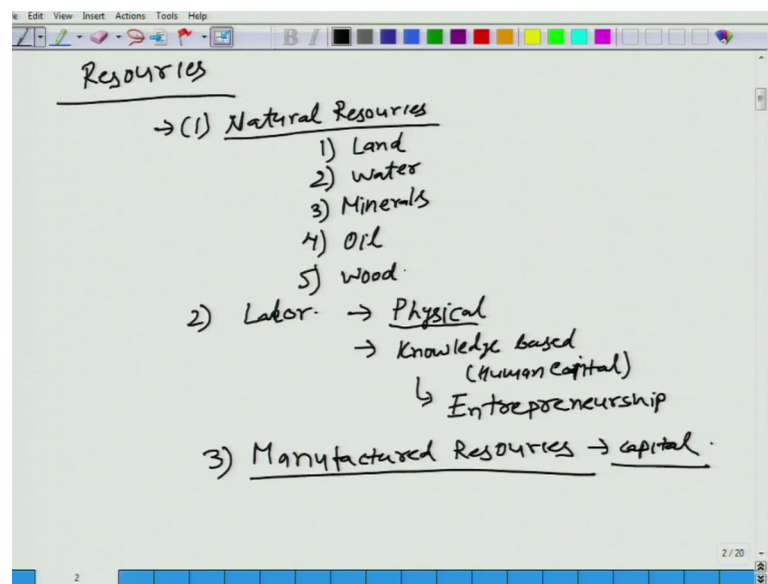


**An Introduction to Microeconomics**  
**Prof. Vimal Kumar**  
**Department of Economic Sciences**  
**Indian Institute of Technology, Kanpur**

**Lecture – 02**  
**Basic Keywords: Resources, Wants & Scarcity**

Now, we have learned what do we mean by good bad and services. So now, we can talk about resources, what do we mean by resources?

(Refer Slide Time: 00:23)



See the thing is goods do not appear from thin air, you need to put some inputs to produce these goods like, tv it needs several kinds of inputs, it needs raw material, it needs labour, it needs intellectual resources, it needs entrepreneurial resources to produce it ok.

So, whatever we need to produce our good we can call them broadly resources. So, let us look at the broad categories of resources and the first resource kind of resource that comes to my mind is natural resource. What do we have as a natural resources? One can of course, one has to write land without land we would not have any agricultural goods, water, nature also provides us with minerals. We should also add oil wood and so on.

Second kind of second broad category of resources that comes to my mind is labour. Now in labor we consider 2 different kind of labour, one is physical and second is knowledge. All is based or we give it a name called human capital, human capital I will describe the term capital little later on. So, what do we mean by physical labour? Whenever when we have in any industry we look at we hire workers to work on different equipments to produce some output, that is what we mean by physical labour.

And what is knowledge based labour? That only physical effort is not sufficient to produce something, the intellectual effort, the design of design of a product, or creating a blueprint of a product these are knowledge based. So, we tend to differentiate between physical labour and knowledge based labour, also it is not a bad idea to include entrepreneurship; ship as a form of knowledge based labour, what is entrepreneurship? It is ability to organize all other factors of production to produce goods and services. It is ability to organize all other factors of production to produce goods and services.

Now, let us move to third kind of resources and that the name we give is manufactured resources. And broadly here what we have is capital, what do we mean by capital? All the inputs or factor of production had to be produced in the first place and they are used for further production. Let me talk about capital once again like here look at land water mineral oil they are provided by nature.

