

Scarcity

Saturday, 21 November 2015

2:31 pm

Unlimited Wants and Limited Resources

Wants are never ending and are continuously increasing

We have limited resources to produce these goods and services we want

Scarcity

When unlimited wants meet limited resources, it is known as scarcity or the basic economic problem.

Opportunity Cost

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Alternatives

Resources can be utilized in a number of ways. There are multiple alternatives to how resources are allocated

Choice

That's why we have to make choices to ensure the optimum use of resources available.

Opportunity Cost

When we make a choice, we choose the best alternative. The cost of losing the next best alternative is opportunity cost.

The next best alternative forgone

Factors of Production

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Land

All natural resources provided by nature such as fields, forests, oil, gas, metals and other mineral resources. The payment for land use and the received income of a landowner is **rent**.

Labour

Human effort used in production which also includes technical and marketing expertise. The payment for someone else's labour and all income received from one's own labour is **wages**. Labour can also be classified as the physical and mental contribution of an employee to the production of the good(s).

Capital

Human-made goods (or means of production) which are used in the production of other goods. These include machinery, tools and buildings. The reward for Capital is **interest**

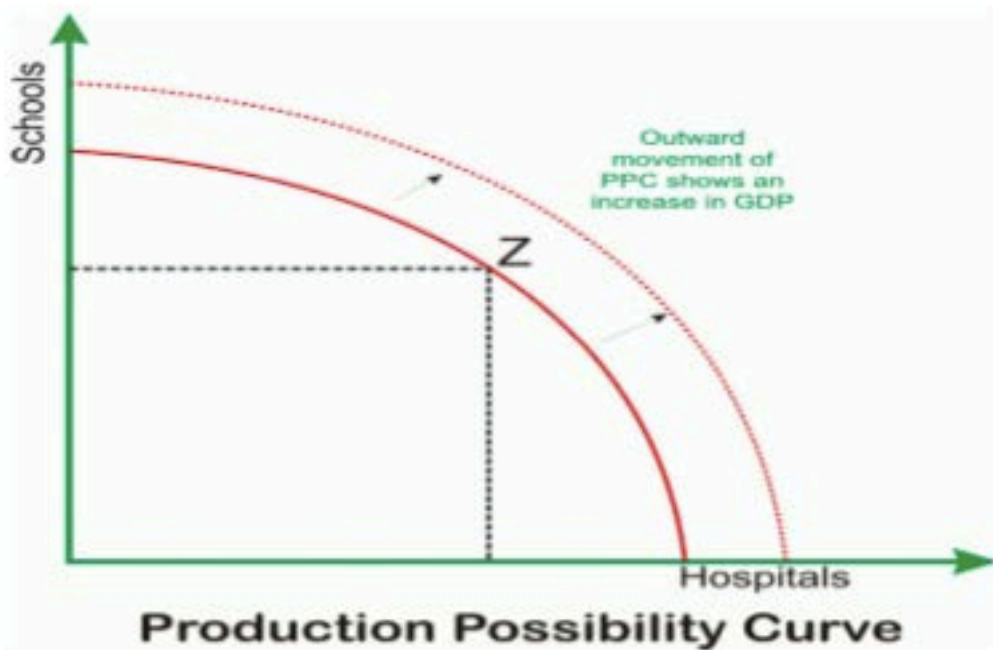
Enterprise

The skill and risk taking ability of the person who brings together all the other factors of production together to produce goods and services. Usually the owner or founder of a business. The reward for Enterprise is **profit**

Production Possibility Curve

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Shows

- ★ Opportunity cost
- ★ Potential Output
- ★ Scarcity
- ★ Efficiency
- ★ Economic Growth

Efficient : producing on the curve

Inefficient : producing below the curve

Economic growth : Move the curve outward

Any point outside the curve is unattainable unless there is an outward shift of the PPC
Increase quantity / quality