

Lesson Summary

Scarcity

People always have to make decisions about how to meet their needs and wants. A **need** is something people must have to survive, like air, food, and shelter. A **want** is something that people would like to have but is not necessary for survival. **Economics** is the study of how people choose from limited resources to meet their needs and wants.

People have to make such choices because of **scarcity**, the limited amounts of resources to meet unlimited desires. **Goods** are objects, like cars and clothes. **Services** are actions that people do for others, such as teaching. A **shortage** occurs when a good or service is unavailable. Shortages occur when people have trouble supplying goods and services at current prices. Shortages may occur because of situations like war or drought. They may end quickly or last a long time.

Economists call the resources used to make goods and services **factors of production**. There are three types: land, labor, and capital. **Land** includes natural resources like coal, water, and forests. **Labor** is work for which people receive pay. **Capital** is a human-made resource used to produce other goods and services. Objects made by people, like buildings and tools, are called **physical capital**. **Human capital** refers to the knowledge and skills people gain from study and experience. **Entrepreneurs** are people who put together land, labor, and capital to create new businesses.