

# Need vs. Want

# Free vs. Gratuitous

Need = There are no other substitutes  
(only basic requirements to survive)

Want –all other things we desire

Free – doesn't cost anything to anyone,  
“there's not such thing as a free lunch”

Gratuitous – when someone decides to give  
an item without charging

# Scarcity

(4 requirements to qualify)

## Scarcity

The fundamental economic problem that results  
from the combination of society's unlimited wants  
& limited resources. To be scarce it must be:

- limited
- desirable
- price (or cost)
- relative, not absolute

# Economics

(definition)

Economics is the study of how we deal with scarce  
resources given that we have unlimited wants and  
limited resources

For Quiz know the equation

Economics = Scarcity = unlimited wants >  
limited availability of resources

# Micro

VS.

# Macro

Economics

Micro focuses on small segments of society  
like individuals or firms

Macro focuses on the economy as a whole  
and/or large units like markets, governments,  
etc.

Memory Trick

You use a microscope to see small things

# Factors of Production

## FOP'S

Inputs/resources that go into the production process or function to produce goods and services

Capital

Entrepreneurial ability

Land

Labor

## Memory Trick

**CELLs** are the building blocks of life, FOP'S are the building blocks of economics.

\*because our Unlimited wants > Limited Resources, society has to make choices about factors of production.

# Opportunity Cost Vs Accounting Cost Margin

Opportunity cost - The next highest valued alternative to the activity/product you chose

Accounting costs--\$ cost (money)

Margin or Marginal = each additional

# Adam Smith

Who is he?  
What Book did he write?

Adam Smith = father or founder of Economics

- Wrote "Wealth of Nations"  
Which was about the benefits of specialization.

# Specialization Division of Labor

## Specialization:

You can increase productivity through division of labor

## Division of Labor

Work is divided so each person does fewer tasks than before