

Fundamentals of Economics – What is an economy?

Agenda

- Definition of economy
- Factors of production
- Nature of economy
- How economic problems arises?
- Economic System

<https://www.youtube.com/watch?v=-sSO0N56WVQ>

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What is an Economics?

“An inquiry into the nature and causes of wealth of nations”-Adam smith

“Economics is a study of man’s action in the ordinary business of life; it inquires how he gets his income and how he uses it. Thus it is on one side a study of wealth and on the other and more important side, a part of the study of man.”- Marshall

“Economics studies human behavior as a relationship between ends and scarce means which have alternate uses” - Robbins

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Economy

Economy is the study of how we choose to use limited resources to obtain the maximum satisfaction of unlimited human wants

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With lots of interactive videos, animations and graphs!

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Resources (Factors of Production):

Things used in producing goods and services



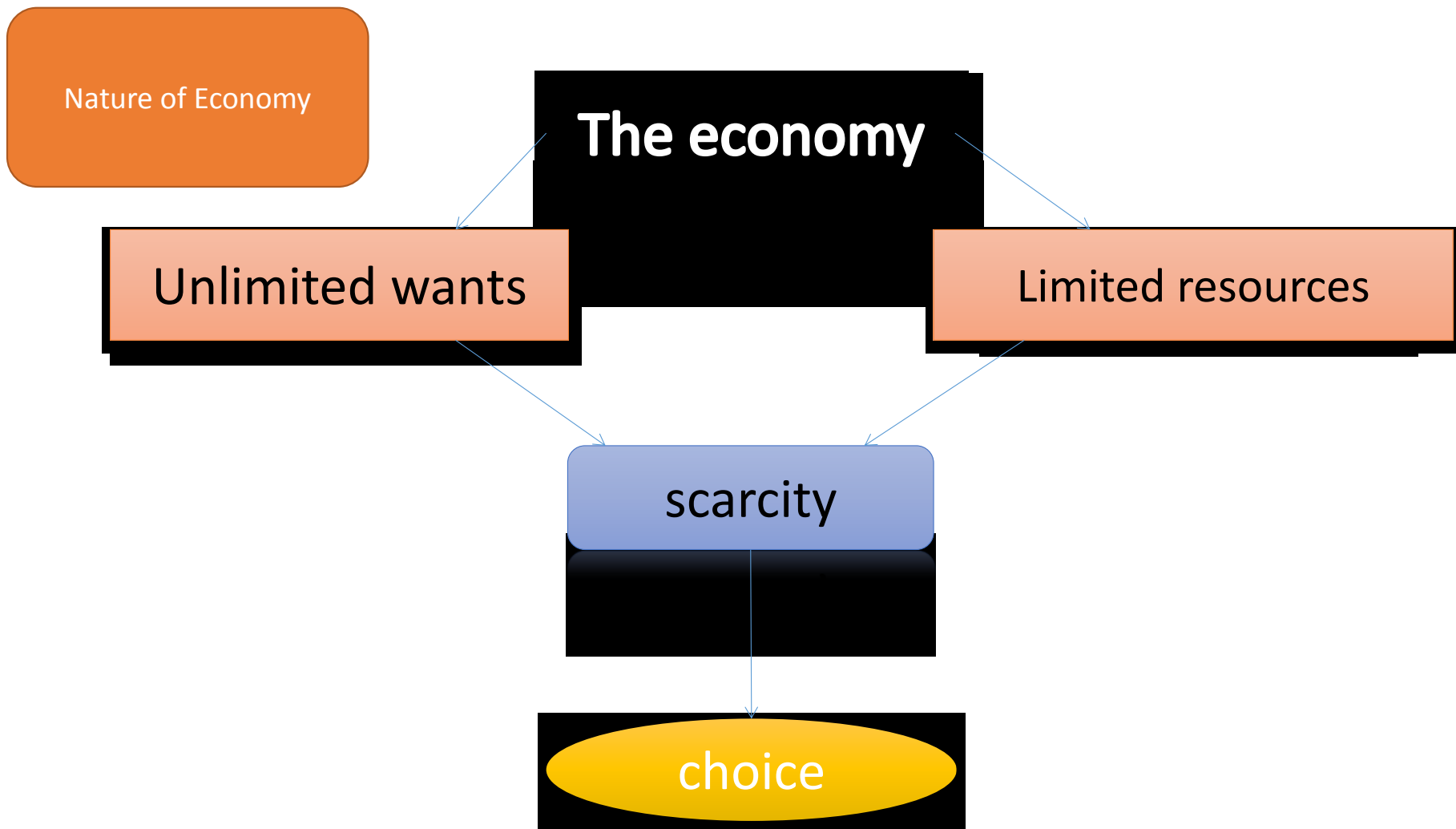
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Land
Refers to all natural resources found on the earth

