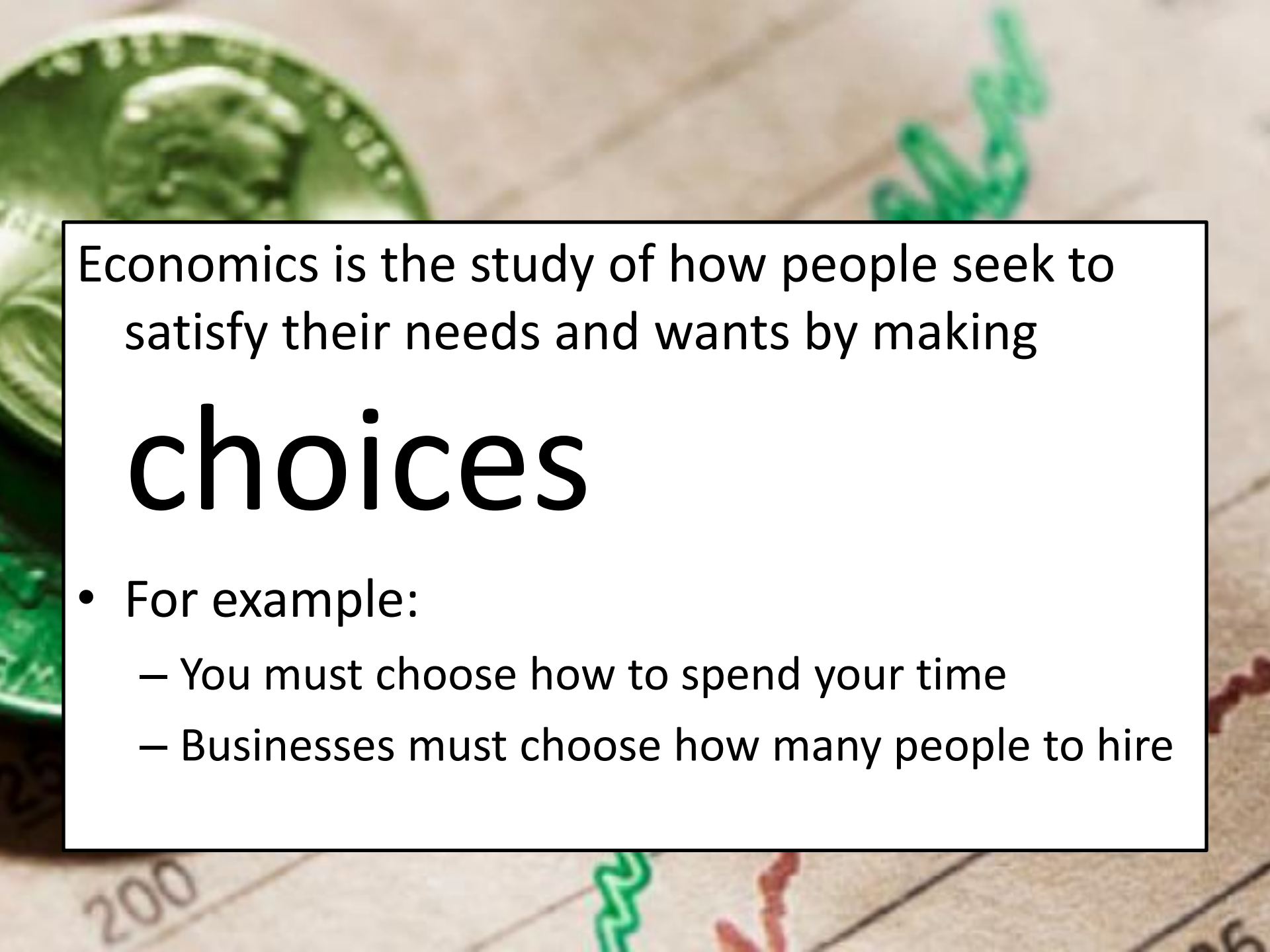




The Basics of Economics

Wants vs. Needs
Factors of Production
Scarcity
Types of Economies



Economics is the study of how people seek to satisfy their needs and wants by making

choices

- For example:
 - You must choose how to spend your time
 - Businesses must choose how many people to hire

Economists look at:

- Decisions made by people
- Decisions made by businesses
- Decisions made by the government



3M



Identifying want and need



Goods



Services



Factors of Production

1. Land – Used to make goods
2. Labor – A person that does something
3. Capital – man-made things used to make other things

Factors of Production

Land

Popping Corn
Vegetable Oil

Labor

The human effort
needed
to pop the corn

Capital

Corn-Popping
Device





Scarcity

- ▶ Scarcity occurs when there are limited quantities of resources to meet unlimited needs or desires

Scarcity drives all economies: Each economic system has its own method for deciding who gets scarce resources what and how

Traditional Economy

- Countries that use this type of economic system are often rural and farm-based.
- Also known as a subsistence economy
- a traditional economy is defined by bartering and trading



Countries with Traditional Economies

- No Country has a pure traditional Economy
 - SE Asia
 - Central Asia
 - South Asia
 - Northern Europe
 - Northern North America
 - Sub-Saharan Africa
 - Andean and Amazonian South America

Command Economy

- A.K.A. – Planned Economy
- Central Government regulates certain factors of production
- the government is the final authority to take decisions regarding production, utilization of the finished industrial products and the allocation of the revenues earned from their distribution

Countries with a Command Economy

- Cuba
- North Korea
- Myanmar
- China
- Soviet Union (No Longer Exists)