

The Nature of the Economic Problem

The Economic Problem:

unlimited wants exceeding finite resources.

Scarcity occurs when there are not enough resources to satisfy the wants of the people. Over a period of time wants continue to grow and change.

Economic Goods are goods that require resources to produce and therefore has an opportunity cost.

Free Goods are goods that are unlimited in resources and do not require any resources to make it so therefore do not have an opportunity cost. Ex: sunlight.

Factors of Production

Factors of Production: These are the economic resources of capital, enterprise, land and labour [C.E.L.L]

Land: gifts of nature available for production.

Land is occupationally mobile but geographically immobile.

There is risk that renewable resources can be turned into non renewable resources if exploited and over consumed.

The quality of land can be improved by taking care of the environment.

Capital: Human-made goods used in production.

