

Importance factors and implications and factors in economics



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Economics is the study of resources, their scarcity and the unlimited wants of mankind. The most appropriate definition is that by Lionel Robbins who defined economics as ' The science which studies human behavior as a relationship between ends and scarce means which have alternative uses.' Analyze this definition closely.

INTRODUCTION

Economics can be defined as a social science study on the production, distribution, and consumption of market goods and services. The term economic come from Greek known as " oikos" which has meaning house and " nomos" describing custom of laws. Economics is also the study of resources on their scarcity with relevance to the unlimited wants of mankind desires. Economics is about inflation, unemployment, the stock market, interest rate, and many more. In general Economics is what we generated and brought over by mankind. Economics is also the study of society decisions on what to be produced, how much to be produced and for whom to produce goods and services.

Economics resources are also called as factors of production in order to emphasis either role in producing goods and services.

OUTPUT

RESOURCES

Output is what is produced. It can be divided into goods (tangible) and services (intangible). Input for goods comes in many forms of rubber tree, oil palm tree and etc. Input for services are in form of labor as it is intangible.

LIONEL ROBBINS THEORY

Lionel Robbins is a British economist who is famously known for his contribution in defining economics as “ a science which studies human behavior as a relationship between ends and scarce means which have alternative uses”. In this statement, the famous economist have interpreted economic as a social science study that involves human behaviors in their daily life of utilizing resources which are in use to produce goods and services.

Moreover, the unlimited wants and needs of human to live high standard living would be the main reasons of scarcity as the unavailability of factors of productions to conform to the human desires, For example, the availability of land in Singapore is so much lesser than in Malaysia, due to lack of it people in Singapore’s desire to own double storey houses are in need to pay very high amount of payment which is almost 6times higher than in Malaysia. Human desires are never ending, mankind can never be pleased with what they own, as the higher their wealth the more will be their dreams to own luxury life style. Though, it is not easy for these dream and desires to be achieved as the factors of production are being unlimited in the world.

1. 2 FACTORS OF PRODUCTION

Each country has certain infinite resources called as factors of production which is generally divided into four categories that are the main four resources includes of land, capital, labor, and entrepreneur. The resources needed to make up goods or services are limited whereas human desire and needs are unlimited, as such the main focus of economic analyst centers on the questions of scarcity and the choices we make every day. The economics <https://assignbuster.com/improtance-factors-and-implications-and-factors-in-economics/>

of a country gains income through the factor of production which is from the factors price, rewards and other income.

Land is a factor of production that encompasses more than a country's soil. It includes all natural resources which are in the country itself. For examples minerals, oil deposits, timbers, rivers and etc. Scarcity happens in this factor of production when the land capacity is limited, hence the country must ensure the land is used for useful beneficial reasons. Limited land in a country would rather tend for the land price becomes higher as they will be higher demand for the land as supply is limited. For example, the price of a Double-Storey house in Singapore is almost five times higher than Malaysia as the land availability in Singapore is very limited.

Capital is related to goods that are produced in an economy as capital is a factor of production which is used to produce goods and services. It includes of factories, storages, transportations, and facilities distribution, as well as tools and machinery. Capital is a very important factor of production as capital is very much in need in producing a product or services.

Labour is a factor of production that contributes to economic physically and mentally that is the skills and abilities of a worker. Labours are the people who are working for the production with regards to achieve organization goals which contribute directly to economics. Examples are retail clerk, football player, teacher, machinists, and more. This factor of production however is very much in need of considerations of wage where the labors are given salary, rewards and incentives of their work.

Entrepreneur is a factor of production which is of an individual who organizes production schedule, introduces new products or enhances techniques of production in a strategic way, and reaps the rewards/ bears the consequences of such endeavours. The hallmark of an entrepreneur is innovation and risk taking. Entrepreneurs also make strategic decisions on business that set the course of enterprise as well as take high risk to ensure the productions are safe and good.

BASIC ECONOMIC ISSUES

Most economic problems arise because of the fact that productive resources are limited but human's wants are unlimited. In general, households and firms will choose at the micro level and whereas the government will choose and decide at the macro level.

