



What is Economics?

SWBAT:

Explain why limited productive resources and unlimited wants results in scarcity, opportunity costs, and tradeoffs for individuals, businesses, and governments.

SSEF1-2

What is Economics?

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

Scarcity and Choice, Section 1

- A “need” is something that is necessary for survival (food, air, shelter)
- A “want” is something we desire that is not essential to survival.

Goods vs. Services

- Goods are physical objects such as shoes and shirts.
- Services are actions or activities that one person performs for another.



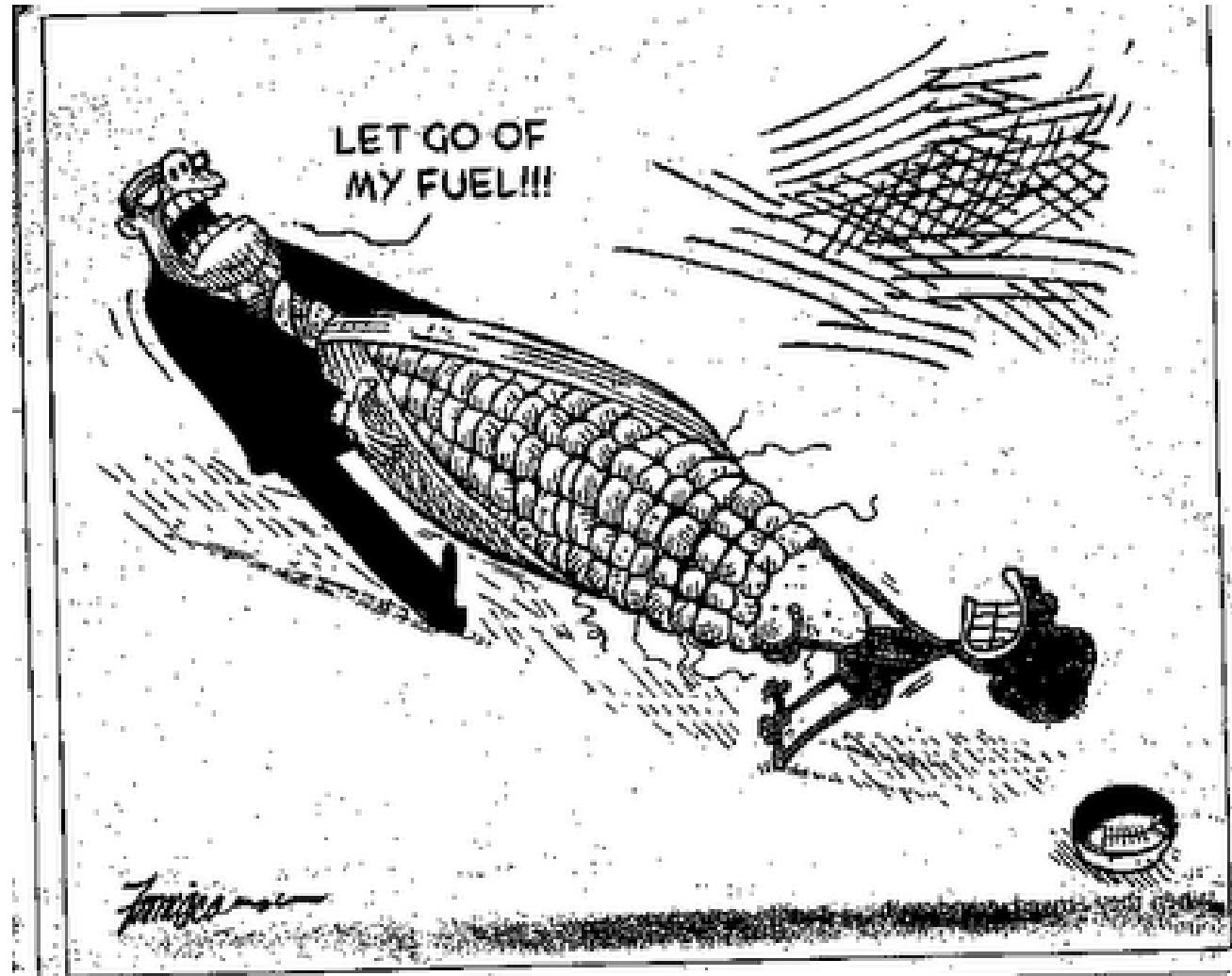
Scarcity

- Scarcity implies limited quantities of resources to meet unlimited wants.
- **Economics attempts to solve the problem of scarcity.**

Scarce Items

- Make a list of items that are limited and desirable. Be prepared to share with the class. (USE YOUR OWN PAPER)

What type of scarcity does this political cartoon represent?



Shortage vs. Scarcity

- A “shortage occurs” when producers will not or cannot offer goods or services.
- Shortages can be temporary or long term.
- “Scarcity” **always** exists because our needs and wants are always greater than our resource supply.



What resources
were used to produce the fruits and vegetables shown
here?



Factors of Production

- Economists call the resources that are used to make all goods and services the factors of production.
- **Factors of production: land, labor, and capital (two types: human and physical) along with entrepreneurship.**

Factors of Production (cont.)

