



Chapter 1 Section 1

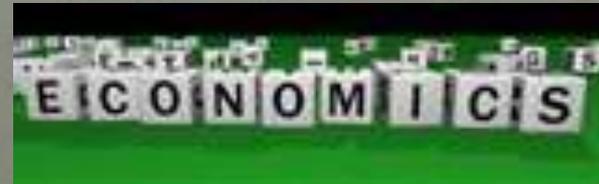
Scarcity: The Basic Economic Problem



Key Terms

Please define

- Scarcity:
- Economics:



Principles of Scarcity

- People have wants
 - We want stuff, lots of it and ever changing
- Scarcity affects everyone
 - Even the richest have to deal with scarcity



What is scarce?

- Fast food
- Gasoline
- Medicine
- Disease
- Water
- Garbage

What is scarce?

- Fast food
- yes
- Gasoline
- yes
- Medicine
- yes
- Disease
- no
- Water
- Maybe?
- Garbage
- no

- Something is scarce if ANYONE would be willing to pay to have more of it.
- OR
- Everyone doesn't have as much as they want for free.

Terms to Know

- Goods: physical objects that can be purchased
 - Give 5 examples of goods



Terms to Know

- Services
 - Work that one does for another for payment
 - Give 5 services



Terms to Know

- Producer: (Seller)
- Consumer: (Buyer)



Scarcity Leads to 3 Economic Questions

- What will be produced???
- Consider natural resources



Question 2

- How will it be produced???
- Machinery, manpower, technology



Question 3

- For whom will it be produced???
- All get equal share?
- How much you're willing to pay?



Factors of Production

- FOP: Resources needed to produce goods and services
- Economists use resources and factors interchangeably

PRODUCTION

Three factors of production, land, labor and capital, don't always mean what we think they do:

 <p>Land</p>	 <p>Labor</p>	 <p>Capital</p>
<p>Not just real estate.</p> <p>All resources, such as mined minerals, native plants and animals.</p>	<p>Not just physical strength.</p> <p>All human endeavors, such as mental abilities.</p>	<p>Not just money.</p> <p>All human creations that help produce wealth, such as a car used as a taxi.</p>

1. Land [natural resources]

A. In the earth - coal, oil, water, fossil fuels, etc.

B. On the earth – vegetation and water

C. In the atmosphere – sun, wind, and rain



Water



Wind



Sun



Fossil fuels



"Gifts of Nature"

2. Labor

anyone who works ["paid work"]

A. *Physical* – pro athletes & lumberjacks

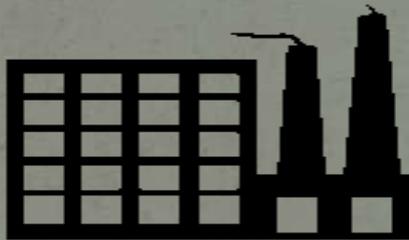
B. *Intellectual* – ministers, doctors & lawyers

***Most important resource**



Capital Goods

[tools,
machinery, &
factories]



Factors of Production

- Entrepreneurship: risk taker to start business, put other FOPs together



Wrap Up

- Think of something you recently purchased. Write a paragraph that explains how the factors of production were used to create it.

- Utility: an economist's way of saying usefulness, or satisfaction received from a good or service