

Topic 1: Introduction to Economics- Scarcity and Factors of Production

Lesson Objectives:

- Understand what economics is and why it matters.
- Identify the difference between needs and wants.
- Explain what scarcity means and how it creates economic problems.
- Describe the four factors of production with real-life examples.

Introduction to Economics

Have you ever wondered why we can't have everything we want? Why do we have to choose between buying snacks or saving money? Why are some goods expensive while others are cheap? Why do people work, and why do some jobs pay more than others?

All these questions have one thing in common—they are part of **economics**.

What Is Economics?

Economics is the study of how people, businesses, and governments make **choices** about using their **limited resources** to satisfy their **unlimited needs and wants**. It focuses on the production, distribution, and consumption of goods and services.

In simple words, economics helps us understand:

- **What to produce?**
- **How to produce it?**
- **Who should get what is produced?**

Economics is not just about money. It's about **decision-making** in all parts of life—what to eat, where to study, how to spend time, and how governments plan education, healthcare, or farming.

Why Is Economics Important?

Economics is important because it helps us make smart choices in everyday life. We all have limited money, time, and resources, but unlimited wants. Economics teaches us how to use what we have in the best way. It helps families plan their spending, businesses grow, and governments decide how to build schools, hospitals, and roads.

By learning economics, we can understand the world better and become wiser in making decisions—now and in the future!

Needs and Wants

In economics, it is important to understand the difference between **needs** and **wants**.

Needs are the things we must have to live, like food, clean water, clothes, and a safe place to stay. Without these, we cannot survive.

Wants are things we would like to have, but we can live without them—like toys, a smartphone, ice cream, or new clothes for fashion.

Our **wants are unlimited**, but the **resources** we use to get them, like money and time, are limited. That's why we must make smart choices about what to buy or do first.

Scarcity

Scarcity is a situation where there are not enough resources to satisfy everyone's wants. Resources like money, time, land, and materials are **limited**, but people's wants and needs are **unlimited**. Because we cannot have everything we want, we must make choices.

For example, if you have 100 Taka, you might want to buy a snack, a comic book, and a new pen, but you don't have enough money to buy all three. This limited amount of money is scarcity in your life.

The Economic Problem

The **economic problem** is unlimited wants exceeding finite resources. Since resources are scarce, people, businesses, and governments must choose what to produce and how to use what they have. For example, a farmer with only a small piece of land must decide whether to grow rice, vegetables, or fruits. Choosing one means giving up the others, which shows the problem of making decisions due to scarcity.

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Notebook Activity 1:

The Haque Family's Monthly Choices

Mr. and Mrs. Haque live with their two children, Rafi and Rania. Mr. Haque earns **\$500 per month**, which they use to pay for their family's basic needs and small extras.

Every month, they must pay for **rent (\$200)**, **food (\$150)**, **school books (\$40)**, **water bill (\$20)**, and **internet (\$30)** for the children's homework.

If they have money left, they sometimes enjoy **ice cream (\$10)**, buy **new clothes (\$25)**, or get **toys (\$20)** for their kids.

But this month, they can't afford everything. The family must decide which things to buy and which to skip.

Your Task:

1. Which items are **needs**?
2. Which items are **wants**?
3. If you were in this family, what would you choose to spend on? Justify each of your choices

Factors of Production

Have you ever wondered how things around you—like clothes, food, houses, or even your school—are made? To create these goods and services, we need different types of resources. These resources are called the **factors of production**.

There are **four main factors of production: land, labour, capital, and entrepreneurship**. Each plays a special role in turning ideas into real products and services. For example, a farmer needs land to grow crops, workers to help, machines to plant seeds, and someone to plan and organize it all. Without these factors working together, nothing could be made or sold.

- **Land** refers to all natural resources used to produce goods and services. This includes not just soil, but also water, forests, minerals, sunlight, and even wind. Besides land itself, it includes what is beneath the land, what occurs naturally on land, the water bodies and what is found in them.
- **Labour** means the human effort, both physical and mental, that people use to produce goods and services. It includes all kinds of work, from building roads to teaching students.
- **Capital** includes all man-made tools, machines, buildings, and equipment used in production.
- **Enterprise** is the willingness and ability to bear uncertain risks and to make decisions in a business. It involves planning, organizing, taking risks, and making decisions to produce goods or services. **Entrepreneurs** take risks and make decisions.

Notebook Activity 2:

Factors of production in Bangladesh

Bangladesh is a country rich in natural resources and hardworking people. It has fertile delta lands and many rivers such as the Padma and Jamuna, which provide water for farming and fishing. The country also has forests and mineral resources like natural gas. Many people work as farmers, fishers, and factory workers. Bangladesh's factories use machines and technology to produce textiles, garments, and other goods.

Entrepreneurs such as garment factory owners, restaurant owners, and businesspeople organize these resources and workers to start and run businesses that help grow the economy.

Your Task:

From the case study above, identify the resources of the country and classify the resources into the correct factors of production.

Key Terms:

- **Economics:** The study of how people make choices to use limited resources to satisfy their needs and wants.
- **Needs:** Things that are essential for survival, like food, water, shelter, and clothing.
- **Wants:** Things that people desire but are not essential, like toys, games, or fancy clothes.
- **Scarcity:** Scarcity is a situation where there are not enough resources to satisfy everyone's wants.
- **Economic Problem:** The economic problem is unlimited wants exceeding finite resources.
- **Factors of Production (FOP):** The resources used to produce goods and services; they include land, labour, capital, and enterprise.
- **Land:** Natural resources used in production, such as soil, water, minerals, and forests.
- **Labour:** The human effort (physical and mental) used in making goods and providing services.
- **Capital:** Man-made tools, machines, and buildings used to produce goods and services.
- **Enterprise:** is the willingness and ability to bear uncertain risks and to make decisions in a business.
- **Entrepreneur:** an individual who creates a new business, bearing most of the risks

Notebook Activity 3:

There are several types of scarcity, a country may face. In about 100 words, describe one type of scarcity that your country is currently facing. Explain how this scarcity creates an economic problem by affecting people's daily lives and the country's resources.