



Universidad
Politécnica
de Cartagena

Introduction to Economics

Unit 1

Economics: Concept, Agents and Economic Systems

Grado en Turismo

Facultad de CC de la Empresa

Cartagena, September 2020



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Bibliografía: Mochón, F. (2009): Economía y Turismo. Ed. McGraw Hill. Madrid.



1. Concept of economics

- Allocation of scarce resources to produce goods and services that meet the individual and collective needs of society
- Science of choice
- Microeconomics: analyze how families, firms and public sector make decisions
- Macroeconomics: deals with the economy as a whole, with the result of the decisions of all agents (consumers, firms and public sector)
- Market: where purchases and sales are made; consumers and producers get in touch



1. Concept of economics

Productive resources or factors of production:

- Land and natural resources
- Labour
- Capital (physical, human, financial)

- Production: consists of combining productive resources, given technological knowledge, to obtain goods and services



2. Economics and the satisfaction of needs. Goods and economic agents

- The needs are limitless and the resources to satisfy them are limited. Need to choose
- What to produce? How? For whom?
- Goods: satisfy needs
- Types of goods:
 - Free / Economic
 - Goods / Services
 - Intermediates / Finals
 - Consumption / Capital
 - Private / Public
- Economic Agents: firms, consumers, public sector



3. Opportunity cost and production possibilities frontier

- The opportunity cost: what we have to give up to get something. The extent to which a resource has to be foregone to obtain an additional unit of another
- The production possibilities frontier: the maximum amount of goods and services that an economy can produce with the resources and technology available to it and given the quantities of other goods and services that it also produces
- It allows to analyze the scarcity of resources, the opportunity cost and the potential production
- The economy can be positioned in an efficient combination or an inefficient one (wasteful). Outside of the border: unachievable combinations.



3. Opportunity cost and production possibilities frontier

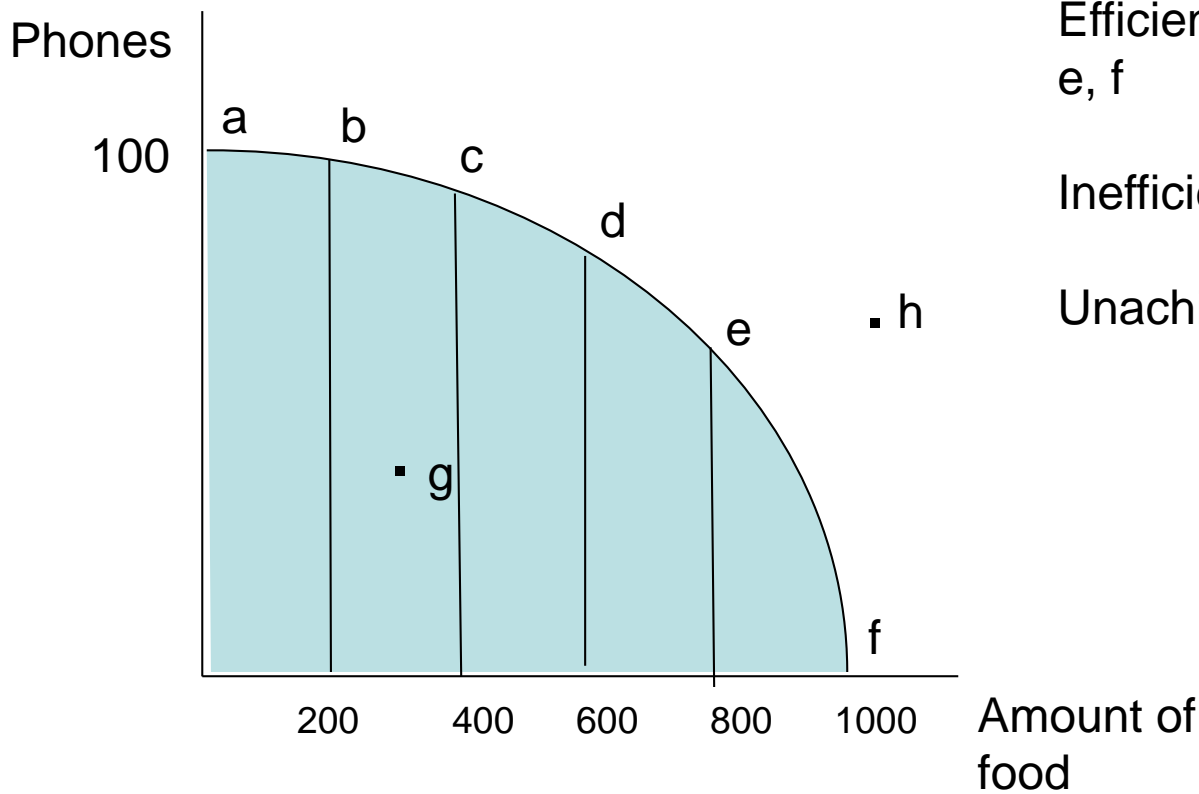
Suppose the following data for an economy:

