

Limits, Alternatives, and Choices

This opening chapter presents foundational ideas important in Advanced Placement Economics. **Economics** is the social science concerned with how individuals, institutions, and societies maximize their satisfaction for needs and wants under conditions of scarcity. People's wants are numerous and varied. Biologically, people need only air, water, food, clothing, and shelter. But in modern societies people also desire goods and services that provide a more comfortable or affluent standard of living. To promote that goal of maximizing satisfaction, the economic way of thinking must be studied and implemented. Using the scientific method as a basis, and modeling--like production possibility curves--economists can generate theories that which give us decision-making tools to create policies aiding in the goal of maximizing satisfaction.

Fortunately, society possesses productive resources, such as labor and managerial talent, tools and machinery, and land and mineral deposits. These resources, employed in an economy, help us produce goods and services that satisfy many of our economic wants for both individuals and society. Another foundational idea in AP Economics is marginal analysis, which extends the discussion of dealing with scarcity. The concept of optimal allocation revolves around the comparison of marginal benefits (MB) and marginal costs (MC). Where $MB=MC$, scarce resources will be allocated, such that society's goals are achieved.