

- **Opportunity Cost** - refers to the value of the best forgone alternative. The concept of opportunity cost holds true for individuals, businesses, and even a society. In making a choice, trade-offs are involved.

What will happen if there is no SCARCITY?

Without scarcity, a person does not need to make choices since he/she can have everything he/she wants.

BASIC ECONOMIC PROBLEMS OF THE SOCIETY

- What to produce?
- How to produce?
- For whom to produce?

ECONOMIC SYSTEMS

-The **economic system** is the means through which society determines the answers to the basic economic problems mentioned.

- **Traditional Economy** - decisions are based on traditions years and passed on and practices upheld over the from generation to generation.
- **Command Economy** - this is the authoritative system wherein decision-making is centralized in the government or a planning committee.
- **Market Economy** - this is the most democratic form of economic system. Based on the workings of demand and supply, decisions are made on what goods and services to produce.

WHY ECONOMICS IS IMPORTANT?

Read the front page of the newspapers or watch the news on TV. Economics will help the students understand why there is a need for every body, including the government, to budget and properly allocate the use of whatever resources are available. It will help one understand how to make more rational decisions in spending money, saving part of it, and even investing some of it.

MEASURING THE ECONOMY

-The heart of economy is **production** whose value measures both resource input and output of people. The interplay of resources and outputs tells how well the economy has performed.

ECONOMIC RESOURCES

-also known as factors of production, are the resources used to produce goods and services.

- **Land** - soil and natural resources that are found in nature and are not man-made. Owners of lands receive a payment known as RENT.
- **Labor** - physical and human effort exerted in production. It covers manual workers like construction workers, machine operators, and production workers, as well as professionals like nurses, lawyers and doctors. The term also includes jeepney