

Topic: Meaning of Economics and Related Concepts (Part 2)

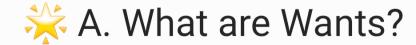
Subtopics:

1. Concept of Want and Scarcity

2. Scale of Preference and Choice

3. Opportunity Cost

1. Concept of Want and Scarcity



Wants are the desires or needs that individuals or society aim to satisfy in order to improve their standard of living. They represent everything that people would like to have, whether essential or luxurious.



Types of Wants:

1. Basic Wants (Necessities): These are essential for survival and wellbeing. Without them, human life is

difficult or impossible. **Examples:** Food and water Shelter (a place to live) Clothing 2. Secondary Wants (Comforts and Luxuries): These are not essential for survival but make life more enjoyable and comfortable. **Examples:** Mobile phones **Television** Cars

Air conditioners

- Features/Characteristics of Wants:
- Unlimited: Human wants are neverending. Once one is satisfied, another arises.
- Recurrent: Some wants return regularly, like eating or sleeping.
- Competitive: Since we can't satisfy all wants at once, we must choose between them.
- © Complementary: Some wants go together. For example, a car and fuel, pen and paper.

Varies by Person and Society: What one person needs may not be needed by another. For example, a farmer may want a hoe, while a student may want a laptop.



Scarcity refers to the condition in which human wants exceed the available resources to satisfy them. It is the fundamental economic problem.

> Definition: Scarcity is the limited nature of society's resources in comparison to unlimited human wants.



A student has \$\frac{\top}{1}500\$ but wants a \$\frac{\top}{1}700\$ meal.

A country has limited land and must decide between using it for farming or industry.

Government has #1 billion, but #3 billion is needed to fix all roads and schools.

Why Scarcity is Important:

It affects everyone, regardless of status.

It is unavoidable, because no economy has infinite resources.

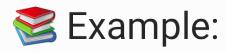
It forces individuals, firms, and governments to make choices and set

priorities.

2. Scale of Preference and Choice

** A. What is Scale of Preference?

A scale of preference is a list of wants or needs arranged in order of their importance or priority. It helps individuals or societies to decide which wants to satisfy first with the limited resources available.



Let's say you have \(\frac{\text{\tilitet{\text{\tetx{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\tint{\text{\te}\tint{\text{\text{\text{\text{\text{\text{\text{\text{\text{\te}\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\tetx{\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\texi}\text{\text{\text{\text{\texict{\text{\texi}\tex{\text{\tex{\texit{\texitex{\texit{\texi{\texi{\texi{\texi{\texi{\texi{\texi

include:

1. Buy a new textbook - ₩600

2. Buy lunch − N400

3. Buy a game card − N+300

4. Recharge your phone - ₩200

With \$\frac{\text{\ti}\text{\text{\text{\text{\text{\text{\text{\text{\text{\text{\t

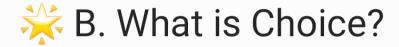
Importance of Scale of Preference:

Helps in effective budgeting

Aids in economic planning at all levels (personal, household, national)

Assists individuals in making rational decisions

Ensures resources are used in the most beneficial way



Since resources are scarce, and human wants are many, we must make choices. Choice in economics refers to the act of selecting one want from two or more alternatives.

@ Practical Examples of Choice:

Individual: Choosing between saving or buying shoes.

Family: Deciding whether to rent a bigger apartment or save for a car.

Government: Deciding to fund education instead of building a new stadium.

Why Choice is Important:

Every time we choose one option, we forgo others.

Choices determine how resources are allocated.

Choices influence our future satisfaction and success.

3. Opportunity Cost

X Definition:

Opportunity Cost is the value of the next best alternative forgone when a choice is made. It is also called real cost.

> It is not necessarily measured in money it can be time, resources, or satisfaction.



1. If a student chooses to study instead of watching a movie, the opportunity cost is the entertainment from the movie.

2. If the government spends \(\frac{\text{\text{\text{\text{H}}}}{2}\) billion on a military base instead of on hospitals, the hospitals are the opportunity cost.

3. If a young graduate chooses to start a business instead of taking a job offer, the job (and its income) is the opportunity cost.



Encourages better use of scarce resources.

Makes people aware of what they are sacrificing.

Promotes rational decision-making at all levels.

Highlights the trade-offs involved in every economic decision.

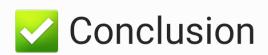
Connection Among All Concepts:

Concept Description Relation to Others

Wants Human desires and needs

Create the need for choices and allocation of resources Scarcity Limited resources Forces individuals and societies to choose Scale of Preference Ranking of wants based on priority Helps guide choices when resources are scarce Choice Selecting one want over others A response to scarcity using scale of preference Opportunity Cost The next best alternative forgone The result or

consequence of making a choice



In Economics, we study how to manage scarcity and make smart choices among our many wants. We use a scale of

preference to prioritize and understand that every decision involves an opportunity cost—something we must give up.

Understanding these concepts is the foundation of economic reasoning. Whether you're a student, worker, entrepreneur, or president, these ideas help you use your resources wisely.