

**FUNDAMENTAL
ECONOMICS:
BASIC CONCEPTS**

WHAT IS ECONOMICS?

-THE STUDY OF HOW PEOPLE TRY TO SATISFY WHAT APPEARS TO BE SEEMINGLY UNLIMITED AND COMPETING WANTS THROUGH CAREFUL USE OF RELATIVELY SCARCE RESOURCES.

NEEDS VS. WANTS

**-NEEDS = BASIC REQUIREMENT
FOR SURVIVAL**

**-WANTS = NOT NECESSARY,
BUT NICE TO HAVE**

SCARCITY

-INDIVIDUALS HAVE WANTS THAT ARE UNLIMITED.

-THE TOTAL RESOURCES OF SOCIETY ARE LIMITED.

-THEREFORE SCARCITY EXISTS.

-AS A RESULT, IT ISN'T POSSIBLE FOR EVERYONE TO HAVE EVERYTHING HE OR SHE WANTS.

WHAT IS IT?

**-THE CONDITION THAT EXISTS
BECAUSE HUMAN WANTS ARE
GREATER THAN THE AVAILABLE
RESOURCES TO SATISFY THOSE
WANTS.**

BASIC ECONOMIC QUESTIONS

-BECAUSE WE LIVE IN A WORLD OF UNLIMITED WANTS AND LIMITED RESOURCES (LEADING TO SCARCITY), WE HAVE TO MAKE WISE ECONOMIC DECISIONS.

-TO DO THIS, WE HAVE TO MAKE DECISIONS BASED ON THREE BASIC ECONOMIC QUESTIONS:

-WHAT TO PRODUCE

-HOW TO PRODUCE

-FOR WHOM TO PRODUCE

PRODUCTIVE RESOURCES

WHAT ARE THEY?

-NATURAL (LAND) – RESOURCES SUCH AS OIL, IRON ORE, FORESTS, AND WATER

-HUMAN (LABOR) - WORKERS

-CAPITAL GOODS (CAPITAL) - GOODS AND SERVICES SUCH AS FACTORIES, MACHINERY, ROADS, TOOLS

-ENTREPRENEURSHIP - PEOPLE WHO ASSUME THE RISK OF ORGANIZING LAND, LABOR AND CAPITAL RESOURCES TO PRODUCE GOODS AND SERVICES

BASIC CONCEPTS

-GOODS – AN ITEM THAT IS ECONOMICALLY USEFUL OR SATISFIES AN ECONOMIC WANT

-CONSUMER GOOD – PRODUCTS THAT ARE PURCHASED FOR CONSUMPTION BY THE AVERAGE CONSUMER.

-EXAMPLES: DVDs, TOOTHBRUSH, JEANS, ETC.



**-CAPITAL GOOD –
ANYTHING THAT IS USED TO
PRODUCE GOODS OR
SERVICES**



**-EXAMPLES: MACHINERY,
FACTORY BUILDING, ETC.**

**-SERVICES – WORK THAT IS
PERFORMED FOR SOMEONE**

**-CONSUMERS – A PERSON WHO
USES GOODS AND SERVICES TO
SATISFY WANTS AND NEEDS**

OPPORTUNITY COST

-WHAT IS IT? *WHAT YOU MUST GIVE UP TO OBTAIN SOMETHING ELSE, THE SECOND-BEST ALTERNATIVE*

-WHAT IS IT NOT? *MONEY!*

-WHY IS IT NOT MONEY?

-IT IS WHATEVER OTHER GOOD OR SERVICE YOU WOULD HAVE SPENT THE MONEY ON AS YOUR NEXT-FAVORITE CHOICE.



John studies all night for his exam.

Next day John is very sleepy.

Opportunity

Cost



A good night's sleep.

