

Unit 1

Economic Fundamentals



Lesson 1

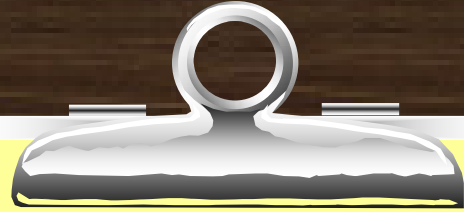
Krugman, Module 1 pp. 2 - 21



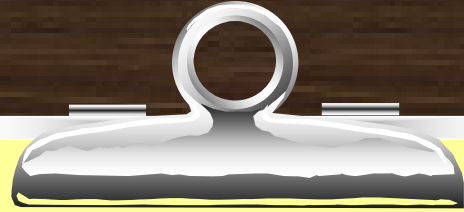
Economics!!

Economics is the study of mankind
in the ordinary business of life

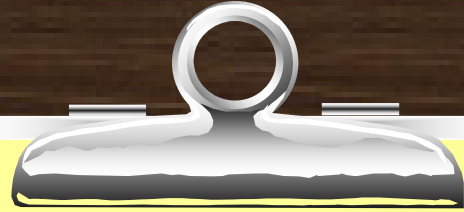
--Alfred Marshall



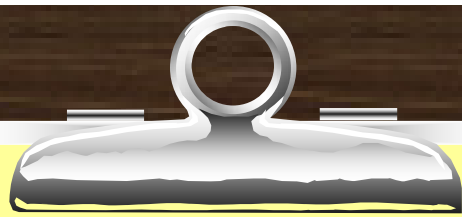
The Fundamental Economic Problem



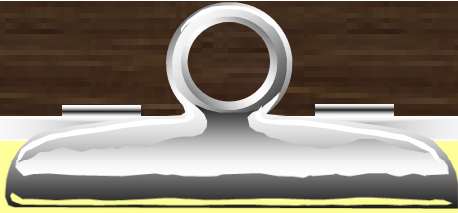
How do we make the
most Efficient Use of
our Scarce Resources to
Maximize the
Satisfaction of our
Unlimited Wants?

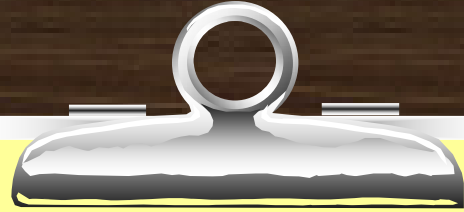


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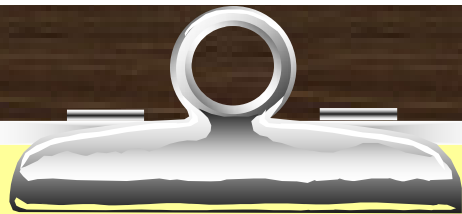
MOST > LEAST





Let's try a game: [& learn some economic principles]

- **Your group is building a new zoo.**
- **You have to decide what animals to have.**
- **Space is limited. You get 25 acres.**
- **Animals need a minimum amount of space to survive and thrive.**



Zoo Choices - 25 acres total!

- Lion - 2 acres
- Turkey - 1/10 acre
- Giraffe - 1 acre
- Seal - 1/2 acre
- Camel - 1/2 acre
- Cheetah - 1 acre
- Cow - 1/3 acre
- Monkey - 1/2 acre
- Asian Elephant - 1 acre
- African Elephant - 1.5 acres
- Reptile House - 5 acres
- Hammerhead Shark - 1/2 acre
- Kangaroo - 1/2 acre
- Tiger - 1 acre
- Whales - 3 acres
- House of Birds - 5 acres

*Numbers are acres required for **ONE** animal (**hint: they don't like being alone!**)
[If you had 2 of each, it would take **over 34 acres**—so you will have to make choices.]

25 Acres

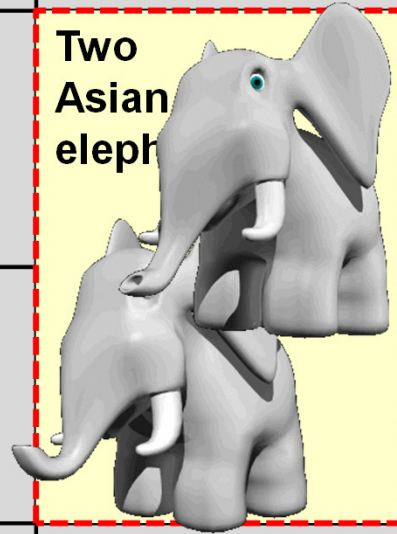
To get you started here are some examples of what you might do!

Two monkeys

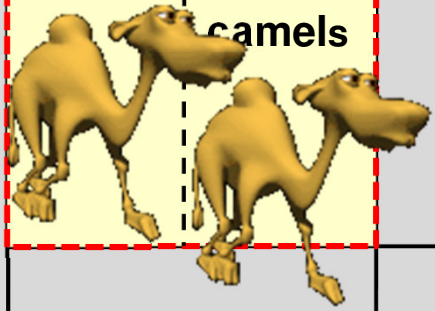


This would have taken care of 6 of the 25 acres. 19 more to go!

Two Asian elephants

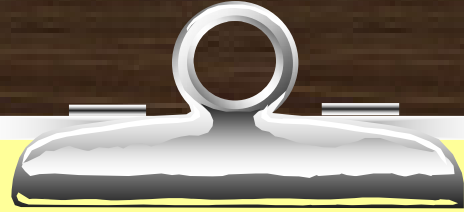


Two camels



Two tigers





Steps in Making Decisions:

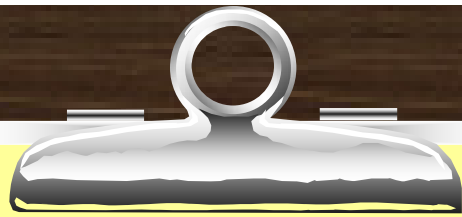
- What is the Problem?
- What are the Alternatives?
- Rank the Criteria.
- Evaluate the Alternatives.
- Make a Decision.



**Let's try a game:
[& learn some economic principles]**

- Take 15 minutes to make your selections.
- Be prepared to present and discuss your choices





Zoo Choices - 25 acres total!

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- Turkey - 1/10 acre
- Giraffe - 1 acre
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- Camel - 1/2 acre
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*Numbers are acres required for **ONE** animal (**hint: they don't like being alone!**)
[If you had 2 of each, it would take **over 34 acres**—so you will have to make choices.]



Questions

1. **Why didn't you put one of every animal in the zoo?"**
 - Limited Resources; Scarcity
2. **"Why didn't you put a turkey in your zoo?"**
 - Benefits vs. costs (too common)
3. **"Why didn't you have a zoo with only monkeys?"**
 - Diminishing marginal utility
4. **"Why did you choose an Asian elephant and not an African elephant?"**
 - Benefits vs. costs- the Asian Elephant takes less land



Questions [continued]

5. "What is the last animal to make the cut for your zoo?"
 - Marginal Analysis
6. "What is the animal that just missed the cut for your zoo?"
 - Opportunity cost
7. What animal did everyone in your group agree to include ____?
8. Would everyone in your group have made the same choices if they did it alone?"
 - Individual benefits vs. social benefits