

Economic Resources & Systems

Chapter 2

Section 2.1 and 2.2

+ What you will learn...

- Scarcity
- Economic resources (4 factors of production)
- The 3 basic economic questions
- Economic systems (market, command, & mixed)



+ Review...

- The goal of business is to...

Provide goods and services to satisfy wants and needs

- Must use the decision-making process to...

Make choices on how to utilize limited resources

- Resources are...

Items that people can use to make or obtain certain needs and wants



+ Making Economic Decisions

- Societies also have to deal with a shortage of resources
- **Resources** are the items that go into the making of goods and services



+ Economic Resources

- Make a list of all the resources used to produce a pre-washed salad
- Think about *everything* involved in getting this product into the store!



+ Scarcity

- Lack of resources in society = Scarcity
- The principle of **scarcity** states that there are limited resources for satisfying unlimited wants and needs
- Occurs when demand exceeds supply
- To have one thing, may mean giving up something else...



+ Scarcity Example

- U.S. does not have enough oil to satisfy all of society's needs because of scarcity
- Make decisions on the best way to use the resource in short supply
- What do we do in this case?
 - Find other alternatives
 - Import (pay the price!)



+ Factors of Production

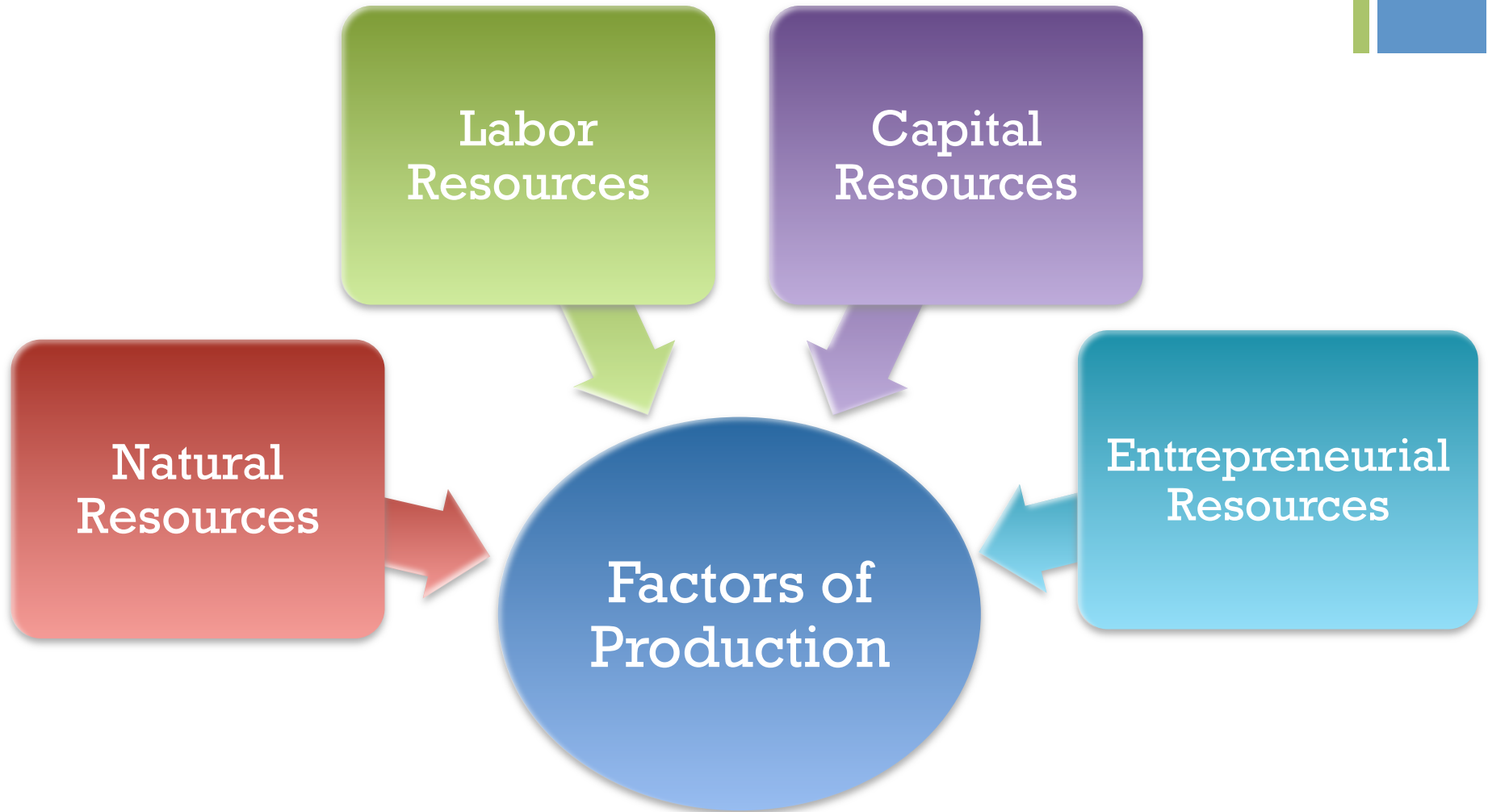
- **Factors of production:** all the economic resources necessary to produce a society's goods and services