Labour
Physical and mental effort of people in the production process

Enterprise
Refers to the management of other three factors

Capital
All non-natural resources that are used in production



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Unlimited Wants



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Unlimited wants

Wants for food



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Wants for clothing

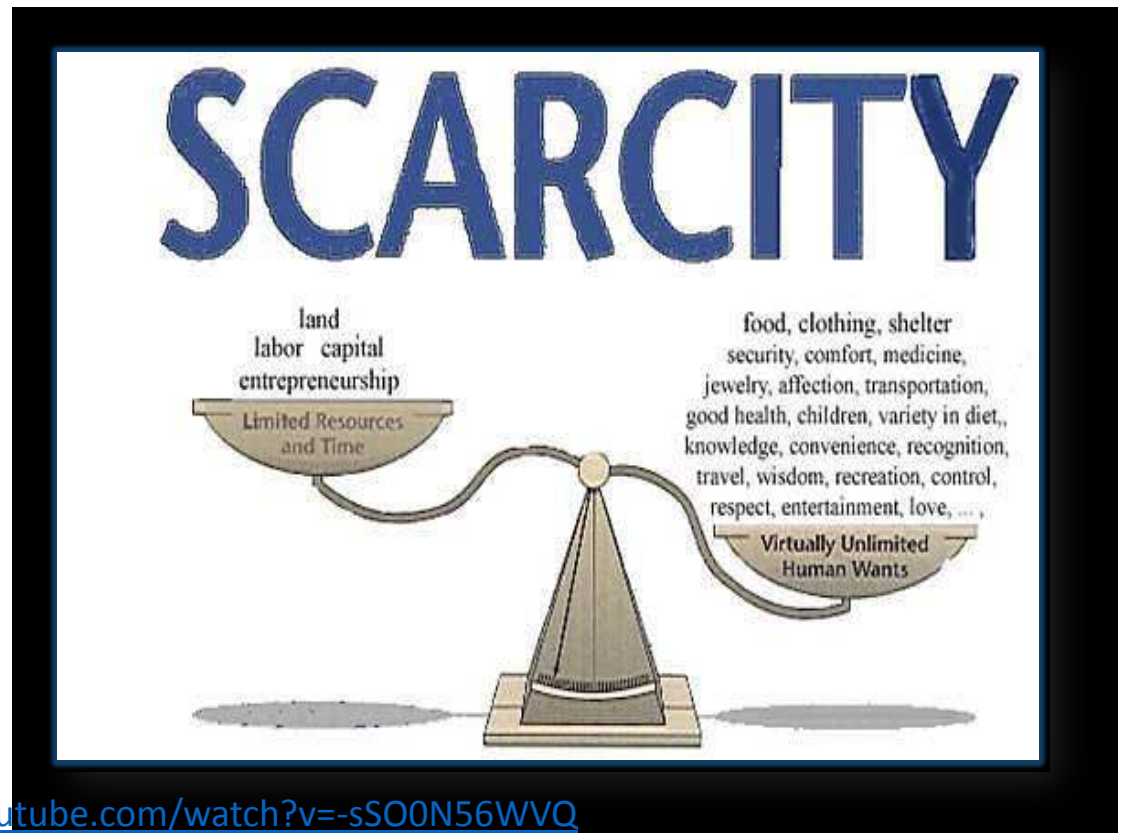


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Limited Resources

Scarcity:

The difference between wants and needs and the resources available to meet these needs is called scarcity.



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Choices

You make an economic choice when you only have money for certain items, not all.

