



## Chapter II: Basic Economic Concepts

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### Lesson Objectives:

By the end of this lesson, students should be able to:

- Understand the idea of scarcity
- Identify different types of resources
- Distinguish between goods and services
- Explain production and consumption

### 1. Scarcity

**Definition:** Scarcity means that resources are limited while human needs and wants are unlimited.

Because of scarcity:

- Individuals must make choices
- Companies must decide what to produce
- Governments must allocate resources

**Example:** A student has only **2000 DA** but wants to buy:

- a book
- headphones
- a notebook

They must choose how to spend their money. So, scarcity leads to decision-making.

### 2. Resources: Factors of Production

Resources are the elements used to produce goods and services. There are four main types:

**-Natural resources:** We have resources from nature like; water, land, oil and minerals.

**-Labor:** that is for human effort used in production as an example; teachers, engineers, farmers, workers.

**-Capital:** which are the tools and machines used in production; computers, factories, vehicles, equipment.

**-Technology:** which refers to knowledge and innovation used to produce efficiently. Example: using software to manage a company.

### 3. Goods and Services

**-Goods** are physical products that can be touched. Examples: food, books, phones, clothes...

Goods can be:

- durable (car, computer)
- non-durable (bread, milk)

**-Services:** which are activities provided to people. Examples: education, transportation, healthcare, banking...

Note that the difference relies in this:

- Goods → tangible (something you can touch, physical)
- Services → intangible (moral, Untouchable)

### 4. Production

**-Production** is the process of creating goods and services using resources. It combines labor, capital, natural, resources, technology...

**Example:** A bakery produces bread using:

- flour (natural resource)
- baker (labour)
- oven (capital)
- recipe (technology)

### 5. Consumption

Consumption means using goods and services to satisfy needs. Examples: eating food, using a phone, taking a bus, attending a class...

Also, production and consumption are connected, production creates goods and services, and consumption uses them.

**Let's sum it up!** In economics:

- **Scarcity** forces people to make choices.
- **Resources** are used to produce goods and services.
- **Goods** are physical products.
- **Services** are activities.
- **Production** creates goods and services.
- **Consumption** uses them.

—————> These concepts help explain how an economy functions.

## Exercises

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### Exercise 1 — Choose the right answer

1. Scarcity means:

- |                        |                      |
|------------------------|----------------------|
| a) Unlimited resources | c) Limited resources |
| b) Limited needs       | d) Free goods        |

2. Labor refers to:

- |               |          |
|---------------|----------|
| a) Machines   | c) Money |
| b) Human work | d) Land  |

3. Which is a service?

- |          |             |
|----------|-------------|
| a) Bread | c) Teaching |
| b) Car   | d) Phone    |

### Exercise 2 — True or False

1. Goods are physical products. \_\_\_\_\_
2. Services can be touched. \_\_\_\_\_
3. Production creates goods. \_\_\_\_\_
4. Consumption means selling products. \_\_\_\_\_

## Key Answers

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### Exercise 1 — Choose the right answer

1. c)
2. b)
3. c)

### Exercise 2 — True or False

1. True
2. False
3. True
4. False