- **Example: Flour**

- Wheat that grows in the ground
- The tractor that harvests it
- The labor that turns it into flour
- Distribution system that delivers it to the marketplace



+ 4 Factors of Production



+ Natural Resources

- **Natural Resources:** Raw materials from nature that are used to produce goods
 - Can be processed in various ways to create goods
- **Renewable:** Able to be reproduced
- **Nonrenewable:** Limited

Write a list of examples!



+ Natural Resource Examples

■ Renewable:

- Soil/Plants
- Cattle
- Solar energy
- Wind/air



■ Nonrenewable:

- Coal
- Iron
- Oil
- Natural Gas



+ Labor Resources

- **Labor Resources:** People who make the goods and services for which they are paid
- Types of labor resources:
 - Skilled
 - Unskilled
 - Physical
 - Intellectual



+ Capital Resources

- **Capital Resources:** Things used to produce goods and services

- Types of capital resources:

- Buildings

- Materials

- Equipment

Q: How are *capital resources* different from *capital*?

A: Capital is money. Money is used to buy capital resources, but is not a capital resource.



Entrepreneurial Resources



- **Entrepreneurial resources:** People who recognize opportunities and start businesses
- **Entrepreneurship:** Process of recognizing a business opportunity, testing it in the market, and gathering resources necessary to run it
- **Entrepreneur:** Individual who undertakes the creation, organization, and ownership of a business

+ Revisit the Pre-washed salad...

- Natural resources?
- Labor Resources?
- Capital Resources?
- Entrepreneurial Resources?





Basic Economic Questions



- **Economics:** The study of how individuals and groups of individuals strive to satisfy their needs and wants by making choices

- Societies make economic decisions by answering these 3 questions:
 1. What should be produced?
 2. How should it be produced?
 3. Who should share in what is produced?



What should be produced?



- **Opportunity Cost:** Deciding to use a resource for one purpose means giving up the opportunity to use it for something else
- Ex. Owner of a guitar shop uses extra money to hire another teacher, but in turn gives up buying a new computer for the store.
- Think about what is more important...



How it should be produced



- **Important factors:**

- Methods and labor used (equipment or people?)
- Quality of the items produced

- Ex. A country with a lot of workers and few capital resources will likely have a large labor force instead of equipment to do their jobs



Who should share in what is produced?



- Amount of income one has determines how many goods and services they can buy
- Ex. Wealthier areas may provide more goods and services because people can afford to buy them

+ Economic Systems

- **Economic Systems:** The methods societies use to distribute resources
- Different economic systems answer the 3 basic questions in different ways
- 2 Types:
 - Market Economy
 - Command Economy



+ Market Economy

- **Market Economy:** Economic system in which economic decisions are made in the marketplace
- Other terms for Market Economy:
 - Free Enterprise System
 - Private Enterprise System
 - Capitalism



+ Market Economies

- Resources are privately owned
- Citizens can own homes, land, and businesses
- Business owners can decide how to run their business, what to produce and sell, and for how much

Individuals are responsible for being informed and making careful decisions!



