1.2 Circular Flow and Production Possibilities Models

•**What do economists study and what key principles guide this study?**

•**What basic terminology do they use to discuss these concepts?**

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| From the *Introducing Economics: Basic Concepts* Video on our YouTube channel.  ·  ·  ·  ·  ·  Your definition: | Some Definitions of Economics |
| Scarcity:  Trade-offs:  *Give 3 examples of trade-offs you have made during the past week:* | Key Concept: Due to *scarcity*, individuals and societies face *trade-offs* and must make *choices*. |
| Opportunity Cost:  TANSTAAFL  Examples:  *Your friend buys your lunch. Why isn’t this free?* | Key Concept: Choice involves cost |
| “At the margin”:  When you are thinking at the margin, you are thinking about things like “how much”, “how many”, or “do I want another”  Give 2 examples of decisions you have recently made *at the margin*. | Key Concept: Rational people act at the margin |
| Microeconomics  *Examples*  Macroeconomics  *Examples* | Microeconomics  Vs  Macroeconomics |
| Incentive:  If you change incentives, you \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ | Key Concept : People respond to incentives |

**Black Rhino Video Questions to consider:**

1. How is scarcity at play in this situation?
2. How is scarcity necessitating choice?
3. What incentives are encouraging poachers to kill black rhinos?
4. What is one microeconomic question that could be looked at regarding black rhinos?
5. What is one macroeconomic question that could be looked at regarding black rhinos?
6. What was your gut emotional reaction to the third video?