Income constraints

Much of microeconomics is about limits—the limited incomes that consumers can spend on goods and services. We all would like to take out our friends for lunch, dinners all the time, but we do not have enough financial resources to do it. The same is true for everlasting vacations, etc.

Time constraints

Not only do we face income constraint, but also time constraint. Even if I have enough money to take my friends out to eat everyday, they might have other commitments than just being with me at every dinner.

Positive versus Normative Analysis

Positive deals with explanation and prediction, normative is what ought to be. Most of the economics is dealing with positive analysis (political science with normative).

The theories are:
- Rational: we are usually wrong in our forecast, but on average we are right. There is no bias in our errors if we don’t always make the same errors.
- Evaluating: (is it dark/rainy outside?)
- Maximizing: (firms—profits, individuals—incomes).
- Self-interest: (firms—production, individuals—consumption).
- Opportunity cost: they evaluate the available alternatives.

Questions to answer:

1. Why is crime not an economic activity?

Market

It is where buyers and sellers meet each other to perform a transaction.

![Graph showing supply and demand with equilibrium point](image-url)