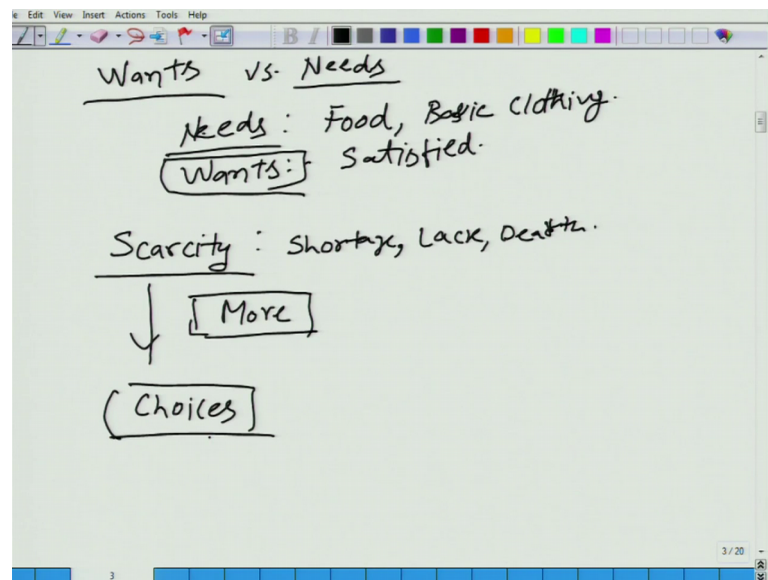
Labour is also it is (Refer Time: 04:42) we are embodiment of labour, physical labor as well as knowledge based labour. And we convert our knowledge and thought into blueprints and design, but that is again pertaining to labour, but how about this pen that I am using here to write. It is also being used to produce some good, what is that good? The teaching, that I am teaching you it is we are participating in production of good called teaching, it would satisfy your intellectual need ok.

So, here let us look at the resources that those are being used to produce this particular good called teaching. Labour physical effort of course, very little bit intellectual effort. Third we have these LCD screen, pen so, these are being used in production of this teaching. So, these are inputs, but these we are not available in nature on their own these we are manufactured. So, these kind of inputs are called manufactured

input or better term is capital. They are fabricated by bringing some kind of natural resources labour together.

And these are used in production of some other goods and services. So, I hope by now resources should be clear to you. So now, let us look at the third term that we used in the definition; just to remind you, what was our definition of economics? That economics is the study of allocation of scarce resources to satisfy individual wants or desire. So, the term here is wants.

(Refer Slide Time: 06:43)



Now, one can very well raise this question why are we talking about wants? Why not needs?

So, let us pay attention to wants versus needs. Think about the difference between wants and need, what are the needs? Needs are goods that you must have in order to survive like food, basic clothing while wants are goods; that you must have in order to feel satisfied. So, keyword is whatever goods in whichever quantity satisfy you those are your wants. So, of course, if you look at these 2 basic things needs and wants needs are more fundamental than wants. You would prefer that we rather talk about needs than wants.

Then why we are talking about wants in economics? The problem is the needs are very difficult to figure out. You may always claim that you are needier than you really

are. Even though, you do not need something you would say I need this, because it is plain simple statement you may express that you need this even though, it is not it is not really that fundamental for your survival, but wants is very clearly it is totally up to you, whatever makes you satisfied it is easier to observe, because when you make decision when you go to the market or when you go anywhere you buy something or you consume something it indicates that you wanted that particular item.

So, the of course, needs are more fundamental than wants, but wants are more easily is more easy to track needs are very, very difficult to track just because you can claim you can always claim that you are needier than you really are. So, that is why we are going to talk about wants not needs. Now the next term is scarcity the simple meaning of scarcity is shortage, lack, dearth.

It implies, what does it imply? It implies that our wants not needs remember, our wants for goods are greater than the availability of limited resources to satisfy those wants. So, if we look at why do we have a scarcity, because the simple fundamental reason that we have scarcity is that we have unlimited wants we always want more, more. So, more is the keyword and this is typical human nature, in economics we are not talking about how we can control our desire, but rather than we are talking about how we make decisions.

So, scarcity is there because we always want more and with limited resources available in this universe in this on this planet, we cannot have unlimited amount of everything. So, that is why we have scarcity. And scarcity leads to choices, because when you do not have unlimited amount of everything, unlimited amount of resource to produce, unlimited amount of all the goods that you desire you will have to make a choice, what you produce? In what quantity you should produce a particular good?