

What Economics Is About

Economics is the study of how individuals and societies use their scarce productive resources to obtain goods and services.

Every society has

PRODUCTIVE RESOURCES

Natural Resources

All natural resources (land, oil, minerals, etc.) not produced by people

Human Resources

Human work effort, both physical and mental

Capital Resources

Man-made items such as tools, machinery, and factories

Which are used to produce

Goods and Services

However...

Productive resources and, therefore, goods and services are limited.

Scarcity

Human wants are basically unlimited.

Therefore...

Choices must be made to answer

Three Basic Questions

- WHAT** goods and services will be produced?
- HOW** will the goods and services be produced?
- WHO** will consume the goods and services?

This creates the need for an

Centralized
(Command)

Economic System

Decentralized
(Market)

The Basic Economic Problem: Every society must decide how to make the best use of its limited productive resources. Scarcity, with the resulting need to choose among competing alternatives, is the basic economic problem.