



These notes represent a detailed interpretation of the professor's lecture. They are not a transcript of the lecture. TakeNote® is best used as a supplement to your own notes, not as a substitute.

Lecture Date: Monday, January 28, 2008

Announcements:

- Alpha Kappa Psi 2008 Spring Recruitment. Open to all majors, and only freshman or sophomores. Upcoming recruitment events include:
 1. Info Session: 1/28, 5-7pm, GS HEC Aud., Casual Attire
 2. Info Session: 1/29, 7-9pm, GS HEC Aud., Casual Attire
 3. Rush Begins: 1/30, 5pm, Upson B17, Business Casual
 - Reminder: ECON001: A complement to ECON101 meets Mondays from 7 – 8:30pm in RF 102.
- I. Review: S.O.R.T is an acronym that stands for **S**carce & **R**eal = **O**ppportunity Cost (**T**rade-offs), some of the basic microeconomic principles.
- A. *Scarcity* is a driving force behind economics because it creates a dilemma of deciding how to efficiently allocate *real things* that are scarce to produce goods. Because resources are scarce, evaluating trade-offs and the opportunity cost (or the next best alternative of using the resources) of any decision is important.
 - B. Real-life example of the SORT problem: What should we do about social security?
 1. With current US birthrates lower than 50 years ago, there are more people approaching retirement that will have to be supported by fewer and fewer workers. The big debate is deciding whether to use private retirement funds or increase payments to Social Security made by current workers to pay for retirees. This solution is flawed in that it does not get at the real issue, but rather focuses on a near term re-allocation of money. The fundamental problem, however, is that there are fewer people working in proportion to the number of people retiring. Therefore, in addressing this issue, one fact to consider would be that people are living longer and healthier lives. This would suggest that perhaps older people should be working longer than 65 years to put off retirement and ease the financial pressure on the scarce working population. Regardless of the solution, this is one example where basic economic principals of scarcity and opportunity costs can be used to analyze a discussion in the public arena.
 - C. Economics is a social science, with a focus on human behavior. However, it is different than other sciences in that it can be more accurately described as a system of action and reaction principles, but no fundamental laws as in traditional sciences.