Production possibilities table

Options	Amount of food	phones	Opportunity cost
a	0	100	
b	200	97	3
c	400	90	7
d	600	75	15
e	800	55	20
f	1000	0	55

3. Opportunity cost and production possibilities frontier

Graphic representation of the Production Possibilities Frontier



Efficient combinations: a, b, c, d, e, f

Inefficient combinations: g

Unachievable combinations: h



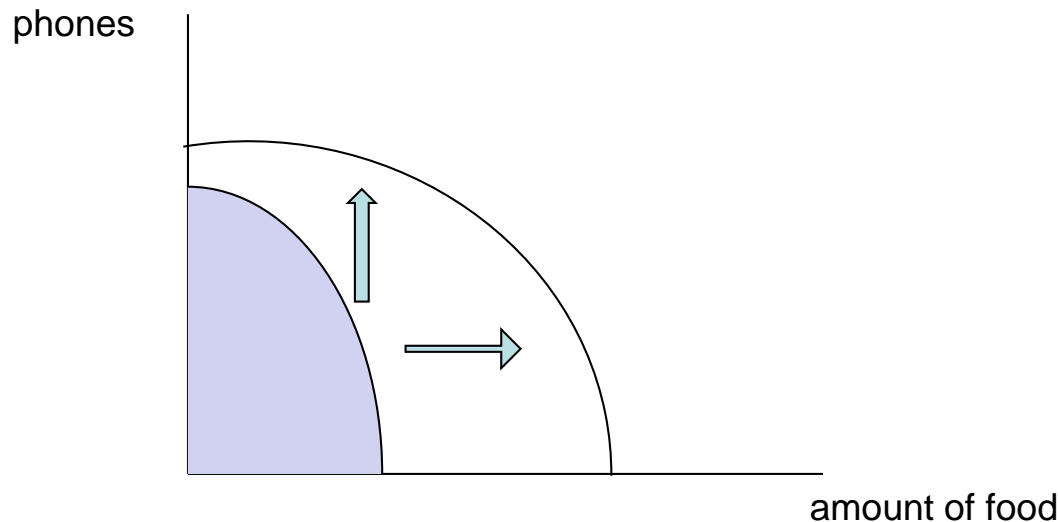
4. Economic growth

Economic growth implies increasing the productive capacity of the economy.

Causes of economic growth:

- .- increase in the endowment of production factors
- .- technological improvement

It is graphically represented as a shift of the production possibilities frontier





5. Economic sectors

Productive activities can be classified into three large sectors of activity:

Primary Sector: agriculture, fishing, livestock

Secondary Sector: industry, mining, energy, construction

Tertiary or Services Sector: education, health, transport, commerce, financial services, tourism, etc.

Tourism

- Basic concepts: tourist, excursionist and traveler
- Domestic tourism and international tourism
- Tourist typologies
- Touristic destinations
- Sustainability in tourism



6. Economic systems

Market economy:

Private property, markets, exchange, individual decisions with the objective of maximizing profits and utility (the invisible hand). Failures: inequality, lack of sustainability measures, etc.

Planned economies:

collective property, the state organizes production and distribution with the aim of reducing inequality. Failures: lack of incentives, political problems, etc.

Mixed economies:

market economies with public sector intervention