

BASIC CONCEPT OF ECONOMICS

Basic tools of Economics analysis are as follows

1. Wants
2. Scarcity
3. Scale preference
4. Choice
5. Opportunity

- Wants: refers to desire to own goods and services that gives satisfaction
- Scarcity : this refer to limited available resource in satisfying the unlimited wants
- Scale of preference: this is a list arranged in order of importance or priority. In scale of preference the most pressing need comes first

Importance of scale of preference

1. It helps us rank our need in order of importance
2. Its helps us in managing our resource
3. It helps individuals identify quickly the most important need among others

4. It helps individuals, firm, government make rational choice in the list.

5. Scale preference also helps individual s make efficient utilization of available resource

- Choice: this is the act of selecting some needs for satisfaction out of many others based on the available resources. Since human wants are unlimited, numerous the need the need for choice becomes necessary.
- Opportunity cost this satisfaction of one want at expenses of the other forgone. It refers to the need that is left unsatisfied in order to satisfy another pressing need.