Economics: An Introduction

Discovering the Science of Choices and Scarcity

The Pizza Dilemma: Scarcity in Action

The Scenario: There are only 8 slices for 20 students!

- Option A: Tiny pieces for everyone.
- Option B: 8 full slices, some get none.

Think Critically:

- What economic problem is shown here?
- Why can't everyone get a full slice?
- What is the teacher's forced decision?
- What is your opportunity cost if you miss out?
- Suggest a fairer way to distribute the pizza.

The Economic Problem: A Pizza Party

- **Scarcity:** Only 8 slices, but 20 hungry students.
- **Unlimited Wants:** Everyone wants pizza!
- **Choice:** Who gets a slice? How do we divide it?
- **Opportunity Cost:** The satisfaction you miss out on by not getting a slice.

Learning Objectives

By the end of this session, you will be able to:

- Define Economics and its origin
- Distinguish between **Economic** and **Non-Economic** activities.
- Identify the roles of **Consumers**, **Producers**, and **Service Providers**.
- Understand the core problem of **Scarcity** and resource allocation.
- Differentiate between **Microeconomics** and **Macroeconomics**.

Key Vocabulary

Scarcity

Limited resources available to meet unlimited human wants.

Economic Activity

Activities undertaken with the objective of earning money or a livelihood.

Consumer

One who buys goods or services to satisfy personal or family wants.

Allocation

The process of distributing available resources among various uses.

What is Economics?

Origins

The term 'Economics' originates from the Greek words **Oikos** (house) and **Nemein** (to manage), literally meaning 'household management'.

The Modern Definition

Economics is the study of how individuals, businesses, and governments make choices on how to use **limited resources** to satisfy **unlimited wants**.

It is often called the 'Science of Choice'.

Economic vs. Non-Economic Activities

Economic activities are done to earn money. A teacher teaching in a school for a salary.

Non-Economic activities are for social or psychological satisfaction. A teacher teaching their own child at home.

Check Your Understanding

An activity is only 'economic' if it involves a physical product.

👍

TRUE

👎

FALSE

Now it's time to explain why...

Check Your Understanding

An activity is only 'economic' if it involves a physical product.

👎

Why is that?

a) Economic activities include services, like teaching or medical care, provided for a fee.

b) Only manufacturing and farming count as economic because they create tangible goods.

Answers on the next slide...

Check Your Understanding ✅

An activity is only 'economic' if it involves a physical product.

👎

Why is that?

a) Economic activities include services, like teaching or medical care, provided for a fee. ✅

b) Only manufacturing and farming count as economic because they create tangible goods.

Primary Economic Activities

Consumption

The use of goods and services to satisfy human wants directly.

Production

The process of converting raw materials into useful things to add value.

Distribution

How the total output (income) is shared among the factors of production.

Key Players: Consumer & Producer

The Consumer

You are a consumer when you buy flour to bake a cake for your family. You use a good to satisfy a want.

The Producer

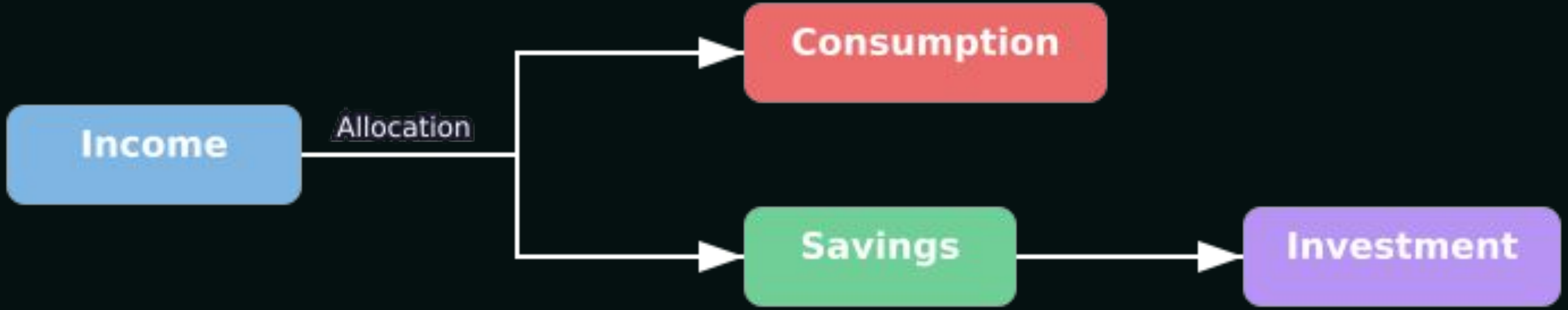
You are a producer if you bake that cake and sell it to a shop. You are creating value for others for a profit.

