

SECTION 1.3 SCARCITY

This section looks at the idea of scarcity, a condition that exists when we cannot satisfy all of our potential wants.

- · · **Scarcity** exists when we try to satisfy our unlimited wants in a world of limited resources.

- The scarce resources used in production can be grouped into four categories.

Labour is the total of both physical and mental effort expended by people. **Land** includes natural resources such as trees, water, minerals and so on. **Capital** is equipment and structures such as office buildings, tools and factories.

Entrepreneurship is the process of combining the other resources together to produce goods and services.

- · **Goods** are those items we value and tend to be tangible. **Services** are intangible acts that we value. All goods and services are produced from scarce resources.

- **Bads** are items that we do not want, like garbage and pollution.