

GRADE 8 | 2024

Economic and Management Sciences: Economic Concepts

Economic and Management Sciences

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1. What is Economics?

Economics is the study of how people and society choose to use limited resources to satisfy unlimited wants.

KEY POINT: The fundamental economic problem: unlimited wants vs. limited (scarce) resources.

2. Needs and Wants

- Needs: things essential for survival (food, water, shelter, clothing)
- Wants: things we desire but don't absolutely need (luxury car, holiday)

3. The Production Process

Factors of Production

- Land: all natural resources (soil, minerals, water)
- Labour: human physical and mental effort
- Capital: man-made tools and machinery used to produce goods
- Entrepreneurship: risk-taking and organising of the other factors

4. Supply and Demand

Demand

Demand is the willingness and ability to buy a good at a certain price. When the price falls, demand generally rises.

FORMULA: Law of Demand: when price goes up, quantity demanded goes down (inverse relationship)

Supply

Supply is the willingness and ability to sell a good at a certain price. When the price rises, supply generally rises.

FORMULA: Law of Supply: when price goes up, quantity supplied goes up (direct relationship)

5. Economic Systems

- Market/Capitalist system: private ownership, prices set by supply and demand
- Command/Socialist system: government controls production and prices
- Mixed economy: combination of market and command (South Africa)