- *Land* refers to all natural resources used to produce goods and services.
- *Labor* is the effort that a person devotes to a task for which that person is paid.
- *Capital* is any **human-made resource** that is used to produce other goods and services.
- *Entrepreneurship* is the skills used to start and run a business.

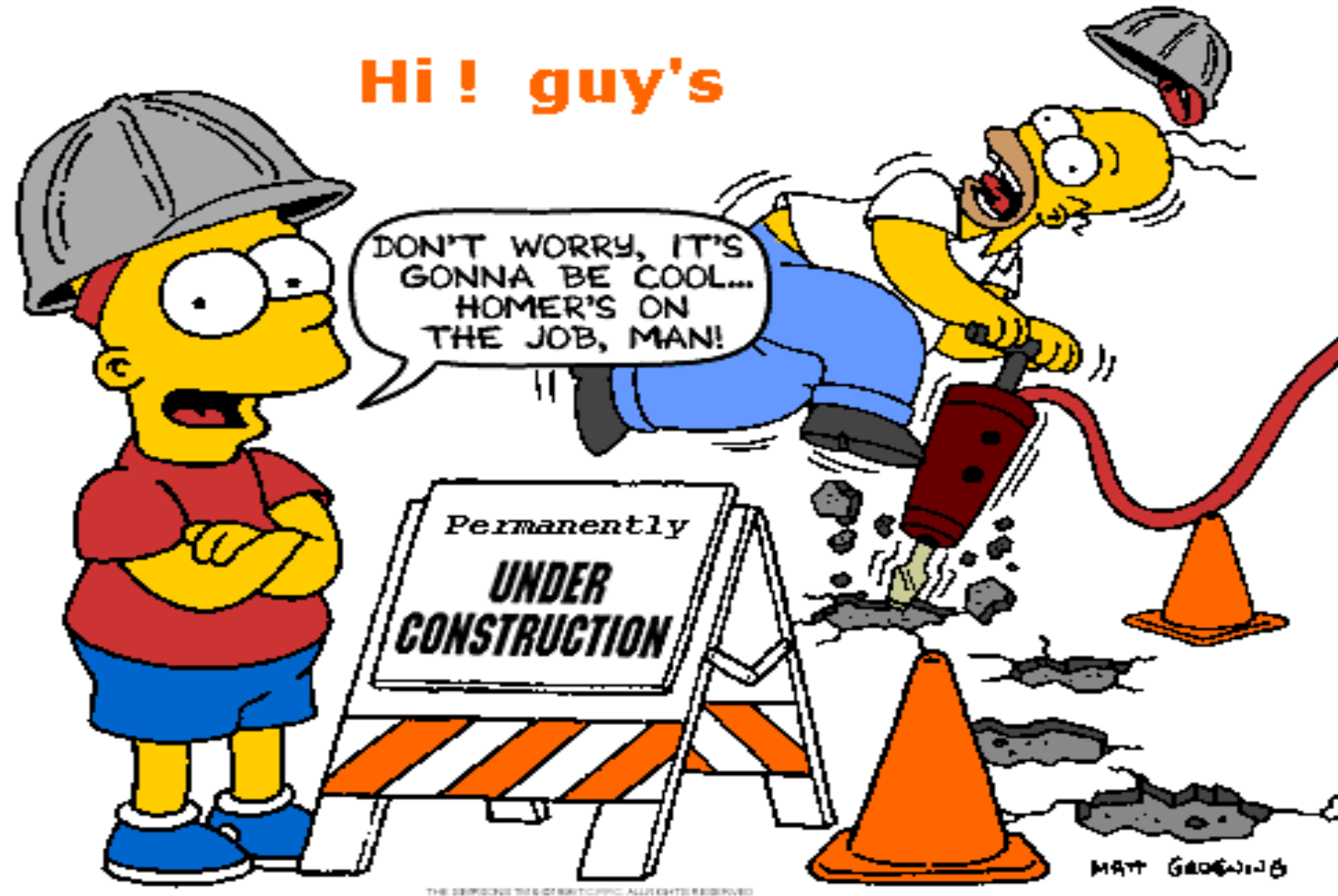
Capital

- Physical capital includes buildings, machinery, tools, etc.
- *Human capital* is the knowledge and skills a worker gains through education and experience.
- It assists in saving time and money when producing goods.

Closing Thought

- **All goods and services are scarce because the land, labor, and capital used to create them are scarce.**

Can you identify the physical capital and human capital in this cartoon?



Where did they come from????



Journey of the French Fry...

- Journey of the French Fry....
- Started as a potato; planted in soil, had to be watered, fertilized, harvested, processed, frozen, transported to a supermarket.
- Cooked, sprinkled with salt, and eaten.



Scarce resources used to make the French Fry...

- Land: Small quantity of land for agriculture
- Labor: Limited amount of people available to plant, harvest, and process the potato crops.
- Physical Capital: farming equipment



Factors of Production Practice

- Give 5 examples of each of the factors of production (USE YOUR OWN PAPER)
 - Land
 - Labor
 - Capital (give both Human and Physical examples)
 - Entrepreneurship