Define economics.
The study of how to meet unlimited, competing wants with limited resources

Describe two basic types of wants.
• Economic wants: Desires for items that can only be obtained by spending money.
• Noneconomic wants: Desires for things that can be obtained without money (e.g., fresh air and sunshine).

Discuss the characteristics of wants.
• Unlimited: Everyone always has them. That includes individuals, businesses, and governments.
• Changeable: Wants change. Think of things that children want vs. what teens wants vs. what adults want vs. what senior citizens want.
• Competing: Everyone must choose which wants to satisfy at any one time because resources are limited. We don’t have enough resources to satisfy all needs at the same time.

Define and describe resources in economics.
Any items that can be used to produce goods and services. Categories:
• Natural resources: Items that are found in nature that are used to produce goods and services. Examples include trees, air, and land.
• Human resources: People. In economics, they are valued for the physical and mental work that they do to produce goods and services. They include anyone who works.
• Capital goods: All of the manufactured or constructed items that are used to produce goods and services (e.g., buildings, equipment, transportation systems).
Discuss reasons for limited resources.

- **Natural resources:** There simply are not enough resources available to satisfy everyone. We depend on the earth for practically all of our natural resources. As the world’s population increases, there will be more and more people making use of those resources. As a result, there will be fewer resources per person.

  Some natural resources are difficult or costly to obtain. For example, wind power can be difficult to capture when the wind isn’t blowing. Some developing countries lack the technology to tap their natural resources. And finally, weather conditions and the environment affect the supply of some natural resources.

- **Human resources:** Only some of the world’s people are willing and able to work. Others, especially those who are young, disabled, or elderly, are not part of the workforce.

  Many parts of the world experience worker shortages in such professions as nursing and welding. This may be due to a lack of special training, or the people may not live in the geographic region where the job opportunities exist.

- **Capital resources:** In some parts of the world, capital resources are limited due to a lack of technology. In under-developed societies, people still use primitive hand tools rather than mechanized machinery to produce goods and services. As a result, they produce fewer goods and services than we do in our society and those that they produce are for personal use rather than for capital goods.

**What is scarcity?**
This is the gap between unlimited wants for goods and services and limited resources. Economics is sometimes called the study of scarcity. Goods and services are said to be scarce, or limited, because not everyone can have everything s/he wants.

The only ways to eliminate scarcity are to find unlimited resources or to limit human needs and wants. Neither one can happen.

Discuss the fact that scarcity requires economic choices.

- **Involves allocating resources:** Resources must be directed to their best use.

- **Involves economizing:** The process of deciding which goods and services to purchase or provide so that the most satisfaction can be obtained is known as economizing.

- **Involves opportunity costs:** When we economize, we decide how scarce resources will be used. When people, governments, and businesses make decisions about allocating their resources, they feel that they will gain more satisfaction from one choice rather than from another. When a choice is made about the best use of resources, the next-best alternative that is given up is called the opportunity cost of that choice. This is the benefit that is lost from making one choice vs. another.

- **Involves tradeoffs:** This means that individuals, businesses, and governments must be willing to give up all or a part of one thing to get something else. The trade-offs that everyone is willing to accept should be based on the opportunity costs involved.

Explain that making economic choices involves economic questions.
To use scarce resources efficiently, all societies must answer three basic economic questions:

- **What to produce?**
  They must determine what and how many goods and services to produce. They must
decide how to allocate their limited resources between the production of capital goods and consumer goods.

- **How will products be produced?**
  Most goods and services can be produced in a variety of ways. Societies must decide the best, most efficient ways to use their limited resources to produce products.

- **How to allocate products?**
  Societies must determine how the goods and services will be divided among people. They need to decide how individuals, businesses, and governments will share products.

**Explain the relationship between economics and decision making.**
The heart of economics is decision-making—choosing among alternatives. The objective of studying economics is to prepare for effective decision-making and responsible citizenship in society.

**Describe major economic activities.**
Today, people rely on others to provide them with at least some of the goods and services they desire. As a result, goods, services and resources must move, or flow, from one person to another. The following four economic activities make that movement possible.

- **Consumption**
  This is the ultimate goal of all economic activity. It is the process or activity of using goods and services. Anyone who used goods and services is a **consumer**. People consume goods and services to satisfy their wants and desires.

- **Production**
  For consumption to occur, goods and services must be produced. Individuals who make or provide goods and services are called **producers**. They transform natural, human, and capital resources into more valuable goods and services for consumers. Examples of producers: hairstylists, clothing manufacturers, farmers

- **Exchange**
  **Resource owners**—people and organizations who provide human resources, natural resources, or capital goods for use in production—require some form of payment for the use of their resources. Usually, this payment is in the form of money—wages, salaries, profits for human resources; interest or rent for capital goods; etc.

  After acquiring enough resources from resource owners, producers are able to produce goods and services. Consumers make money payments to the producers for the goods and services. This money payment is the price of the good or service.

- **Distribution**
  This is the process or activity by which income is divided among resource owners and producers. Money received by resource owners and producers is known as income. Resource owners use their money to buy more goods and services. Producers use their income to buy more resources. Those receiving larger incomes are able to buy more goods, services, and resources than those with lower incomes.

  Resource owners must feel that their incomes are large enough so that they will continue to supply resources. If they decided that their incomes weren't sufficient, they may choose not to share their resources with producers. This would cause production to cease. Likewise,
producers must receive enough income to continue making or providing goods and services. If they decided their incomes weren't sufficient, they might choose not to make goods and services. In that case, consumption would cease. This results in a tug of war between resource owners and producers over how to divide the income they receive from consumers. The manner in which resource owners and producers divide their income depends on the type of economic system that exists.
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- Exchange Resource owners
- Distribution