

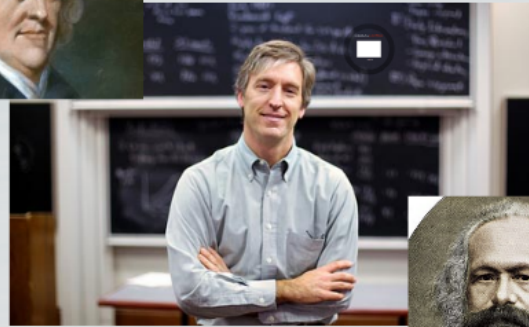
Thinking Like an Economist



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Principles of Economics



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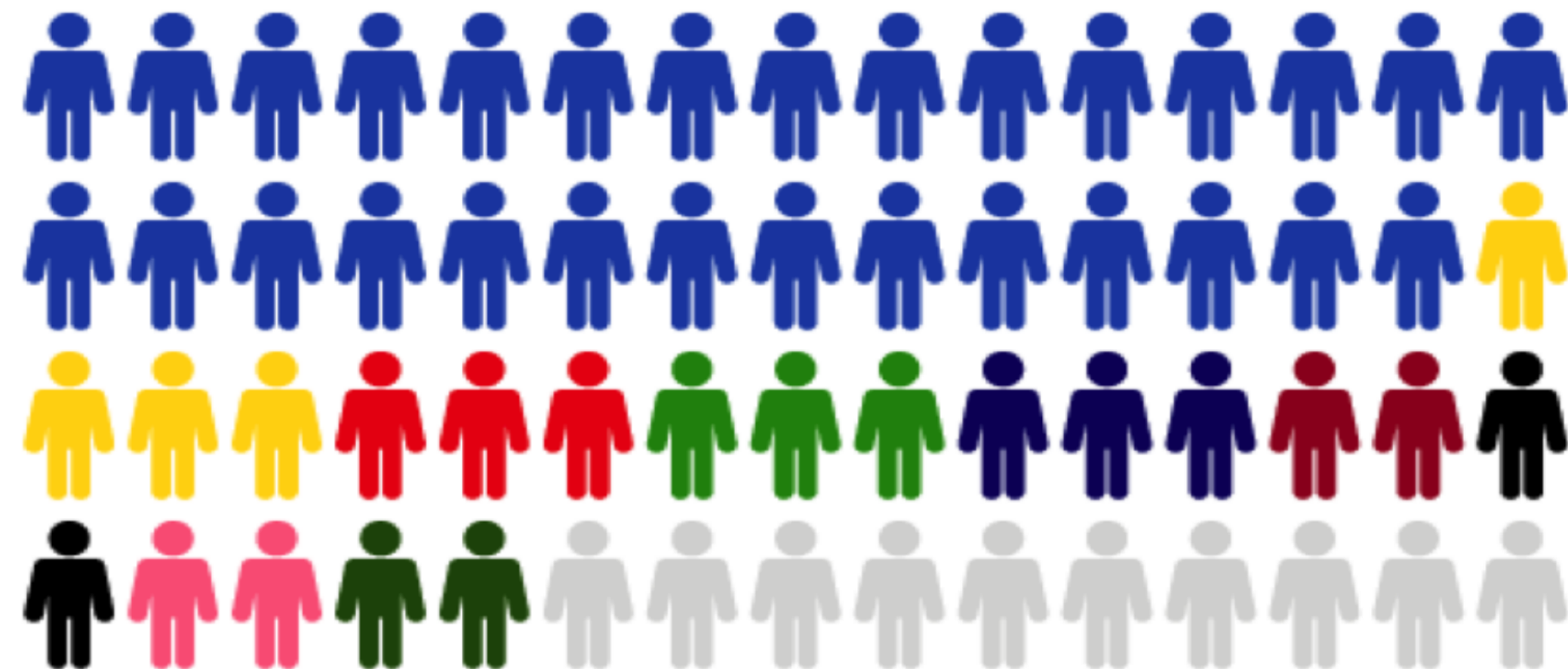
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Economics is a **Social Science**



