

### Problem of scarcity

- **Resources** : Factors of production including land, labour, enterprise and capital.

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



He cannot get everything by the condition of limited resources.  
It needs to ***trade off or choose (Allocation of resource)***  
*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, called opportunity cost.*

**The scarcity** : arises because wants exceed resources (factors of production including land, labour, enterprise and capital).

**Opportunity cost** : is the next best alternative given up when a choice is made.

### **The basic questions in economic problems**

1. What to produce
2. How to produce
3. For whom

### The distinction between renewable and non-renewable resources

- 1.) Renewable resources:** Resource that can be exploited over and over again because they have potential to renew themselves such as fish, forest, wind
- 2.) Nonrenewable resources:** Resources that once exploited, it cannot be replaced such as oil, coal.

### The distinction between renewable and non-renewable resources

- 1.) Free goods:** goods which have no opportunity cost. It does not use FOP to produce eg. Air, ocean
- 2.) Economic goods:** goods which have opportunity cost. It requires FOP to produce e. g. watch, ring

### Factors of production

Factors of production	Definition	Example	Return
1.Land	Natural resources	oil and coal	Rent
2.Labour	Workers who are used in production of goods and services	Builder, teacher	Wage
3.Capital	Human-made goods used in production	Machines, equipment,	Interest
4.Enterprise	Who take risks and make key decisions in business	The owner of a business	Profit