

# [Basic economic problem](https://assignbuster.com/basic-economic-problem/)

[Economics](https://assignbuster.com/essay-subjects/economics/)

Basic Economic Problem Lord Robbins defines economics as a socialsciencewhich studies between ends and scare means which have alternative uses. Ends- want Scare means- Limited resources Alternative uses- different Scarcity Humans being are greedy by nature. As such, there wants are unlimited or infinite. However the resources available in form of land, labor, capital and enterprise that are being use to produce goods and services are scare or unlimited. This give rise to the basic economic problem which is scarcity. Scarcity is relative term that is does not mean few numbers. It is in fact related to demand and supply.

For example 10 rotten eggs will not scare means because there is no demand for it. However 1 millions good eggs will scare if demanded for it exceeds supply. Choice As resources are limited and wants are unlimited, we have to exercise a choice according to a scale of preference. The scale of is simply a list were the wants are being rank according to their importance. The main aim of a consumer is to maximize the level of satisfaction. Opportunity Cost Opportunity is the next best alternative foregone. It occurs because commodity has to be has to be sacrifice. The problem of scarcity, choice and opportunity cost it faced y economics agents.

Examples: Namely consumer, producer and government. Consumer The consumers: want to buy a tablet and a computer but he has only Errs, 000, both cost Errs, 000. He buys the tablets then the computer become the opportunity cost. Producer The producer of a new factory wants to produce both Jeans and Shorts but there is less labor and land so the producer chose Jeans so the shorts become the opportunity cost. Government The government has decided to build a hospital and a school. But there are fewer budgets, lack of labor and land. The government decides to build the hospital. The By Niters-Schoolboy