

Scarce Productive Resources

- **Natural Resources:** resources that occur naturally in and on the earth that are used to produce goods and services.

Examples: wood, oil, lead, water

- **Human Resources:** people performing mental or physical work to produce goods and services.

Examples: Doctors, teachers, trash haulers

- **Capital Resources:** manmade goods that are produced for the purpose of producing other goods and services.

Examples: Machines, computers, buildings, tools

- **Entrepreneur:** a person who takes the risk and gathers the resources to provide a new or improved good or service to the marketplace.

Example: Small-business owner

Scarce Natural Resources

Seventy percent of the Earth is covered by water, but 97 percent of that water is in the oceans. Of the remaining three percent of fresh water, much of it is in the form of glaciers.

- Why is water scarce?

There are approximately 1.3 trillion barrels of oil reserves in the world. The world consumes about 85 million barrels of oil each day. (Source: BP Statistical Review of World Energy 2008.) Some people estimate that we have a supply for roughly 40 years of oil use in known reserves.

- Why is oil scarce?

Scarcity

Wants > Resources = Scarcity

The Economic Way of Thinking

1. Productive resources are limited.
2. People cannot have everything they want.
3. People must make choices.
4. Every choice involves a cost.
5. People's choices have consequences.
6. People respond to incentives.