Lesson 1: Scarcity and the Science of Economics

Chapter 1: What is Economics?
Video: Republic of Happiness

1. What are the four major elements that the Bhutanese include in their central concept of Gross National Happiness (GNH)? What others might you add? What might you want eliminated from their list?
   - Water, education, health, and shelter
2. What elements of Western economics do the Bhutanese embrace? What elements does the video tell you they reject? What other elements of the Western way of life and economics might also be rejected based on the three basic, blended foundational elements of Bhutanese GNH?

- Bhutanese embrace economic development for their citizens. They reject consumerism and cynicism, because, while one of their foundational elements is economic development, consumerism and cynicism clash with the foundation elements of their spiritual values and rich culture.
3. How might the Bhutanese attitude toward nature affect its economic growth? Do you agree or disagree that the Bhutanese have a legitimate argument that nature must be respected and people should live in harmony with it and not destroy it, even for economic gain?

- Bhutanese respect for nature might limit their ability to exploit natural resources for economic gain or profit.
Economists often talk about people's needs and wants. Drag each term from the word bank into the "Needs" or "Wants" column to show which items are basic requirements for survival and which items are unnecessary but desirable.

<table>
<thead>
<tr>
<th>Needs</th>
<th>Wants</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Word Bank:
- Water
- Toy
- Shoes
- Groceries
- Smartphone
- Mp3 player
- Housing
- Clothing
- Concert tickets
- Television
- Restaurant meal
Economists often talk about people's needs and wants. Drag each term from the word bank into the "Needs" or "Wants" column to show which items are basic requirements for survival and which items are unnecessary but desirable.

<table>
<thead>
<tr>
<th>Needs</th>
<th>Wants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water</td>
<td>Toy</td>
</tr>
<tr>
<td>Shoes</td>
<td>Smartphone</td>
</tr>
<tr>
<td>Groceries</td>
<td>Mp3 player</td>
</tr>
<tr>
<td>Housing</td>
<td>Concert tickets</td>
</tr>
<tr>
<td>Clothing</td>
<td>Television</td>
</tr>
<tr>
<td></td>
<td>Restaurant meal</td>
</tr>
</tbody>
</table>
A. Societies do not have enough productive resources to satisfy everyone's wants and needs.
A. Societies do not have enough productive resources to satisfy everyone's wants and needs.

1. Explain the difference between a want and a need.
   a. A want is not necessary for survival, and a need is necessary for survival.
A. Societies do not have enough productive resources to satisfy everyone's wants and needs.

2. What is the difference between a good and a service? What kinds of goods are available? What are some kinds of services?
   - A good is a useful, tangible item that can fulfill a want or need.
   - A service is a work that is performed for someone to fulfill a want or need, but it is not tangible.
   - Goods include cars, MP3 players, food, and medicine.
   - Services include haircuts, home repairs, and concerts.
A. Societies do not have enough productive resources to satisfy everyone's wants and needs.

3. What determines the monetary value of a good or service? Why are some necessities less expensive than unnecessary items?
   o Scarcity and utility determine monetary value.
   o Some necessities are useful but plentiful, so they may cost less than unnecessary goods and services that are very scarce and have utility.
A. Societies do not have enough productive resources to satisfy everyone's wants and needs.

4. List the four characteristics of the accumulated goods that make up economic wealth.
   - Tangibility, scarceness, utility, and transferability
A. Societies do not have enough productive resources to satisfy everyone's wants and needs.

5. Is anything actually “free”? Why or why not?
   o Almost nothing is free, because someone must pay for it in the first place.
B. Because resources are scarce, all societies must decide **WHAT** goods to produce, **HOW** to produce them, and **FOR WHOM** they are produced.
B. Because resources are scarce, all societies must decide WHAT goods to produce, HOW to produce them, and FOR WHOM they are produced.

1. Who makes the decisions about WHAT goods to produce in North Korea? Who decides in the United States? How can the decisions affect the people living in those societies?

   o In **North Korea**, the government decides what to **produce**
   o In the **United States**, consumers decide.
   o In **North Korea**, large amounts of **military goods** are **produced** instead of consumer goods.
   o In the **United States**, what is **produced** more closely matches what **consumers want** and need
B. Because resources are scarce, all societies must decide WHAT goods to produce, HOW to produce them, and FOR WHOM they are produced.

2. What factors go into making a decision about HOW to produce the goods? Explain why Japanese producers rely heavily on robots.
   - Available resources help determine how to produce goods.
   - Because the Japanese population is relatively old, they rely on robots more than on people for production.
B. Because resources are scarce, all societies must decide WHAT goods to produce, HOW to produce them, and FOR WHOM they are produced.

3. Why must societies decided FOR WHOM to produce?
   - There are many different groups that need or want a limited supply of goods.
C. Economics is a study—as well as a social science that uses description, analysis, explanation, and prediction—that deals with people's efforts to satisfy wants and needs through management of scarce resources.

Lesson 1 Scarcity and the Science of Economics
C. Economics is a study—as well as a social science that uses description, analysis, explanation, and prediction—that deals with people's efforts to satisfy wants and needs through management of scarce resources.

1. What is gross domestic product and how is it a description of economic activity?
   - GDP is the monetary value of all final goods, services, and structures produced within a country's borders.
C. Economics is a study—as well as a social science that uses description, analysis, explanation, and prediction—that deals with people's efforts to satisfy wants and needs through management of scarce resources.

2. How can explanation make it easier to address economic problems in the future?
   - Explanation gives us a common understanding of the way our economy works, so we can work together more easily.
C. Economics is a study—as well as a social science that uses description, analysis, explanation, and prediction—that deals with people’s efforts to satisfy wants and needs through management of scarce resources.

3. How could prediction lead to better economic decision making?
   - If we can predict the way a decision might turn out, we can change the decision to avoid a bad outcome.