The basic economic problem: Humans have infinite needs and wants but there are finite resources to satisfy these needs and wants.

Need – A necessity that you require in order to survive in life.

Eg:

- Education
- Food
- Water

Want – something you can survive without but desire.

Eg:

- Electronics
- A basketball
- Luxuries

Factors of production are resources companies use to produce.

FOP (Factors of production)

- Land; Natural resources or literal land that can be used for production, for example wood.
- Labour; Human work force that is used for production, for example a waitress.
- Capital; Man made resources that is used for production, for example a hammer.
- Enterprise; The risk of making a business, for example Elon Musk taking the risk of creating Tesla.

What are the factor payments?

Land – Rent

Labour – Salary

Capital – Interest

Enterprise – Profit

Opportunity cost: The benefit of an alternative option sacrificed. For example, the opportunity cost of buying a MacBook was the benefit of a Lenovo sacrificed.

Free good: A good that comes from an unlimited source which means it comes free of cost. For example, the Sun’s heat.

Factor mobility: The ability for a resource to change its use in order to increase production. For example, changing your profession from being a physicist to a teacher at a school.

Types of factor mobility:

- Geographical; this is when you change the location of the resource, for example moving countries for a job offer (the company decided to send you to their branch in another country to increase productivity).

- Occupational; this is when you change your profession, for example a physicist changing their profession into becoming a science teacher as they have the qualifications to do so.

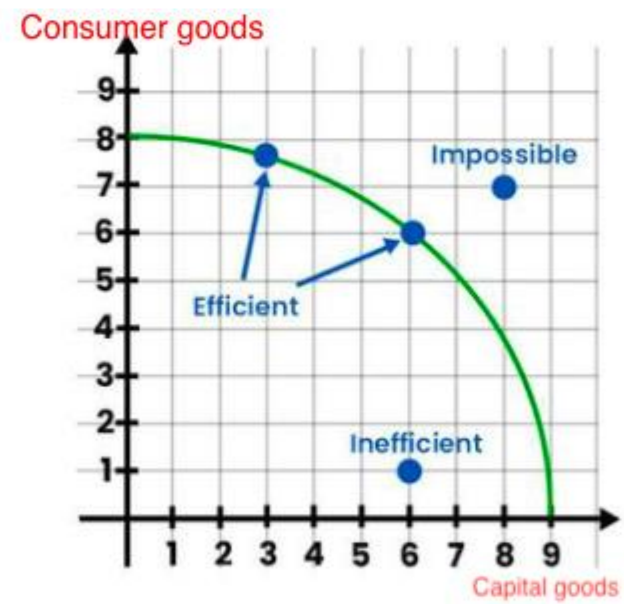
PPC – production possibility curve:

A PPC shows the maximum output that can be produced with a limited number of resources by an economy. You must assume two things are fixed while creating this diagram.

Assumptions which are called ceteris paribus:

- Your resources are at constant
- Your technology is fixed

PPC example:



Movement along the graph: When you move along the curve, it is called a re-allocation of resources in order to produce more of a certain good. The opportunity cost of reallocating resources is the benefit of the other product sacrificed for the increased production of another product.

Shift in PPC: When the assumed factors change like the technology and the resources change. If there is innovation in technology the PPC will move out meaning that the maximum production is extended. If there is a decline in resources, the PPC will shift inwards.

How to increase FOPs:

- Land: Reclamation of land (creating the palm in Dubai). Deforestation, however, this is not a viable option. Improving infrastructure, efficient use of land for agricultural purposes like fertilization.
- Labour: Healthcare improvement for increase of quantity and quality. Advertise immigration and have relaxed immigration laws. You can improve education in your country. You can influence population growth.

- Capital: Invest more in machinery. Building more factories for the increase of production of machinery. Innovations in technology for quality. Invest more in research and development.