



## Section 1: Guided Reading and Review

# Scarcity and the Factors of Production

### A. As You Read

As you read Section 1, supply in the space provided an explanation an economist might give showing why each statement is true.

#### Statement

1. People must make choices to satisfy their needs and wants.
2. Scarcity always exists.
3. Physical capital is an important factor of production.
4. All goods and services are scarce.
5. Entrepreneurs are important to the production of goods and services.

#### Explanation

1. \_\_\_\_\_  
\_\_\_\_\_
2. \_\_\_\_\_  
\_\_\_\_\_
3. \_\_\_\_\_  
\_\_\_\_\_
4. \_\_\_\_\_  
\_\_\_\_\_
5. \_\_\_\_\_  
\_\_\_\_\_

### B. Reviewing Key Terms

Complete each sentence by writing the correct term in the blank.

6. A CD player is a \_\_\_\_\_ rather than a need because it is not necessary to survival.
7. The study of how people seek to meet their needs and wants by making choices is \_\_\_\_\_.
8. Persons who perform such actions as cutting hair or teaching school are providing \_\_\_\_\_.
9. When producers will not or cannot offer goods and services at current prices, a \_\_\_\_\_ occurs.
10. Land, labor, and capital make up the \_\_\_\_\_.
11. When people make resources for producing other goods and services they are creating \_\_\_\_\_.
12. The term \_\_\_\_\_ refers to water, forests, and all other natural resources used to produce goods and services.
13. The two categories of capital are physical and \_\_\_\_\_.
14. Factories, machinery, and pencils are all examples of \_\_\_\_\_ capital.
15. Leaders who take risks to develop original ideas and start new industries are called \_\_\_\_\_.