

SATISFYING NEEDS AND WANTS

Needs and Wants

1. Needs – what are required for life
2. Wants – add comfort and pleasure
3. Both are unlimited and will never end

Goods and Services – to satisfy needs and wants

1. Goods – can be seen and touched (physical)
2. Services – activities that are consumed at the same time they are produced, intangible (no physical characteristics).
3. Used by businesses and consumers
4. US is the largest producer of goods and services in the world.
5. Americans are the leading consumer in the world.
 - ★ Incur debt through loans and credit cards
 - ★ Debts not necessarily excessive
 - ★ Consumer demand in US is from availability of products and advertizing

Economic Resources – means in which goods and services are produced or FACTORS OF PRODUCTION

1. Natural Resources – raw material supplied by nature.
 - ★ Oil, minerals, timber, rivers, air.
 - ★ Supply may be limited.
 - ★ Increased consumption and damage to environment (Rain forest) threatens natural resources.
 - ★ Conservation preserves resources
2. Human Resources - people producing the goods and services
 - ★ Farmers, truck drivers, beauticians,
 - ★ Entrepreneur – risk taker using resources to create new product, service
3. Capital Resources – products and money used to produce goods and services
 - ★ buildings, equipment and supplies
 - ★ money needed to build, buy, pay or purchases services
 - ★ investing in businesses, selling knowledge and skills – smart people = more money

4. Resources are limited

- ★ resources can be used to make several different products
- ★ people, business and countries compete for resources (oil)
- ★ resources with high demand have limited supply = high prices
- ★ limit to natural = limit to amount of goods and services produced.
- ★

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ECONOMIC CHOICES

The Basic Economic Problem – the mismatch of unlimited wants and needs and limited economic resources.

Results from scarcity – not having enough resources to satisfy every need.

- limited incomes
- countries with few natural resources
- people with low skills
- areas with poor transportation

Scarcity forces choices or decisions about alternatives (shoes or pizza)

Economic decision-making – process of choosing which wants (among several) will be satisfied.

Tradeoff costs – you give up something to have something else

Opportunity costs – value of the next best alternative that you did not choose.

Businesses carefully calculate the opportunity costs of decision making (buy land or new equipment)

THE DECISION MAKING PROCESS – helps make wiser choices

1. Define the problem
2. Identify the choices
3. Evaluate the advantages and disadvantages of each choice
4. Choose One
5. Act on your choice
6. Review your decision

ECONOMIC SYSTEMS

All economies face three questions:

1. What goods and services will be produced?
 - ➔ Physical geography, climate, natural resources
 - ➔ What are the needs of the nation (food? Education? Manufacturing?)
2. How will these goods and services be produced?
 - ➔ What will best suit the nation's circumstances? (farming? Tools?)
3. What needs and wants will be satisfied with the goods and services produced?
 - ➔ Needs and wants are unlimited but some will be unmet
 - ➔ capital goods, consumer goods, government requirements, citizens' demands

Types of Economic Systems – a nation's plan to answer the three economic questions

1. Command – resources owned by government that decides what to produce and how distributed. Consumers (food, houses,), Capital goods (machinery, equipment and factories); strict governments assign people schools, careers. Personal economic freedom is LIMITED.

2. Market – resources are owned and controlled by the people of the country. Individuals answer the three questions through buy and and selling of goods and services in the marketplace (goods and services exchange hands). Consumers and business make decisions based on self-interest. Government has limited involvement in market economy.

3. Traditional Economy – goods and services are produced in the way it has always been done. Usually less developed countries and not involved in global economy;. Mostly meet basic needs such as food, clothing, shelter. Limited amounts of personal wealth.

4. Mixed economies – most countries. Shift away from command towards market. (Soviet Union)
China – pockets of market economy around eastern ocean border.

Pattern – people become educated, obtain jobs and more money (resources), purchase more goods and services. Businesses from other countries market to them.

The US Economy – capitalism = private ownership of resources by individuals. Owners free to decide what to produce. Consumers free to decide what to purchase. AKA free enterprise or private enterprise. Based on four principles:

1. Private property - own use or dispose of things of value
2. Freedom of choice – you make decisions and you accept consequences. Government intervenes if decisions are harmful (drug dealers)
3. Profit – money left from sales after all costs have been paid. Heart of private enterprise system.
4. Competition – rivalry among businesses to sell their goods and services.

Participating in a market economy:

Consumer – person who buys and uses goods and services

Intro To Business
Chapter 1 Notes

Producers – determine what products and services will be available for sale

Demand – quantity of a good or service that consumers are willing and able to buy

Supply – quantity of a good or service that businesses are willing and able to provide.

Consumers demand and producers supply – Page 24 Demand and Supply curves.

High Demand = High Price

Low Demand = Low Price

Prices are affected by the relationship between supply and demand.

Demand affected by weather and similar (substitute) products

Supply affected by weather, competitors, natural disaster, prices of resources (oil).

Market price – point where supply and demand are equal see page 26.

- determined by supply, demand and competition.