

Scarcity: Everyone's Problem is the Entrepreneur's Opportunity

All of us can think of something we would like to have but cannot afford. You might want to buy an iPod or a pair of shoes. Others might want a car, a new house, or the services of a lawyer. Things we can touch or see that satisfy our wants are **goods**. Actions that people undertake in order to satisfy their wants or the wants of others are **services**. A new car is a good, while advice from a lawyer is a service. Goods and services are scarce because we cannot produce enough of them to satisfy everyone's wants.

Businesses use **productive resources** to produce goods and services. The major categories of **resources** are land, labor, capital, and entrepreneurship. **Land** includes the "gifts of nature" that are used to produce goods and services, including air, soil, minerals, water, forests, plants, animals, birds, solar energy, and wind. **Labor** includes the time and effort people devote to producing goods and services in exchange for wages. This includes both physical labor, such as planning crops and building houses, and mental activity, such as writing legal briefs and programming video games. **Capital** consists of the tools, machines, and buildings used in the production of other goods and services, such as screwdrivers, machines, factories, warehouses, bakeries, roads, and the internet. **Entrepreneurs** act as innovators, strategists, and risk takers to combine land, labor, and capital in order to create a new good or service.

We have limited resources and therefore a limited ability to produce goods and services. The problem of **scarcity** is caused by our inability to make enough goods and services to provide everything all people would like to have.

When people face scarcity, they often think the only problem is that they don't have enough money. Although they may be correct from their personal point of view, to society as a whole a lack of money is not the reason for scarcity. Money is not a resource. It has value only because it can be used to buy resources or goods and services. If, however, the government printed another million dollars for every person in the country, there still would not be enough products to satisfy our wants. For society, scarcity exists because there is a limit to the number of goods and services we can produce, not because of a shortage of money.

Although scarcity is a problem, it is also the basis for all business opportunities. Entrepreneurs are more likely to succeed when they find better ways to offer higher quality products or use fewer resources to satisfy wants. Finding better ways to use resources is often the result of an entrepreneur's ability to deal *promptly* and *effectively* with problems. This vital quality is called **resourcefulness**. Successful entrepreneurs are also innovative. This means they are able to find new, creative ways to take advantage of opportunities or solve problems.

CHECK YOUR UNDERSTANDING:

Consider each of the following questions. If you are not sure of an answer, review the reading to find the information you need before moving on to the next question. Record your answers on a sheet of notebook paper.

- 1) Why wouldn't giving people more money solve the problem of scarcity?
- 2) What are the major categories of resources?
- 3) Explain how being resourceful and innovative can contribute to the success of an entrepreneur.