

# What is Economics?

## MAKE-UP ASSIGNMENT: FOR CREDIT COPY ONTO YOUR OWN PAPER

Save a tree... return this to the handouts file when you are finished with it

### In Economics:

**Need** = there are no other substitutes. basics for survival (Air, Water, nutrients)

**Want** = everything else that you desire.

**Free** = it doesn't cost anything to anyone i.e. sunshine

**Gratuitous** = when someone decides to give an item without charging you

“Economics is the study of how individuals and society, experiencing virtually limitless wants, chooses to allocate its scarce resources to satisfy those wants.”

Micro – deals with behavior/decisions of small units like individuals or firms

Macro – deals with economy as a whole & behavior of large units like gov't & unions

### The 4 categories of resources (Factors of Production)

1. Land
2. Labor
3. Capital  
(Goods used to make products)
4. Entrepreneurship  
(People who start businesses)

Payment  
Mortgage or rent  
Wages, salary, tips, etc.  
Principle + Interest  
Profits/Losses

### Memory Trick

**C**apital  
**E**ntrepreneurship  
**L**and  
**L**abor  
Cells are the building blocks of life, FOP's are the building block of economics.

## So, Economics is...

Economics = Scarcity =  $\frac{\text{unlimited wants}}{\text{limited resources}} >$