

FACTORS OF PRODUCTION

1. Land – refers to all natural resources, such as minerals, forests, and water.

Significance: provided raw materials, space, and resources for all economics activities.

2. Labor – refers to the effort and skills of people who work to produce goods and services (human capital labor).

Significance: offers human skills and effort, driving productivity and adaptability

3. Capital – refers to the tools, machinery and other physical assets used to produce goods and services.

Significance: enhances efficiency with tools and infrastructure, fostering technological progress (interest).

4. Entrepreneurship – combine all the factors of production. They identify opportunities organizes resources and bring new products or services to the market.

Significance: for economic growth, innovation, creating jobs, taking strategic risk, all of which contribute to sustainable development and improve living.

MAJOR DIVISIONS OF ECONOMIC

1. Microeconomics – Focuses on the behavior of individual economic actors, such as household and firms. Always satisfy the needs and wants of the individuals.
2. Macroeconomics – Examines the economy as a whole, on a national or global scale. Examines the overall level of nation's output, employment and prices.

CONCEPT OF ECONOMICS

1. Scarcity – fundamental economic problems in the world with limited resources (kukulangan). The limited nature of society's resource.
2. Supply and Demand – the relationship between the availability of a good or service and the desire for it, which determines its price.
3. Opportunity Cost – the value of the next best alternative that is forgone when a choice is made.
4. Incentives – the factors that motivate individuals and firms to act influencing their economic factors.

FUNDAMENTAL PROBLEMS OF ECONOMICS

1. What to produce?

- When some goods are not produced, some wants of the society remain unsatisfied

2. How to produce?

- It covers the details of the allocation of productive resources in the production of various goods and services. Goods which are produced by using more of labour than capital.

3. For whom to produce?

- The share of each individuals and household has to be determined and also the quantities of special goods and services which comprise that share.

ECONOMIC SYSTEM MODELS

1. Traditional Economy: Economic decisions based on customs, beliefs, history of ancestors (Underdeveloped regions).
2. Command Economy: The government controls all major economic decisions and resources (Communism).
3. Market Economy: Individuals and businesses make decisions based on supply and demand (communal). Limited role of government only mandated law.
4. Mixed Economy: Both the market and the government share control over economic decisions.

Concept of Opportunity Cost

- Value of the next best option you give up when you choose something.
- It helps people and businesses make smarter choices by comparing what they can have versus what they sacrifice.

Principles of Economics

1. People face trade-offs
2. The cost of something is what you give up to get it.
3. Rationale people think at the margin
4. Trade can make everyone better off
5. Markets are usually a good way to organize economic activity.
6. Government can sometimes improve market outcomes.

7. The forces and trends that affect how the economy as a whole works the standard of living depends on a country's production.
8. Prices rise when the government prints too much money.
9. Society face a short-run trade-off between inflation and unemployment.