

What is economics?

- economics is the study of the allocation of _____ among _____ (the study of *scarcity and choice*)

***economics teaches us “how to think”, not provide us with answers**

Dealing with scarcity?

- human wants are greater than what resources are available
-

What is a resource?

- categories of inputs used to make goods and services

Examples: _____

- a. _____ – any natural resource provided by nature; it cannot be easily renewed

EX.

- b. _____ – mental and physical capacity of workers to produce goods and services

EX.

- c. _____ – man-made products used in the production of goods and services

EX.

Micro- vs. Macroeconomics

- Microeconomics – studies decision-making by a single individual, individual household, individual business, specific industry or level of government
- Macroeconomics – studies decision-making for the economy as a whole

Economic Methodology – step-by-step procedure for solving problems

1. Problem identification – define the problem
2. Model development – a simplified description of reality used to understand and predict the relationship between variables
3. Testing a theory – forecast or predict the results of various changes in variables

Economic Ways of thinking - Hazards to clear thinking and understanding economic relationships

1. ceteris paribus – _____
2. association vs. causation:
 - a. association (correlation) – there is _____ link between two variables
 - b. causation – there is a _____ link between two variables

Positive vs. Normative statements

- positive – deals with facts - analysis that is limited to statements that are verifiable (EX. “if, then” statements) _____
- normative – analysis based on value judgments (EX. “good, bad, need, should, would, ought to”) _____

Exploration

I. Scarcity, Choices, and You

➔ Find Out

A. All resources are scarce, or limited, including time, money, and land. Scarcity forces us to make choices about our resources. This simple fact is the basis of economics. Explore scarcity and choices by completing the chart below.

	What is the resource?	Why is the resource scarce?	What are some options for using the resource?
Your grandmother gives you \$25 for your birthday.	money		
Your school closes two hours early today.			watch TV, study, work at a job
A reservoir supplies your community with water.		Sources of water are limited.	
Your state government collects sales taxes.			

👤 What Do You Think?

B. Based on your own thinking, rank the following resources in the United States from 1 (most important) to 10 (least important):

- | | | | |
|--|--|---|---|
| <input type="checkbox"/> oil | <input type="checkbox"/> health care | <input type="checkbox"/> drinking water | <input type="checkbox"/> job programs for teens |
| <input type="checkbox"/> national security | <input type="checkbox"/> libraries | <input type="checkbox"/> farmland | <input type="checkbox"/> college scholarships |
| <input type="checkbox"/> Internet access | <input type="checkbox"/> wind turbines | | |

Explain the reasons for your #1 resource ranking and your #10 resource ranking.

C. Consider something that is scarce in your life. Identify what it is and why it is scarce. Then explain what options you have for increasing it or using it more efficiently.

Name - _____

Date - _____

Freakonomics – the movie

Directions: Read each question carefully and answer them based on the film. The questions are listed in the order that they appear in the film.

1. When a real estate agent sells their own home, do they make more or less than when they sell clients homes? Why is that?

2. What is “causality”?

3. What happened to the child that the mother inadvertently named “Temptress”?

4. What did Dr. Roland Fryer determine to be the cause of Temptress’s bad behaviors?

5. What was the conclusion of the experiment using identical resumes using both Black and White names?

6. What happened to Robert Lane’s sons Winner and Loser?

7. What did early Polio researchers think might have caused Polio and why? What was the matter with this?

8. As the 1980s came to a close, what did most people think would happen to the crime rate of the United States? Why?

9. Why did police forces say that the crime rate went down in the 1990s?

10. What surprising reason does economist Steven Levitt put forward as the real reason that crime rates went down in the 1990s? What does he use to support this idea?

11. How do Levitt’s critics see his conclusions?

12. What happened when Levitt tried to offer his daughter incentive to become potty trained?

13. What does Levitt say; not graduating from high school is like in a modern economy? Why do kids not really consider this?
14. In the experiment to get ninth graders to succeed in Chicago, how much money did they pay each kid monthly, if they met their academic standards? What did Kevin's mom offer to do if her son could meet these standards?
15. Did Kevin meet his academic standards for the first month? Does he seem that concerned over this?
16. When they go over the data for the Chicago pay-for-performance project, which kids did it affect and which kids did not?
17. Why does Kevin say that the money is not motivating him?
18. What were Kevin Muncney's final grades at the end of the semester and what are his plans for the future?
19. What was the result of the program at the end of the semester? How many more kids did they get to pass? Do you think the results would have been different if more money was offered to the students?