Gainful Employment

When you work for someone else and receive wages or a salary, you are an **employee**.

Saving and Investment

Saving is that part of income which is not consumed. It is an act of abstaining from consumption.



Investment is spending on assets like machinery or buildings that help in future production.

The Problem of Scarcity

Why does Scarcity exist?

1. **Human wants are unlimited**: Once one want is met, another arises.
2. **Resources are limited**: Land, labour, and capital are finite.
3. **Alternative uses**: Resources can be used for different purposes, forcing a choice.

The Result

Scarcity is the root of all economic problems. If resources weren't scarce, there would be no need to study economics!

The Core Question

Answers on the next slide...

Which of the following describes the 'Economic Problem'?

1. Too much money chasing too few goods.
2. Making choices due to scarce resources with alternative uses.
3. The government failing to provide free healthcare.
4. A shortage of workers in the manufacturing sector.

The Core Question ✅

Which of the following describes the 'Economic Problem'?

1. Too much money chasing too few goods.
2. **Making choices due to scarce resources with alternative uses.**
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Wealth and Welfare Perspectives

Adam Smith (1776)

Defined economics as the **'Science of Wealth'**. He focused on how nations produce and increase wealth through trade and production.

Alfred Marshall (1890)

Shifted focus to **Human Welfare**. He believed economics is a study of mankind in the ordinary business of life, examining how humans attain well-being.

Modern Definitions

Lionel Robbins (1932)

Defined economics through **Scarcity**. Economics is the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses.

Paul Samuelson

Introduced the **Growth-Oriented** definition. He focused on how society uses scarce resources to produce commodities and distribute them over time.

Scarcity Definition

Lionel Robbins defines Economics as the study of human behaviour. It explores the relationship between:

- Unlimited wants
- Limited resources
- Alternative uses

👉 **This is considered the most scientific definition of Economics.**

Samuelson's Definition

"Economics is the study of how man and society choose, with or without the use of money, to employ scarce productive resources which could have alternative uses, to produce various commodities over time and distribute them for consumption now and in the future among different people and groups of society."

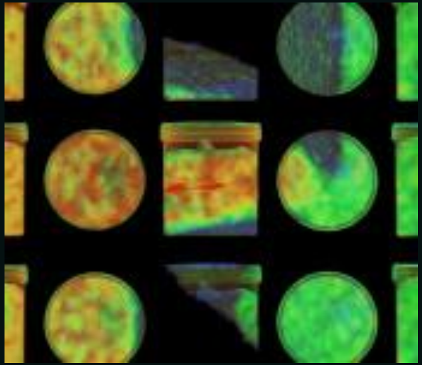
Deconstructing Samuelson's Definition

Choice & Money

Economics involves how society uses resources, via cash, barter, or effort.

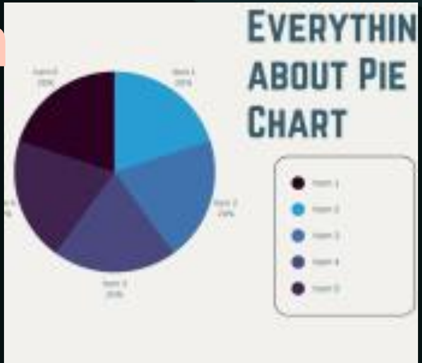
Alternative Uses

Resources are scarce; we must decide how to employ them to produce commodities.



Dynamic Time Frame

Growth economics balances current consumption with future needs for sustainability.



Social Distribution

Social Distribution: Beyond total output, it focuses on sharing results fairly among all groups in society.

Match the Economist to the Concept

1. **Paul Samuelson**	a) Scarcity and Choice
2. **Alfred Marshall**	b) Science of Wealth
3. **Adam Smith**	c) Material Welfare
4. **Lionel Robbins**	d) Growth and Time

Match the Economist to the Concept ✅

1.	Paul Samuelson	d)	Growth and Time
2.	Alfred Marshall	c)	Material Welfare
3.	Adam Smith	b)	Science of Wealth
4.	Lionel Robbins	a)	Scarcity and Choice

