



Pakistan School
Kingdom of Bahrain

**A warm welcome to all
the students to our
virtual class.**

❖ Rules for class:

- 1) Be on time for all your classes.
- 2) Respect all the participants of the class.
- 3) Do not create any disturbance,
- 4) Pay attention to your teacher.
- 5) Raise hand if you have a question.
- 6) Entre into the class with your actual name.
- 7) Ask only questions relevant to the topic.

Chapter One

Nature and scope of
economics.

Lesson Objectives:

- By the end of this part of lesson, students will be able to:
 1. Analyze some of the basic concepts of economics.

Brainstorming

- ⦿ What is the basic economic problem?
- ⦿ Economic problem, in essence, is the problem of scarcity & choices.
- ⦿ How an economic problem can be solved?
- ⦿ Since the available resources are scarce and cannot fulfill all of our desires so economic problem can be solved by making choices.

Goods & Services

- ◎ **Goods**: All material things which are used by human beings to satisfy their wants are called goods for example food, clothes, book, cycle, building etc. Goods are tangible.
- ◎ **Services**: Those actions of individuals, which can satisfy other's wants are called services, for example lecture by the professor, examination of patient by doctor etc. Services are intangible.

Classification of goods

- ⦿ Goods can be classified in many ways e.g. according to use.
- ⦿ i) Consumer goods.
- ⦿ ii) Producer goods or Capital goods.
- ⦿ **Consumer goods** Consumer goods are the goods which can satisfy human wants directly. They have utility. These include things like bread, car, cycle etc.

- **Producer goods** these are the goods which are used for the production of other goods or for earning income. Without the aid of capital goods, labour can produce very few goods.
- Producer goods are of three types.
- (i) **Raw materials** like metal, wood, oil etc.
- (ii) **Semi-manufactured goods** like steal, cotton yarn, flour etc.
- (iii) **Manufactured goods** for example machinery, tools, buses, computers.

- ⦿ Goods can also be classified on the basis of scarcity as;
- ⦿ i) Free goods (air, sunshine etc).
- ⦿ ii) Economic goods (These goods have price and are bought & sold in the market).
- ⦿ iii) Public goods (Highways, parks etc).
- ⦿ iv) Private goods (car, house etc).

Utility

- The power or ability of a good to satisfy a human want is called utility.

Characteristics of utility

- i) Utility is a relative term.
- ii) Utility depends upon intensity of want.
- iii) Utility is subjective.
- iv) Utility depends upon use and form of goods.
- v) Utility depends upon knowledge.
- vi) Utility is different from usefulness.
- vii) Utility is the basis of demand.

Scarcity

- ④ Scarcity means a situation where available resources are insufficient to produce all the goods and services people wish to have.
- ④ Scarcity has some important features.
 1. Scarcity is a universal fact.
 2. Scarcity is a relative term.
 3. Scarcity forces choices.
 4. Scarcity creates conflicts.

Closure

- Key points:

- All material things which are used by human beings to satisfy their wants are called goods for example food, clothes etc.
- Those actions of individuals, which can satisfy other's wants are called services, for example lecture by the professor.
- Goods are tangible, services are not.
- On the basis of use goods can be classified as consumer or producer goods.
- On the basis of scarcity goods can be classified as free or economic goods.
- The power or ability of a good to satisfy a human want is called utility.
- Scarcity means a situation where available resources are insufficient to produce all the goods and services people wish to have.

Thank you.
See you in the
next lesson.