

Topic 1.1: Scarcity

LO: MOD-1.A | Skill: 1.A | Portfolio: Advisor Memo 1

I. The Fundamental Economic Problem

_____ is the condition in which human wants are _____ but the resources to satisfy them are _____.

- Because resources are limited, individuals and societies are forced to make _____.
- _____ is the study of how people make choices under scarcity.

II. The Four Economic Resources (Factors of Production)

Every good or service is produced using some mix of four inputs:

- _____ — all natural resources (soil, water, minerals, oil, forests).
- _____ — human physical and mental effort used in production.
- _____ — manufactured aids to production (tools, machines, buildings).
Note: capital is NOT _____.
- _____ — the initiative that organizes the other three and takes the _____ of producing.

III. Scarcity vs. Shortage

These terms are often confused. They are not the same.

- Scarcity is _____ and universal — it never goes away.
- A shortage is _____ and specific — quantity demanded exceeds quantity supplied at the current price.
- A good that is scarce and carries a price is an _____; a good available in unlimited amounts at zero price is a _____.

IV. Scarcity Forces Choices

Because resources are scarce, every choice means giving something up.

- A _____ is what you sacrifice when you pick one option over another.
- The _____ is the value of the next-best alternative given up.
- There is no such thing as a _____ — every choice has a cost.

- Scarcity scales up: individuals, businesses, and _____ all face it — which is why macroeconomic policy is choice under scarcity.