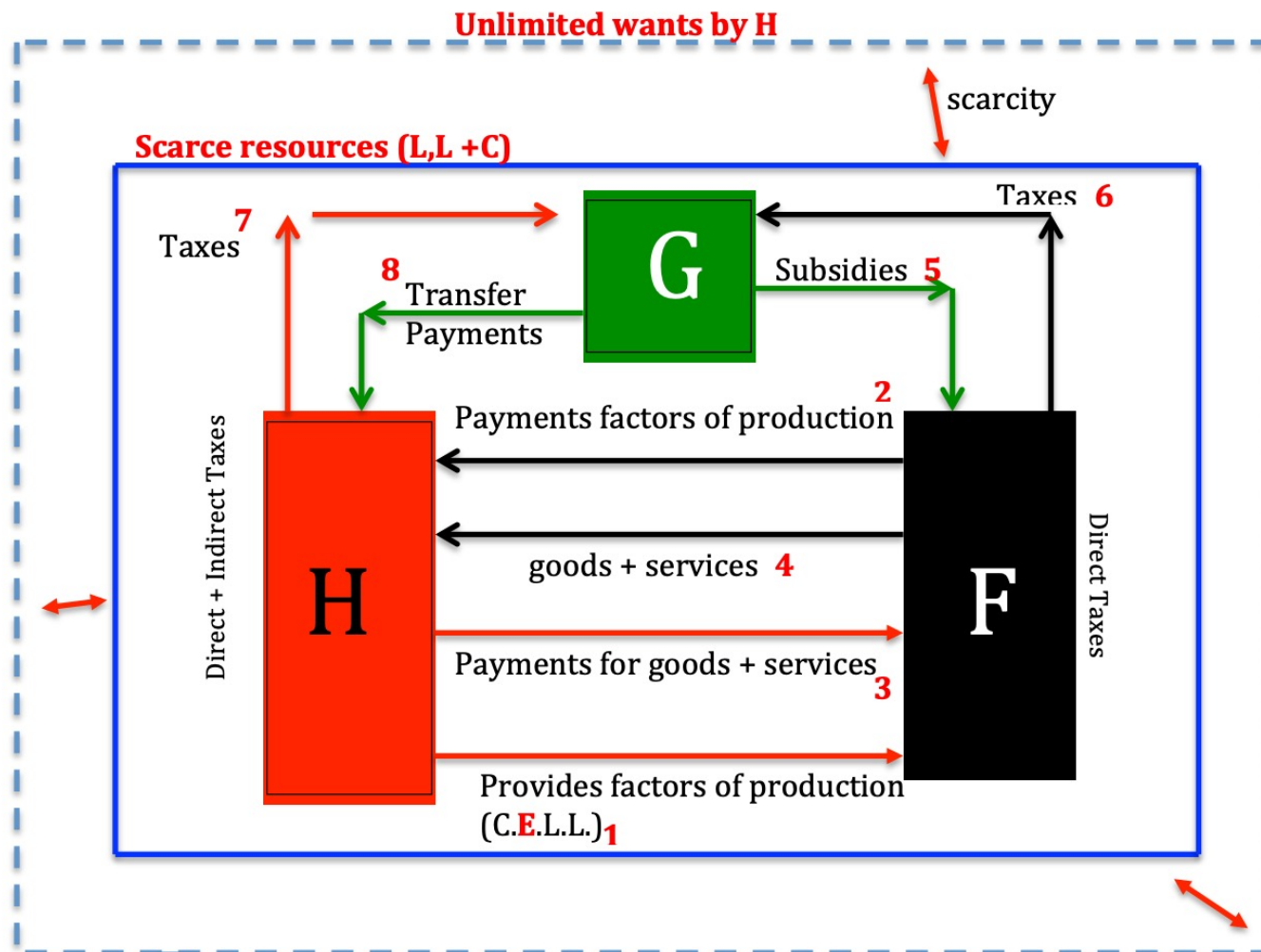
1. Scarcity (ppc)
2. Choice (ppc)
3. Efficiency (ppc)
4. Equity
5. Economic well being (standard of living)
6. Sustainability
7. Change (time)
8. Interdependence (partnerships)
9. Intervention (government)

3 economic models...

- **Circular flow of income**
- **PPC**
- **Business Cycle**

Microeconomics Circular Flow of Income

Economic Problem: Scarcity and how to allocate scarce resources.
Circular flow of income shows how resources move in an economy



7) PPC: Growth

(MORE

OUTPUT)

+ Development

(BETTER QUALITY OF LIFE)

Webnote 104

Production Possibilities Frontier (PPF) + Growth vs Development

Capital goods

q 4

q 2

PPC 1

PPC 2

0

q1

Essential Goods

Essential goods:

- Food
- Clothing
- shelter

Q2 – Q4
GROWTH

DOES SHIFT FROM PPC 1 TO PPC 2 RESULT IN DEVELOPMENT?

Business Cycle...

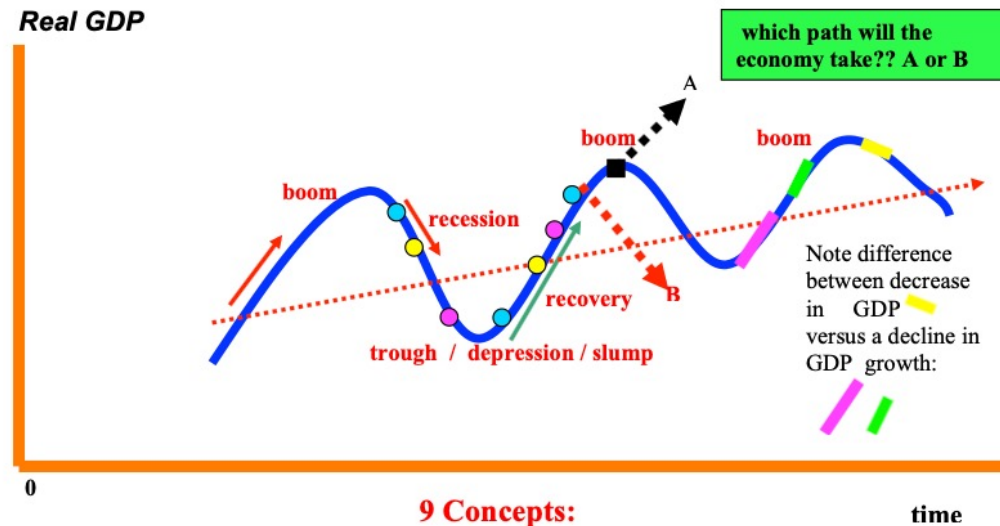
Big Question: How does the macroeconomy behave in the long run?

See Webnote
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Syllabus reference:

Economic Cycle¹: How the macroeconomy performs over time²

Business Cycle 1



1. Intervention
2. Efficiency
3. Choice
4. Sustainability