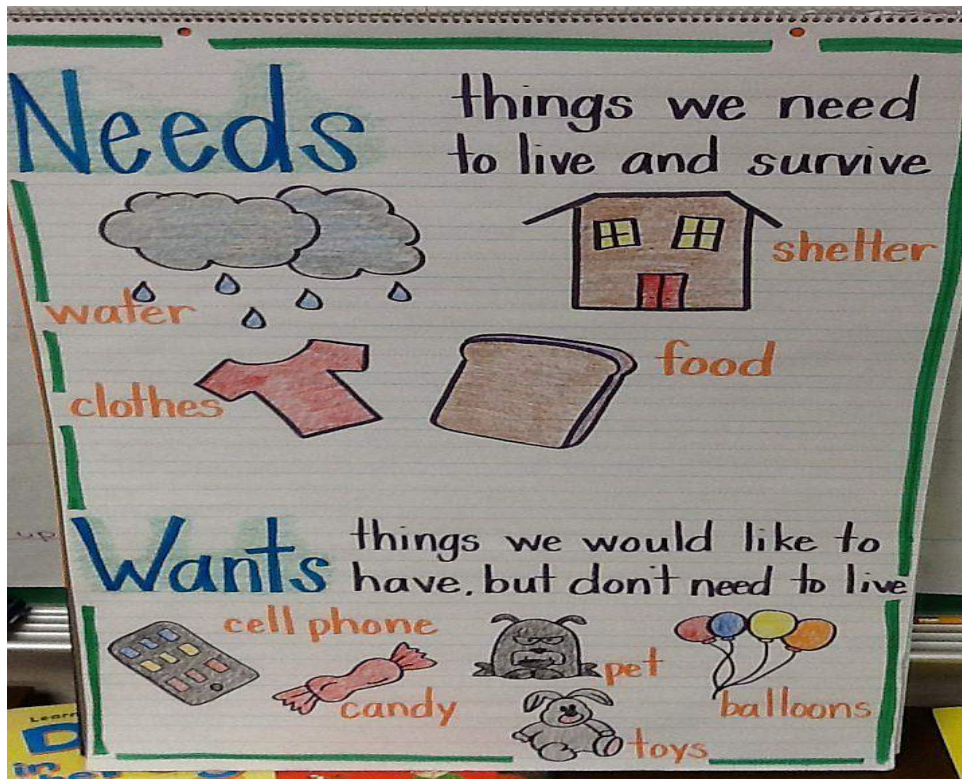
Choices are to fulfill needs and wants.



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Needs and Wants:



