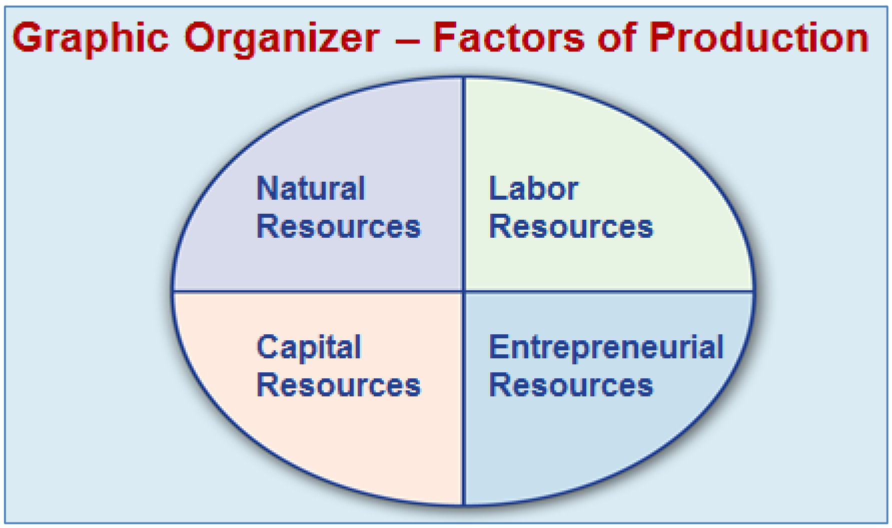
- The principle of **<u>scarcity</u>** (a lack of resources) states that there are limited resources for satisfying unlimited wants and needs.

- When dealing with scarcity, it is important to think of the best way to use the item that is in short **<u>supply</u>**.

<u>Four Factors of Production:</u>



- **Natural resources – (**raw materials from nature that are used to produce goods**)** and they can be processed in various ways to create goods.
    - **<u>Renewable resources</u>** can be reproduced to make more.
        - Wheat
        - Cattle
    - **<u>Nonrenewable resources</u>** are limited and cannot be reproduced
        - Coal
        - Iron
        - Oil

- **<u>Labor resources</u>** (people who make the goods and services for which they are paid) can be skilled or unskilled, physical or intellectual.

- **<u>Capital resources</u>** (the things used to produce goods and services, such as buildings, materials, and equipment) and are also called capital goods. Money is **NOT** a capital resource. It is used to buy capital resources.
    - Examples of capital resources include:
    - Delivery trucks
    - Supermarkets
    - Cash registers
    - Farm equipment\

- **Entrepreneurial resources (**resources used by the people who recognize opportunities and start businesses**)** and meet society's changing wants and needs.
    - **Entrepreneurship** is necessary when starting a business. It is the process of recognizing a business opportunity, testing it in the market, and gathering the resources necessary to start and run a business
    - An **entrepreneur** (an individual who undertakes the creation, organization, and ownership of a business) AND accepts the risks and responsibilities of business ownership.

The differences between entrepreneurial resources and labor resources:

- **Entrepreneurial resources** are individuals who start and direct businesses to produce goods and services to satisfy needs or wants.
- **Labor resources** are people who produce the goods or services.

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

Economic Systems:

- **Economic systems** are the methods societies use to distribute resources

    - A **market economy** (aka free enterprise or capitalism) is an economic system in which economic decisions are made in the marketplace
    - Competition among similar businesses is one of the basic characteristics of a free enterprise system.
    - Profit motive is the desire to make a profit.
    - Characteristics of a market economy:
        - Resources are privately owned
        - Citizens can own their own homes, land, and businesses
        - Business owners decide how their businesses will be run
        - Business owners decide what to produce and sell
        - Business owners decide what to charge
        - Government works to promote free trade and prevent unfair trade practices
        - Consumers choose their occupations and where to live
        - There is an uneven distribution of income

    - A **command economy** (aka socialism) is an economic system in which a central authority makes the key economic decisions
      The government owns and controls all the resources and businesses.
    - The government dictates what will be produced, how it will be produced, and who will get the goods
    - In a moderate command economy, there is some form of private enterprise, but the state (government) owns major resources.

- Characteristics of a command economy:
  - There is little choice of what to buy
  - Goods are not considered necessities
  - Prices are controlled by the state
  - There is no competition and little incentive to produce a better product
  - Highly skilled workers may earn the same as low-skilled workers

- A **mixed economy** is an economy that contains both private and public enterprises.
- Most nations have a mixed economy, which combines elements of capitalism and socialism.

Supply and Demand:

- Rules of supply and demand:
  - The higher the price for goods or services, the less consumers will buy.
  - The lower the price, the more consumers will buy.
- **Price** is the amount of money given or asked for when goods and services are bought or sold
- **Supply** is the amount of goods and services that producers will provide at various prices
- **Demand** is the amount or quantity of goods and services that consumers are willing to buy at various prices
- **Equilibrium price** is the point at which the quantity demanded and the quantity supplied meet