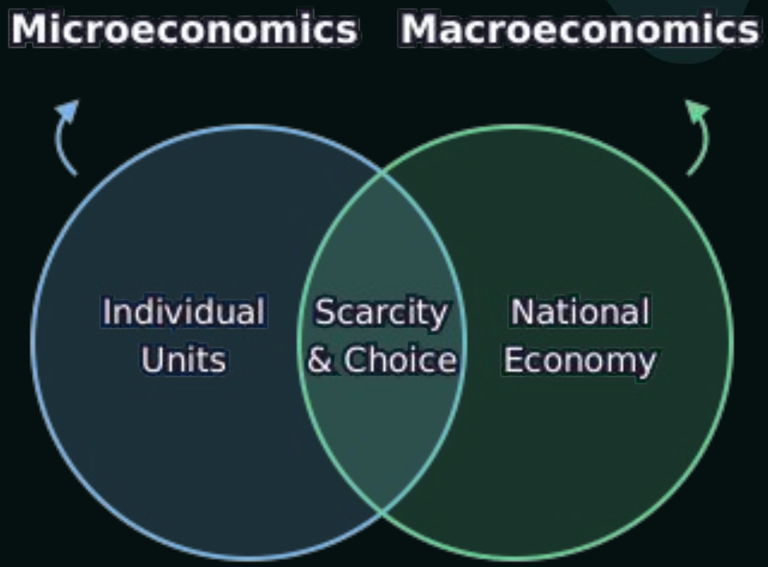
Branches: Micro vs. Macro

Microeconomics

Focuses on **individual units** like a single consumer, a firm, or a specific market. It asks 'How does this price change affect this one business?'

Macroeconomics

Focuses on the **economy as a whole**. It looks at aggregates like national income, total employment, and inflation. It asks 'How do we grow the entire country's economy?'



Economics as a Science and Art

Is it a Science?

Yes, because it uses systematic methods to observe facts and establish laws (like the Law of Demand).

Is it an Art?

Yes, because it applies those theories to solve practical problems in the real world, such as reducing poverty or managing budgets.

Positive and Normative Economics

Positive Economics

- Deals with objective analysis and facts.
- Focuses on 'what is' rather than 'what ought to be'.
- Can be tested, verified or rejected through empirical evidence.
- Example: 'Increasing the interest rate will reduce inflation.'

Normative Economics

- Deals with value judgements and subjective opinions.
- Focuses on 'what ought to be' or 'what should be'.
- Cannot be verified as it is based on ethical or personal views.
- Example: 'The government should provide free healthcare to all citizens.'

Quick Review

Question 1:

What is the primary cause of any economic problem?

Question 2:

Who is known as the Father of Economics?

Question 3:

What are the three main economic activities?

Answers on the next slide...

Quick Review ✅

Answer 1:

Scarcity of resources combined with unlimited human wants.

Answer 2:

Adam Smith.

Answer 3:

Consumption, Production, and Distribution.

The Concept of Alternative Uses

Making Choices

Scarcity isn't just about 'not having enough'. It's about the fact that resources can do different things.

- **Example**: A piece of land can be used to build a hospital, a school, or a farm.
- Once you choose the hospital, you give up the school and the farm. This 'choice' is what economics analyses.

Service Provider vs. Service Holder

Left: A Service Provider (giving expertise for value). Right: A Service Holder (working under an employer for a salary).

Vocabulary Check

Economics is the study of how society manages its ___ resources to satisfy ___ wants.

Word bank 🏦

scarce, unlimited, abundant, limited, finite, decreasing

Answers on the next slide...

Vocabulary Check ✅

Economics is the study of how society manages its **scarce** resources to satisfy **unlimited** wants.

Word bank 🏦

scarce, unlimited, abundant, limited, finite, decreasing

Critical Thinking: The Free Goods Myth

Are there any truly 'free' goods in a world of scarcity? Consider things like air, sunlight, or open-source software.

Critical Thinking: The Free Goods Myth ✅

You might have said...

Air is free to breathe, but clean air requires economic investment in pollution control.

Sunlight is free, but capturing its energy requires expensive solar panels.

Open-source software might be free to use, but someone spent time (a scarce resource) developing it.

The Production Chain

Answers on the next slide…

Place these steps of value creation in the correct order:

Consumer purchase

Acquiring raw materials

Distribution to retailers

Manufacturing/Production

The Production Chain ✅

Place these steps of value creation in the correct order:

1.	Acquiring raw materials
2.	Manufacturing/Production
3.	Distribution to retailers
4.	Consumer purchase

Summary: Key Takeaways

What we learned

- **Scarcity** is the basic fact of life necessitating choice.
- **Economics** stems from 'household management' but covers global systems.
- Activities are **Economic** (money-based) or **Non-Economic** (satisfaction-based).
- **Economic analysis** is split into Micro (individuals) and Macro (aggregates).
- Wealth, Welfare, and Scarcity are historical lenses to view the subject.

Personal Economic Audit

List three activities you performed yesterday. Categorise them as **Economic** or **Non-Economic.** For the economic ones, identify if you were a **Consumer** or a **Producer**.