

# CHOICE

**Choice:** Economics is the study of choice because resources are scarce and many needs and wants cannot be satisfied. As such, choices must be made, and whenever a choice is made an opportunity arises. Households, businesses and governments are always making choices between alternatives competing with each other. The consequences of such choices, present and future, is studied in economics.

As resources are scarce and our wants are never-ending, we have to allocate resources. When we allocate resources, we ask the following questions:

- What goods and services should we produce?
- How should the economy use its resources to operate schools or hospitals?
- What mix of goods will it produce?
- What is the best way to produce goods and services?
- What is the best use of scarce resources?
- Who is to receive goods and services?

When allocating resources, individuals, firms and governments must all make decisions about what, how, and for whom.

# SCARCITY

**Scarcity:** Scarcity is a central concept in economics. Scarcity is the situation in which available resources, or factors of production, are finite, whereas wants are infinite. There are not enough resources to produce everything that we need and want. The basic economic problem that arises because people have unlimited wants but resources are limited. Because of scarcity, various economic decisions must be made to allocate resources efficiently.