Choices involve sacrifice, this is because in order to demand product A the household must sacrifice product B, since they cannot afford both product A and B. The opportunity cost of consuming product A is more than consuming product B, thus product B is foregone. We have to make rational choices always.

Economic issues are basic economic problems of resource allocation, summarized by the following three questions: what to produce, how much to produce, and for whom to produce the goods and services that are made.

In what goods and services to produce question, we can design a questionnaire that asks: should the government produce wheat or missiles?

Housing or factories? Oil palm or rubber trees?. In how much to produce
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question, the organization should decide in how much quantity the goods should be produced. For whom to produce, should the government provide for the hard core poor, the middle class, or the rich entrepreneur?

SCARCITY AND CHOICES

Economic issues are common problems among different types of economists.

The reason is that most economic problems involve scarcity, and scarcity forces mankind to choose between alternatives. Scarcity can be defined as limited. Scarcity exists because human wants are seemingly unlimited with no end, but the resources available to satisfy those wants are limited.

Basically, people need air, water, food, clothing and shelter which are daily needs of mankind, whereas this modern era people desires for goods and services that provide a better comfort in their life. Everything luxury has become something that must and compulsorily achieved. Since human's needs and wants are unlimited, scarcity restricts option and demands choices. This is because not everything desired can be important for daily life as decision on which is necessary and which is must be rationally.

Land, labour, capital, and entrepreneur are limited resources, when the human's wants are unlimited and the needs and wants of humans are not satisfied by these limited resources, humans have to make choices between what is necessary for them. This is the point where household have to make a decisions which to forego and which to take in consider, this is where the opportunity cost takes place.

Opportunity cost is the value of the best alternative surrendered when a choice is made. Opportunity cost is the cost of any activity measured in

terms of the best alternative forgone. Here rational choice involves weighing up the benefit of every activity going against its opportunity cost. It is the best thing that could have been done as an alternative. For instant, when an asset of capital is used for one purpose, the opportunity cost is the price for the untaken purpose where this asset could have been used for instant investing the capital in other securities. An example would be planning to spend RM 10. 00 in a shopping complex, the opportunity cost that would exist will be either to go for movie buy shirt and take lunch. Decision must be made rationally according to what they desire the most which is only one either movie, buy shirt, or take lunch. There should be no regrets after the decision is made as opportunity cost is at given a time, where it cannot be refunded.

1. 5 CONCLUSION

Many people think that economics is about money. Well, to some extent this is true. Economics has a lot to do with the money as well. The question that will lead to this question such as how much money people are paid, how much they spend, what it costs to buy various items, how much money firms earns. Economics is more than just the study of money.

Basically, the factors of productions are land, labour, capital, entrepreneur. These resources are limited resources, but unfortunately the needs and wants of human are unlimited and infinity. Yet the necessity of fulfilling mankind wants are limited as humans are curious to own property and goods which are high in price. The human nature will never change even if the world could only produce a limited amount of goods and services at the time.

Moreover, the time is near where certain goods can never be produced at <https://assignbuster.com/improtance-factors-and-implications-and-factors-in-economics/>

high production in the world. This is due to the world resource limitation where resources are being so much in used to fulfill many desires in the current generation. So, here is the problem of scarcity arises. Despite, this is also going to result in the future generation not being able to administer and enjoy the mother earth's nature.

Likewise said by the economist Lionel Robbins who defined economics as 'The science which studies human behavior as a relationship between ends and scarce means which have alternative uses". He have clearly stated that scarcity is due to human desire which is unlimited as we humans have our own desire of life where ambitions and dreams play their part when we wish to own luxury items in life and live a high standard living.

In this modern world, the issue of resources limited as the factors of production in form of land, labor, capital and entrepreneur is very limited in the world for time being as there is a lot of constructions and buildings that have been raised throughout the world. Scarcity is in a very crucial stage in the world nowadays and human needs and wants must be aligning according to their affordability and standard of living of their own strength of life.