



Pakistan School
Kingdom of Bahrain

**A warm welcome to all
the students to our
virtual class.**

❖ Rules for class:

- 1) Be on time for all your classes.
- 2) Respect all the participants of the class.
- 3) Do not create any disturbance,
- 4) Pay attention to your teacher.
- 5) Raise hand if you have a question.
- 6) Entre into the class with your actual name.
- 7) Ask only questions relevant to the topic.

Chapter One

Nature and scope of
economics.

Lesson Objectives:

- By the end of this part of lesson, students will be able to:
 1. Understand the basic economic problem.
 2. Classify micro and macro economics.

Brainstorming

- ⦿ What is the basic economic problem?
- ⦿ Economic problem, in essence, is the problem of scarcity & choices.
- ⦿ How an economic problem can be solved?
- ⦿ Since the available resources are scarce and cannot fulfill all of our desires so economic problem can be solved by making choices.

Economic Problem (Revisited)

- Economic problem in essence is the problem of scarcity of resources in comparison with human wants.
- Scarcity compels us to make choices.
- The basic economics problem is;
- What, who, for whom?

Why scarcity Exists

- Scarcity arises because of two underlying conditions,
 - I. Physical conditions, i.e. limited productive resources.
 - II. Mental conditions, i.e. unlimited wants.

Limited resources or means

1. Land.
2. Labour.
3. Capital.
4. Entrepreneurship.

Resources have alternative uses.

Unlimited human wants

1. Wants are unlimited.
2. Wants are of unequal importance.
3. Economic problem is permanent.

Microeconomics and Macroeconomics

- ◎ Micro Economics: Microeconomics is the branch of economics that studies small economic units and parts of an economy.
- ◎ Major topics included in microeconomics are:
 1. Theory of consumer behaviour.
 2. Theory of prices.
 3. Theory of production.
 4. Theory of firm.

- ④ Macro Economics: Macro economics is the branch of economics that studies the working of the whole economic system as a whole.
- ④ Major topics included in macroeconomics are:
 1. Theory of income and employment.
 2. Money and banking.
 3. Public finance.
 4. International trade.

Closure

- Key points:

- Economic problem is the problem of scarcity and choices.
- Scarcity force choices.
- Resources can be used alternatively.
- The basic economic questions are what, how and for whom.
- Microeconomics studies the smaller units of an economy.
- Macroeconomics studies economy as a whole.

Thank you.
See you in the
next lesson.