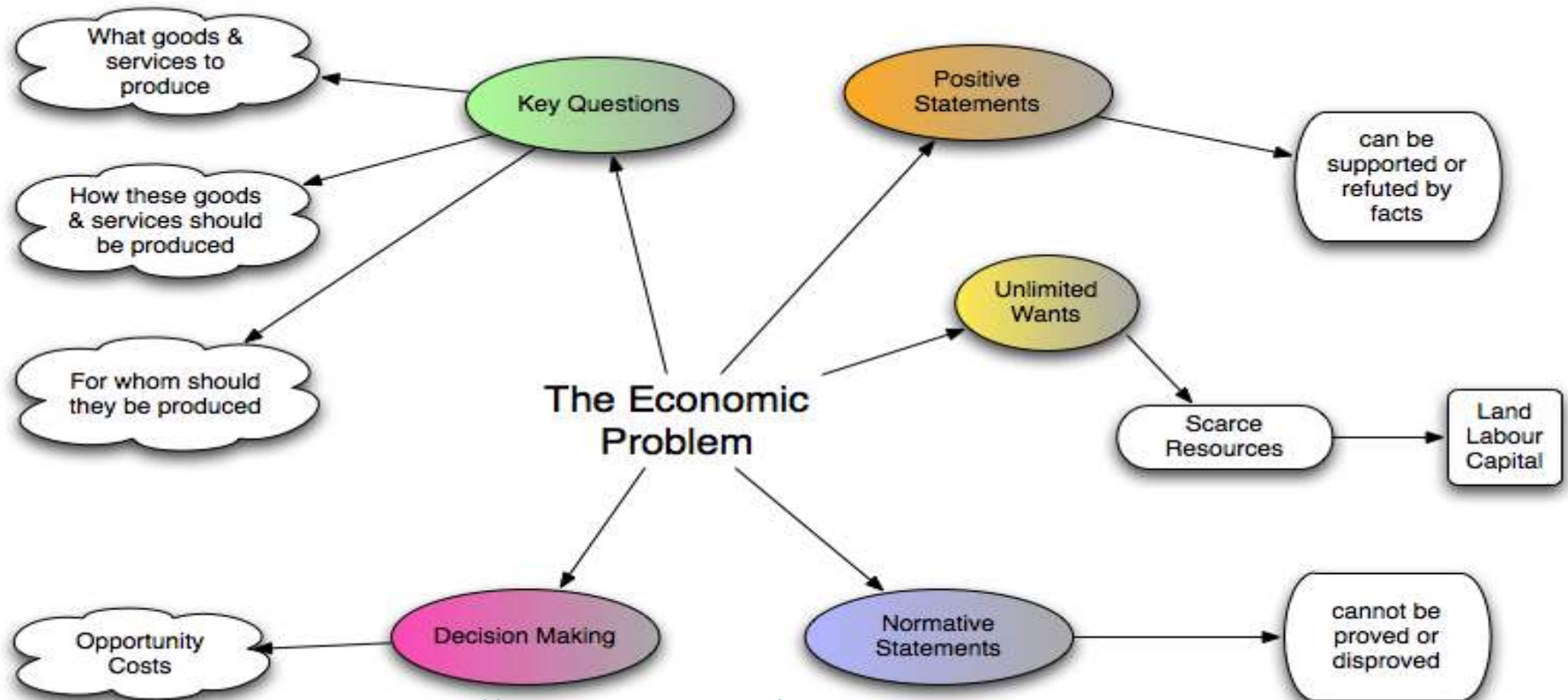
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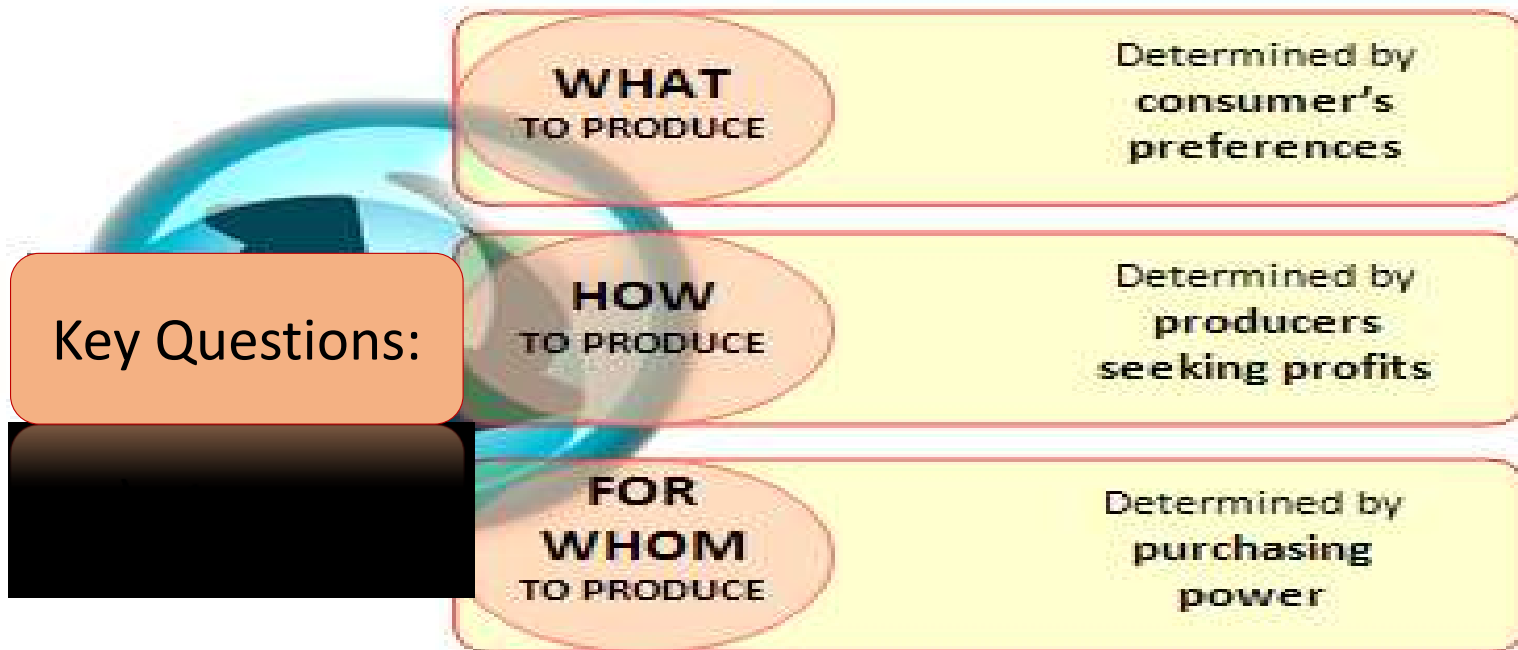
How economic Problem arises?



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Key questions:

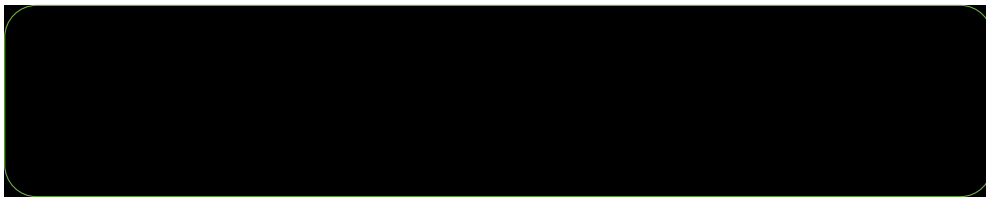
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Opportunity Cost:

- The value of a next best choice
- It can be measured in terms of time , money and energy.



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Economic system

Planned economy

Free economy

Mixed economy

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