

Q1) a)

Intro

- The term scarcity describes
- There is finite number of resources to satisfy infinite wants
- Wants: Desires to obtain various goods and services that provide satisfaction
- Goods and services are products of the utilisation of resources a.k.a. factors of production; land, labour, capital and entrepreneur

Point 1

- Resources itself are scarce
- Therefore, society is not able to produce and consume all the goods and services it wants
- Choices have to be made; One must forego one choice as a cost to obtain another better alternative hence, opportunity costs.
- This situation is not only faced at a micro level in an economy but also at a macro level.
- For example, on a micro scale, a retail store might have to choose between selling a Japanese Brand Instant Noodle or a Local Made Instant Noodle. One is more popular than the other however the latter is cheaper to obtain and can have larger returns for the retail store.
- On the other hand, on a macro scale, a country such as Malaysia might have to choose between exporting more Palm Oil or more Natural Rubber. Either way, a choice must be made.

Point 2: What to Produce

- Society must choose what type of goods and services to be produced as well as determine the quantity to produce.
- This is the case due to the scarce resources available for a country to employ.
- For instance, whether to construct new roads or hospitals, produce cars or tanks.

Point 3: How to Produce

- Society must decide on how to efficiently allocate resources in order to produce the desired goods.
- In this case, the nation must determine what methods to use in order to fully employ the available resources to maximise production of goods.
- For example, the nation can choose whether to employ more labour or more capital
- Aside from that, the nation must also consider other issues related to method of production that might cause morale issues; Slavery and GM food.

Point 4: Whom to Produce For

- Resources are scarce; commodities are scarce too therefore, not everything can be produced for everyone.
- The nation must choose whether everyone is going to have an equal share or to allocate more commodities to certain groups of people.
- However, in a market economy, an individual's income is a deciding factor.
- For example, those with higher income obtain a larger share from the nation's output.

Q9)

Intro (Economics)

- Economics is a study of how to allocate scarce resources in the most efficient way.
- In a way, economics is a social science that studies human behaviour in consumers and firms in order to take decisions about the economy as a whole.
- A choice must be made, one option must be foregone as a cost to obtain another alternative hence, opportunity cost is made.
- In doing so, goods and services can be continuously produced to accommodate the wants and needs of society.
- All in all, at the heart of economics itself is scarcity.

Intro (Scarcity)

- Scarcity relates to a situation where the wants and needs of society is greater than the resources available.
- Scarcity is prevalent in all economies be it high income, middle-income and low income countries.
- The fundamental economic problem also relates to scarcity where there are too little resources to accommodate too many wants.
- Resources in this world are limited; a.k.a. factors of production; land, labour, capital and enterprise.

Point 1 (Economics cannot solve this problem)

- Economics is not built to solve scarcity; it is only to help society best utilise the available resources to accommodate the wants and needs of society as much as possible.
- On the macro level, scarcity exists in the areas of national income, economic growth, investments, employments and trade.
- Meanwhile on the micro level, scarcity may exist in the form of lack of consumer goods and lack of capital goods for consumers to purchase.

Point 2 (Economics solutions to decrease the blows)

- The subject of economics has however put forth multiple models for resource allocation
- Economic systems; A means to describe the allocative mechanism by which individual units in the economy make choices.
- The market economy that is based on the price mechanism
- The economic activity depends solely on market forces; consumers and producers
- The government plays little or no part at all in the economic activity
- Only intervene in the market economy if the market fails; unprovided healthcare or lack of fire services
- The price directs the economy on answering the question of what, how and whom to produce.
- Meanwhile, the planned economy is centrally planned
- The economic activity is totally regulated by the public or the government
- Allocation of resources is controlled by the government in order to ensure equal distribution of income and wealth

- In other words, the government directs the economy with central planning to answer the question of what, how and whom to produce.
- Regardless of the economic systems applied, the main purpose of both is to reduce the amount of scarcity in the world.