

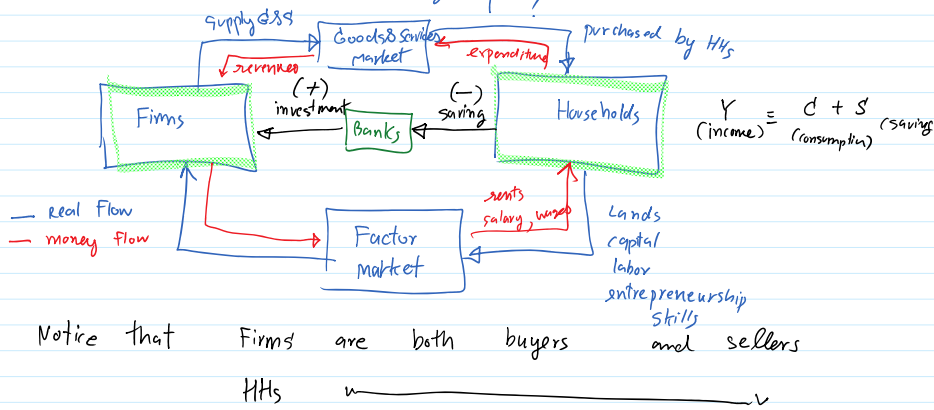
Economics : Science of managing scarcity

Microeconomics : Study of economic behavior of individual units like consumers (buyers), business firms, government

Macroeconomics : Study of economic activities in aggregate level

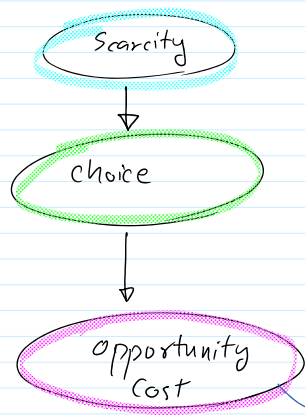
It addresses issues like Economic Growth
Inflation
Unemployment
Income Distribution,
etc.

- Basic Economic Problems** :
- ① What to produce?
 - ② How to produce?
 - ③ For whom the goods should go for?



This diagram is so called "a circular flow of a simple economy"

Scarcity - Choice - Opportunity cost (S-C-O)



Crash between Limited resources and Unlimited wants

- money
- time
- physical skills
- energy
- natural resources

every choice has "a cost"

Everything one must give up/sacrifice/forso in order to do an activity.

Q: What are the opp. cost of studying at B.E. for 4 yrs?

- ① Tuition fee = $150,000 \times 4 = 600,000$ Bsh
- ② Allowances = $10,000 \times 48 = 480,000$ Bsh
- Accommodation cost = $5000 \times 48 = 240,000$ Bsh
- ④ Forgone salary or income = $10,000 \times 48$

Explicit Costs

Implicit

$$\begin{aligned}
 \textcircled{4} \text{ Forgone salary or income} &= \overline{1,320,000 \text{ Baht}} \\
 &= 10,000 \times 48 \\
 &= \overline{480,000 \text{ Baht}} \left. \vphantom{\begin{aligned} &= 10,000 \times 48 \\ &= \overline{480,000 \text{ Baht}} \end{aligned}} \right\} \begin{array}{l} \text{Implicit} \\ \text{costs} \\ \text{(or hidden} \\ \text{costs)} \end{array}
 \end{aligned}$$

$$\begin{aligned}
 \text{Opportunity cost} &= \text{Explicit costs} + \text{Implicit cost} \\
 &= 1,320,000 + 480,000 \\
 &= \underline{\underline{1,800,000 \text{ Baht}}}
 \end{aligned}$$

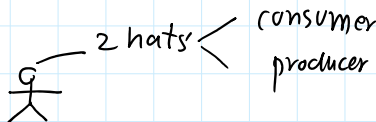
S - C - O

First Economic Model in this class is Production Possibility Curve (PPC)

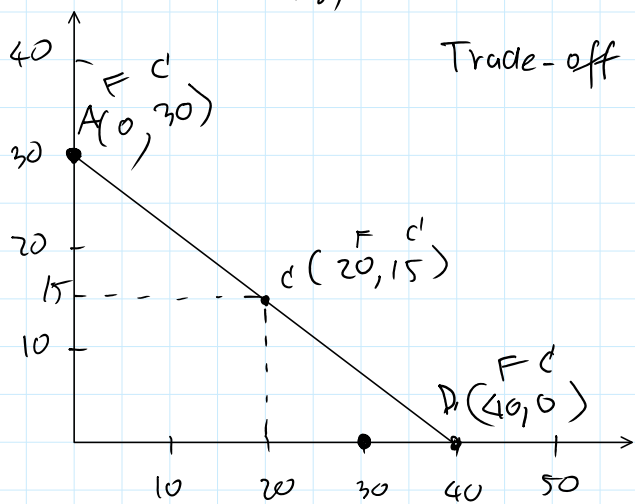
is simplified representation of the real world that helps us to see how things work.

or Production Possibility Frontier (PPF)

Story of Mr. Tom Hank



- He has $24 - 8 = 16$ working hours / day (Limited resources)
- Two production activities
 - catching fishes
 - gathering coconuts
- He must "allocate" his scarce resources toward the two production activities.



- assuming that
- ① if he spends all 16 hrs to catch fishes, maximum amount he can get = 40 fishes/day
 - ② if he spends all 16 hrs on the tree, max. coconut he can gather = 30 units/day.

Fact#(The line AD is called " Production Possibility Curve " (PPC)