There are definite and observable patterns to the way people act and interact, so we approach it scientifically. [→ more on economics](#)

THE WORLD'S RICHEST 1%



■ United States
■ Germany
■ France
■ Italy
■ Great Britain

■ Canada
■ Korea
■ Japan
■ Brazil

■ Switzerland, Spain, Australia,
 Netherlands, Taiwan, Chile,
 Singapore, others

 = ONE MILLION PEOPLE

There are definite and observable patterns in the ways people act and interact, so we approach it scientifically = **laws of economics.**

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Principle #1 Scarcity

People have unlimited wants and needs, but we have limited resources, therefore **everything is scarce**.

Examples of things that are scarce?



Buyers
feel so
is that t
next be

Examples: 1. M
A dealer will co
your fine purch



Corn



Water



People



No one can have an endless supply of everything!

Why are goods and services
scarce?

Goods and services are all scarce because they are made from resources that are scarce.
Is air scarce?



In certain situations, yes. We call this relative scarcity.

Ex. Stay under water for a minute and see if air is scarce.

Scarcity means there is not enough for everyone :(





Scarcity v. Shortage

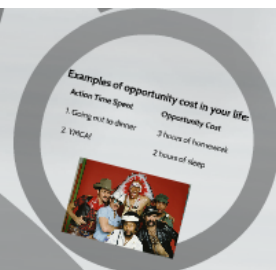
Shortages do not always exist. They only exist when producers will not or cannot offer goods or services.

Shortages can be temporary or long term.

-Scarcity always exists.

Ex. Oranges





Principle #2: There Are No Costless Decisions

We can't have everything we **want**, so
we choose.

Therefore, choosing is **refusing**.

Opportunity Cost = the most desirable
alternative
given up when making a decision.

What's wrong with these pictures?



We're sending some money your way!

\$1 CASH BACK

OFFICIAL REBATE MAIL-IN REDEMPTION FORM

Please complete the following information:

Name _____

Address _____

City _____ State _____ Zip _____

Please mail this card along with the original UPC code and a copy of the receipt to the address on the back. Please allow 6-8 weeks to receive your rebate check.



Examples of opportunity cost in your life:

Action Time Spent

1. Going out to dinner

2. YMCA!

Opportunity Cost

3 hours of homework

2 hours of sleep



What is the difference between trade-off and opportunity cost?

Trade-off are all of the alternatives given up when making a decision, while opportunity cost is the most desirable alternative given up.



Opportunity Cost can be high or low.....

Buyers Remorse- the reason buyers may sometimes feel some degree of remorse after making a purchase is that they find themselves grieving the loss of the next best alternative.

Examples: 1. New car
A dealer will contact you ASAP to congratulate you on your fine purchase.



2. Ordering food - waiter: "Oh, that's very good choice"

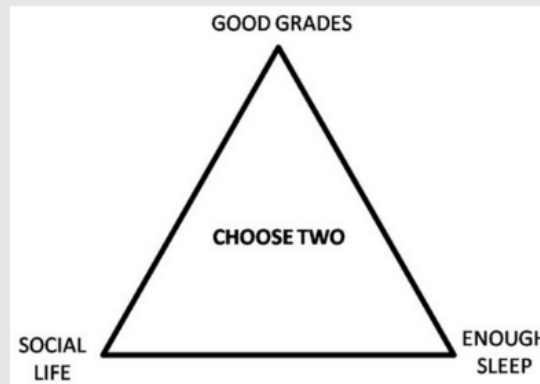


2. Ordering food -waitress “Oh, that’s a very good choice.”



What does it cost you?

Answer the opportunity cost questions on your own...



ese pictures?



Put a city
in it, please

Examples of opportunity cost in your life:

Action Time Spent	Opportunity Cost
Going out to dinner	3 hours of homework
YMCA!	2 hours of sleep



Principle #3: People regularly pursue their own self-interest

When we make our choices, we take into account the things we care about.

Its more than being selfish:

1. People care about pets -pet supply industry
2. People want the cheapest prices -discount sales matter
3. People care about the environment -laws/ regulation

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