

SCARCITY & CHOICES
(3.1)



Economics

This is the study of how society, people, business and government uses its limited resources and make choice to satisfy their needs.

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Economic Resources

These are the factors that are Used to produce and distribute goods and services

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Needs

These are things that are necessary for survival. For example, Food and Water

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Wants

These are things that we don't need for survival but would like to have. For example, the newest mobile phone

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Financial Cost

This is the cost to buy a product or service. It is the price of the item that we want to buy

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Opportunity Cost

This is what we could have spent the money one after a purchase. Its when we buy an item we lose the chance to do something else with the money

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Rational Choice

This is a choice that will provide the greatest benefit from the limited resources

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Factors of Production

1. These are the economic resources needed to produce goods and services
2. There are 4 factors of Production - 1. Land, 2. Labour, 3. Capital and 4. Enterprise

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Land

1. This is anything that is produced by nature - Fields, Sea, Mines.
2. Some source are renewable - solar and wind power.
3. The reward for land is rent

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Labour

1. These are the people involved in producing the goods and services - Factory Workers.
2. Labour is scarce as it depends on the skill people have and if they are available for work.
3. The reward for labour is Wage

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Capital

1. These are the items that are used in the production of goods and services - Machinery.
2. The reward for capital is interest

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Enterprise

1. This factor bringing together the other factors of production.
2. It involves a person setting up a business they see a gap
3. They take the personal and financial risk and are known as entrepreneurs.
4. The reward for enterprise of profit

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Factors of production have 3 things in common

1. They have value,
2. They are alternative and
- 3 they are in limited supply

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These choice include

1. What will be produced
2. How will it be produced
3. Where will it be produced
4. Who will produce it

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