

## Key Concepts

### • Scarcity

The fundamental economic problem of having seemingly unlimited human wants and needs in a world of limited

### • Resources (Factors of Production)

The inputs used to produce goods and services, commonly categorized as land, labor, capital, and entrepreneurship.

### • Production

The process of creating goods and services using resources.

### • Distribution

The process by which goods and services are made available to consumers.

### • Consumption

The act of using goods and services to satisfy wants and needs.

## Summary Points

### 1. Definition and Core Function of an Economy

- An economy is a social system that organizes the production, distribution, and consumption of goods and services within a specific geographic area or society.
- Its primary function is to manage and allocate scarce resources effectively to satisfy the unlimited wants and needs of its population.
- It encompasses all activities related to wealth creation, trade, and financial transactions.
- Determining how a society sustains itself.

## Visual Elements