

# Economics



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## Question:

*~What is Economics?*



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Economics is the study of  
production and  
distribution

Economics is a Social  
Science, in other words it's  
a science that effect society

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Macro economics-

Focuses on the big picture, global and national economic performance, unemployment, inflation, deficits



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Macro economics will ask questions like:

- ~How much should I manufacture
- ~Should I downsize my firm
- ~Should I go into a foreign market



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Micro economics deals with-

- ~How prices are set,
- ~ How wages are determined,
- ~how rents are determined,



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Micro economics deals with-

~why the government is sometimes forced to regulate markets.

~The day to day of money

~Small business

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Micro economics make up the Macro economy.



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A few basic economic concepts:



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1) Economics assumes people make rational decisions. They will make the smarter more sensible choices.



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2) People have preferences. People know what they like and will make choices accordingly



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3) People's choices and preferences will form transactions in the market place (Labor products, and services)



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4) Economic activities occur in the marketplace. Markets are places where goods and services are sold. Markets are physical (The Mall) and non-physical (cyberspace)



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5) To function a market needs a medium to set price. That medium is MONEY.



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Money = a medium of exchange, with an agreed standard of value.

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Question:

*What kinds of things  
have been used for  
money?*

*Do you think money  
will always be the  
medium of exchange?*




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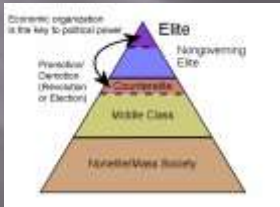
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Economic Organization

Economies are organized in  
three different ways:




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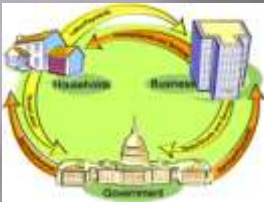
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1) Market  
Economy

~Consumers  
and business  
decide what to  
produce and  
purchase in the  
Market place.

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~This is also called a  
"Laissez-Faire" (lay-zay-  
fare) economy. It's French  
for "allowed to do"

~Limited Government/  
Powerful private sector



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Question:



*Does anyone see  
a problem with  
the "Laissez-  
Faire" economy?*

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## 2) Command Economy

~The government chooses  
what is produced, and in  
what amounts.

~This is closely associated  
with communism, and  
socialism

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Question:

*What countries are currently practicing a command economy?*



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### 3) Mixed Economy

~Both market forces & Government decisions determine which goods and services are produced.



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~In general market forces determine goods & services

~The Government plays a role by collecting taxes, and distributing money.



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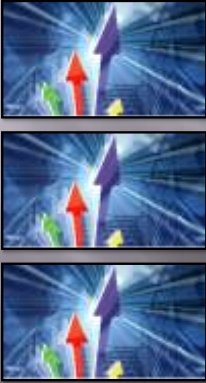
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~Also the government will set economic regulations and tariffs.

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Question:



*Can anyone think of way that government intervenes in a positive way economically speaking?*

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