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ECON 202—Montgomery College

LECTURE 01: INTRODUCTION

I. What is economics?
   a. The study of choice
   b. The study of optimality (or how to get the most out of life)
   c. The study of scarcity
      i. What is not scarce? (No scarcity, no markets.)
   d. The importance of scarcity
      i. *Cost-benefit analysis*—a process of weighing the total costs of an action against the benefits of that same action and proceeding if benefits exceed costs
      ii. This sort of analysis seems too obvious to need to be pointed out but it serves as a helpful guide. Certain policies or events carry so much emotion that we forget to weigh the costs against the benefits.

II. Thinking about economics
   a. Economists draw a distinction between two common ways people think about economics.
   b. *Positive economics* focuses on description. It uses economic logic and facts to describe how people act.
   c. *Normative economics* focuses on assigning value. It makes value judgments on if certain results are good or not.
   d. It's one thing to say what the effects of increasing the minimum wage would be. It's another thing to say if increasing the minimum wage is a good idea.
   e. Sometimes normative economics looks like positive economics because advocates for one position or another will highlight the positive economics that support his or her view.