

## CHAPTER 1 : THE NATURE OF ECONOMIC PROBLEM

### Key terms

1. Wants : desires for goods and services
2. Resources: factors used to produce goods and services
3. The economic problem : unlimited wants exceeding finite resources
4. Scarcity : a situation where there is not enough resources to satisfy everyone's wants
5. Economic good: a product which requires resources to produce it and therefore has an opportunity cost
6. Free goods : a product which does not require any resources to make it and so does not have an opportunity cost



## 1. Economic Problem

**Economic Problem:** limited resources and unlimited want

Kevin has limited money. He would like to have coffee and cake  
**but his money is not enough for getting both.**



We cannot get everything by the condition of limited resources.  
It needs to **trade off or choose**  
*E.g. Kevin decided to spend money on coffee.*



The lost of the next best alternative foregone is called  
**“ opportunity cost ”**  
*E.g. Kevin lost the opportunity to eat cake which is called opportunity cost.*