

Economic

Decisions

Today's Objectives

- ❖ Identify the difference between wants and needs
- ❖ Explain the difference between goods and services
- ❖ Describe economic resources used in the production of goods and services
- ❖ Understand how scarcity applies to economics

Economics Defined

- Study of producing, distributing, and consuming goods and services
- Involves decisions regarding the use of resources
- Decisions are made by
 - ✓ Individuals (consumers)
 - ✓ Businesses (producers)
 - ✓ Societies (government)





Economic Decisions

Businesses make money by offering goods and services to satisfy the wants and needs of consumers and other businesses.

This is how wants and needs drive the U.S. economy.





Think about it!

Make a list of the last
10 things you bought
(or your parents
bought for you)



The Economy's Driving Force



NEEDS

- Things necessary for basic living
- Essential to human life; required for survival
- Includes basic food, water, shelter, clothing

The Economy's Driving Force

WANTS

- Things you would like to have
- Non-essential, but add to quality of life
- Also referred to as a luxury



From ●
your list,
how many
items
were
needs and
how many
were
wants?



Wants and Needs

- ✓ Wants and needs determine what goods and services will be produced by businesses.
- ✓ Individuals (consumers) make decisions on what to buy
 - ✓ they vote with their dollars



Private vs. Public Wants

- ✓ Private wants are what individuals or small groups of people desire
- ✓ Public wants are widely shared by many people (society), such as highways, public libraries, shopping centers and parks.



What satisfies our needs and wants?

+ **Goods** are things you can see and touch. They are tangible.

+ Shoes, Groceries, iPod



In order to create goods or to provide a service, you need resources.

+ **Services** are satisfied through the efforts of other people or by equipment. They are intangible.

+ Getting a haircut, go to a movie, landscaping



Goods & Services WS

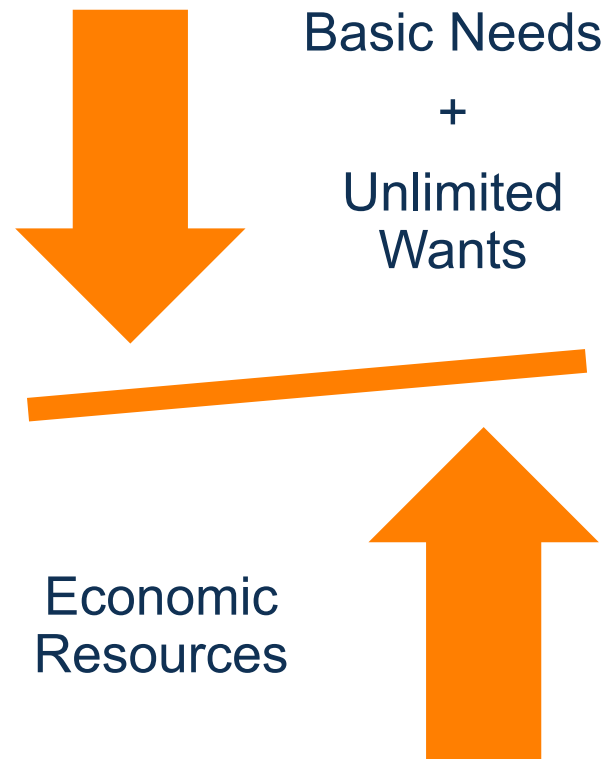




Economic Resources

Resources Are Limited

- ✓ Resources = Money
- ✓ Resources are limited
- ✓ Most people have unlimited wants
- ✓ Consumers have to make choices
 - ✓ economic decisions



Scarcity

- ✓ Shortage of resources
- ✓ Conflict between **unlimited** wants and **limited** resources



Price Gouging





The Decision- Making Process

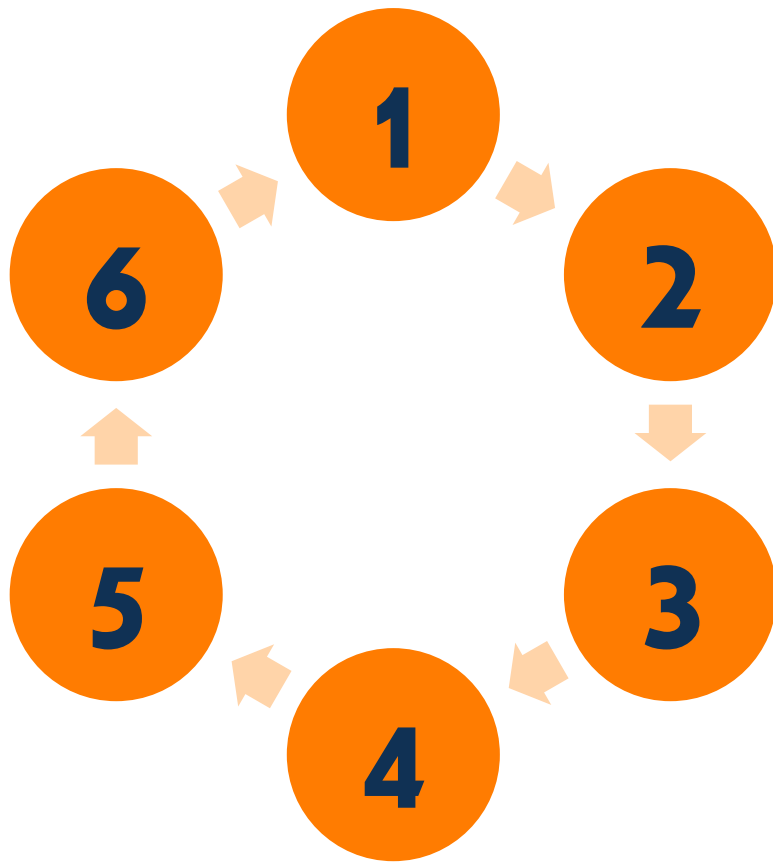


Economic Decision-Making

- ✓ This is the process of choosing which of your wants will be satisfied.
- ✓ The decision can be made by following six steps...



Decision-Making Process



1. Define problem.
2. Identify alternative solutions
3. Evaluate advantages / disadvantages of each solution
4. Choose the best alternative
5. Take action on the choice
6. Review the decision

Decision-Making Handout