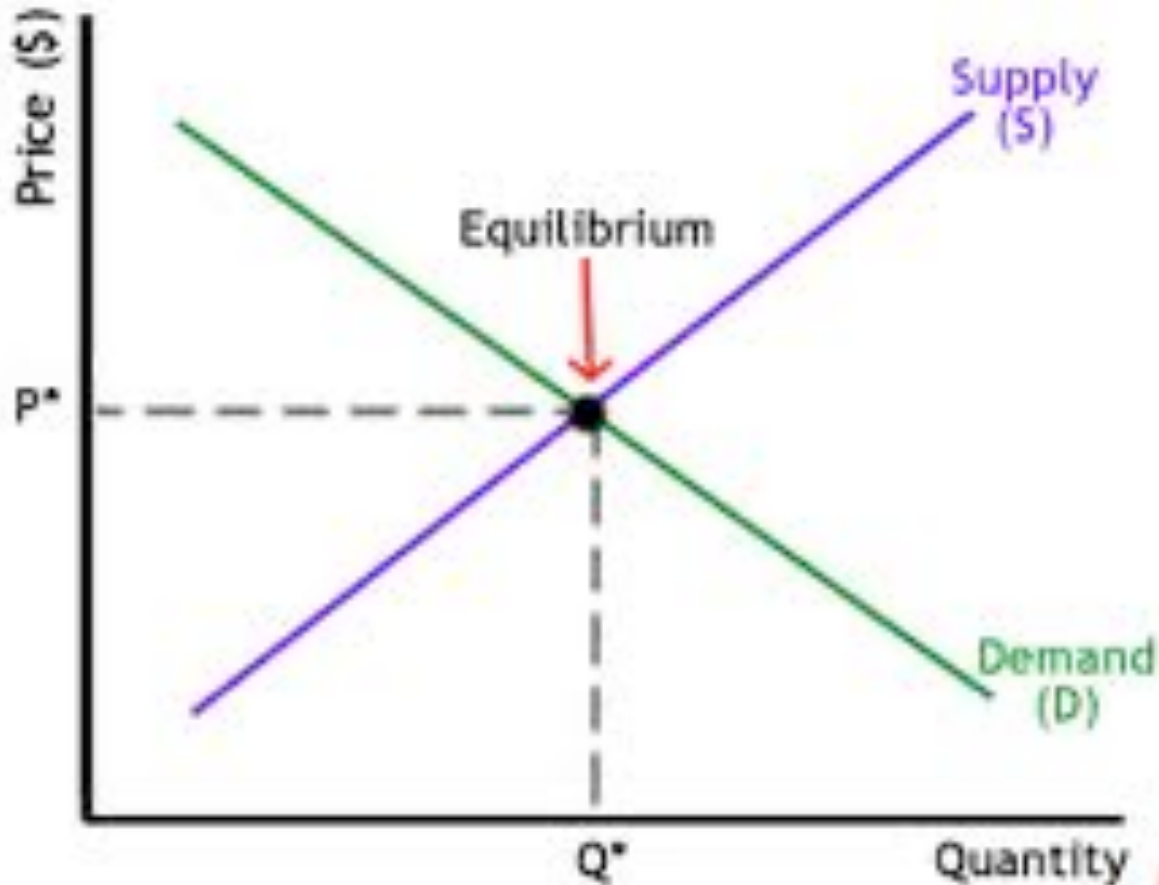


Relationship Between Price, Supply, & Demand



- **Price:** Amount of money given or asked for when goods and services are bought or sold
- **Supply:** Amount of goods and services that producers will provide at various prices
- **Demand:** Amount or quantity of goods and services that consumers are willing to buy at various prices
- **Equilibrium Price:** Point at which the quantity demanded and quantity supplied meet

+ Supply and Demand Graph



+ Competition and Profit

- Competition is a basic characteristic of a free enterprise system
- Encourages businesses to produce better products at lower prices
- Utilize resources to lower costs in production



+ Command Economies

- **Command Economy (Socialism):** Economic system in which a central authority makes key economic decisions
- Government decides:
 - What should be produced
 - How it will be produced
 - Who will get the goods
- Own and control all resources and businesses
- No competition
- Unskilled workers can earn the same as skilled workers



+ Mixed Economy

- **Mixed Economy:** Economy that contains both private and public enterprises
- Few nations are purely market or purely command economies
- United States is primarily a market economy, but has characteristics of a command economy:
 - National defense
 - Education
 - Aid (lower income)



+ Live Life and Win Videos

- How have these teens utilized their resources to start their own businesses and organizations?

