

Resources and Scarcity

- Scarcity – Limited quantities of resources to meet unlimited wants
- Resources – Land, Labor, Capital, Entrepreneurship
- Goods – Physical objects such as clothes or shoes
- Service – actions or activities that one person performs for another
- Scarce – Limited in quantity
- Opportunity costs – Most desirable alternative given up as result of a decision
- Trade-off – We understand that when a decision is made we have to give up something - we can't have everything due to scarcity.
- Land – All natural resources used to produce goods and services
- Labor – The effort that a person devotes to a task for which that person is paid.
- Capital – Any human-made resource used for production
- Entrepreneurship – Those who take a risk and start a business
- Allocate – To distribute

Economics

- The study of how and why people make choices about the allocation, or distribution, of resources.
- *Textbook: The study of how people seek to satisfy their needs and wants by making choices.*

Resources and Scarcity

- Define Scarcity as a basic condition that exists when unlimited wants exceed limited productive resources.
- Define and give examples of productive resources [e.g. land - (natural), labor (human), capital (capital goods), entrepreneurship].
- List a variety of strategies for allocating scarce resources.
- Define opportunity cost as the next best alternative given up when individuals, businesses, and governments confront scarcity by making choices.

The Fundamental Economic Concepts

Scarcity – The condition that results from society not having enough resources to produce all the things people would like to have.

Resources – All the things people can use to make goods. (some resources such as air and sunlight are free and almost unlimited.)

Goods – Products that include things such as food, clothing, houses, furniture, cars, and computers.

The Fundamental Economic Concepts

- **Scarce** – Most resources are limited.
- **Needs** - Things needed to survive: food, clothing, and shelter.
- **Desires**: People “desire” an endless list of things: Nice cars, stylish clothes, cell phones, games, computers, and so on.
- People and nations must constantly make decisions about how to use scarce resources. They must decide how to “allocate” or distribute these resources in a systematic way.

Opportunity Costs

- When people make choices about how to use resources, they must make a “trade-off”.
- Trade-off – They understand that they will gain something, but they also give up something when a decision is made.
- Opportunity cost – The thing you give up by making a choice – The next best alternative that you did not choose.
- Usually more than two possible ways of using resources.

Types of Productive Resources

- **Land** – All the natural resources on the land, in addition to the land itself. Any improvements people have made to the land
- **Labor** – The mental and physical efforts of human workers. The process of making things requires labor.
- **Capital** – Human-made resources used to make products or deliver services.
 - **Physical capital** – all the tools, machines, and other equipment a business needs.
 - **Human capital** – the skills and knowledge of a company's workers.

Types of Productive Resources

- **Entrepreneurship** – A person who starts and manages a business. They are risk takers – they take a risk by investing money in a new business in the hope of earning a profit.
- **Without entrepreneurship, the other resources cannot be used efficiently and productively.**

Three Basic Questions

- WHAT to Produce
- HOW to Produce
- FOR WHOM to Produce

- These questions must be answered as long as there are not enough resources to satisfy people's seemingly unlimited wants.

- What is the fundamental economic problem?
- Describe the factors of production
- List the three basic economic questions every society must answer?
- What is scarcity?

Quiz Time

Question 1

1. What sentence BEST describes the economic problem of scarcity?
 - A. It exists only in poor, underdeveloped nations.
 - B. It exists only after a natural disaster.
 - C. It existed only in the past when there was no technology
 - D. It is the basic economic problem facing all societies.

Question 2

- 2. A person decides to spend \$20 on a ticket to a football game instead of buying a warm jacket for \$20. What is the opportunity cost of this decision?
 - A. \$20
 - B. the benefit of owning a warm jacket
 - C. the enjoyment of the football game
 - D. the opportunity to learn about football

Questions 3

- 3. A teenager name Rosa started a pet-walking business. She found customers and hired workers for her business. What productive resource does Rosa represent?
 - A. entrepreneurship
 - B. land
 - C. labor
 - D. capital