

Scarcity and the Factors of Production

What is economics?

- The study of how people seek to satisfy their needs and wants by making choices.



What is the difference between a need and a want?

- Need – Something like air, food, or shelter that is necessary for survival (Some of you... your cellphone)
- Want – Item we want but is not essential for survival



What is the difference between goods and services?

- Goods – Physical objects (shoes, clothes)
- Service – Actions or activities that one person performs for another



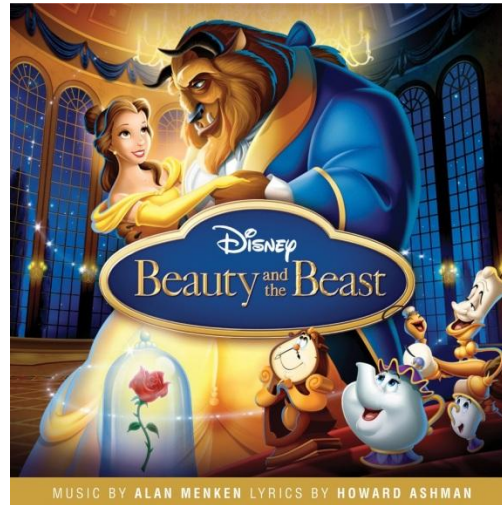
Why is the idea of scarcity a starting point for thinking economically?

- At its core, economics is about solving the problem of scarcity.
 - Scarcity – limited quantities of resources to meet unlimited wants
- Scarcity Creates Demand



How is scarcity different from shortage?

- Scarcity – limited quantities of resources to meet unlimited wants
- Shortage - When producers can or won't provide



Describe the factors of production?

1. Land – Natural Resources
2. Labor – Work done by people
3. Capital
 1. Physical – Human made resources
 2. Human – the skills and knowledge gained by a worker through education and experience
4. Entrepreneurship

What special advantages does physical capital offer?

- Save time and money
- Helps build more capital



What role do entrepreneurs play in the economy?

- They are the ones who decide how to combine land, labor, and capital to make other stuff.



Which factor of production is represented by each of the following?

- A. An office building
Physical Capital
- B. An assembly line worker
Labor and human capital
- C. A tree used to make paper
Land
- D. Unused soil
Land
- E. An artist
Labor
- F. A student
Labor and Human Capital