Chp.1

Economics- the study of how individuals and societies make choices about ways to use scarce

resources to fulfill their needs and wants.

Needs vs. Wants- everything other than basic needs is a want. What are basic needs?

Scarcity- basic problem of economics. We do not have enough time, income, and other

resources to satisfy every want. Will there always be scarcity?

Factors of Production- Land, labor, capital, entrepreneurship used to produce goods and

services.

* Land- natural resources and surface land and water.
* Labor- human effort directed toward producing goods and services.
* Capital- previously manufactured goods used to make other goods.
* Entrepreneurship- ability of risk taking individuals to develop new products in order to

make money.

* Technology- advance in knowledge leading to new and improved goods and services

and better ways of producing them.

Tradeoff- sacrificing one good or service to purchase or produce another.

Opportunity Cost- value of the next best alternative given up for the alternative chosen.