

Topic 1.1: Scarcity

LO: MKT-1.A | Skill: 1.A | Portfolio: Analysis 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 firms are forced to make _____.
_____.
- Economic _____ arise directly from scarcity — they are the result of not having enough resources.

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, timber).
- _____ — human physical and mental effort used in production.
- _____ — manufactured aids to production (tools, machines, equipment).
Note: capital is NOT _____.
- _____ — the initiative that organizes the other three and takes the _____ of producing.

III. What Is Scarce — and What Is Not

Most resources are scarce, but not every input is.

- A _____ resource is used up when one user takes it — one firm's use leaves less for everyone else (land, labor, capital).
- A _____ resource is not used up by being used — for example, established _____ or an idea, which many firms can apply at once.
- This is why most factors of production are scarce, but some — such as a known method or recipe — may _____ be scarce.

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.

- A good that is scarce and carries a price is an _____; a temporary gap where quantity demanded exceeds quantity supplied at the current price is a _____ — not the same as scarcity.
- Scarcity scales down as well as up: a single consumer, a single _____, and a single market all face it.