



University of Mohamed Seddik Ben Yahia, JIJEL

Faculty of Economic, Commercial, and Management Sciences



Level: First year

Second Semester

We have said that economics is concerned with consumption and production. Another way of looking at this is in terms of *demand* and *supply*. Demand and supply and the relationship between them lie at the very center of economics. How does this relate to the problem of scarcity?

Demand is related to wants. If every good and service were free, people would simply demand whatever they wanted. In total, such wants are likely to be virtually boundless, perhaps only limited by people's imaginations. *Supply*, on the other hand, is limited. It is related to resources. The amount that firms can supply depends on the resources and technology

available.

Given the problem of scarcity – that human wants exceed what can actually be produced – *potential* demands will exceed *potential* supplies. Society has to find some way of dealing with this problem, to try to match demand with supply. This applies at the level of the economy overall: total or '*aggregate*' demand needs to be balanced against total or *aggregate* supply. In other words, total spending in the economy should balance total production. It also applies

at the level of individual goods and services. The demand and supply of cabbages should balance, and so should the demand and supply of cars, houses, tablets and holidays. But if potential demand exceeds potential supply, how are *actual* demand and supply made equal? Either demand has to be reduced, or supply has to be increased, or a combination of the two. Economics studies this process. It studies how demand adjusts to available supplies, and how supply adjusts to consumer demands.

Questions:

1. Read the following statements and determine if they are True or False based on the text.

1. If all goods and services were free, human wants would be easily satisfied and limited.
2. Supply is primarily limited by the availability of resources and technology.
3. Scarcity occurs because potential supply is generally greater than potential demand.
4. At the level of the economy overall, aggregate demand should ideally balance with aggregate supply.

2. Complete the following paragraph using the key terms provided in the box below.

Resources, Scarcity, Balance, Demand, Production

The fundamental problem of (1) _____ arises because human wants, expressed as (2) _____, tend to be virtually boundless while the (3) _____ available for (4) _____ are limited. To manage this, an economy must find a way to (5) _____ what is wanted with what can actually be provided, both for individual goods and the economy as a whole.

3. Match the economic term on the left with its reformulated definition on the right.

| Term | Definition |
|---------------------|---|
| 1. Aggregate Demand | A. The total output or spending of an entire economy. |
| 2. Scarcity | B. The desire for goods and services, often linked to infinite human wants. |
| 3. Supply | C. The gap between limited resources and theoretically limitless desires. |
| 4. Demand | D. The amount of a product or service that firms are able to provide. |

4. Translation of Key Economic Terms

| <u>English Term</u> | <u>Arabic Translation</u> | <u>French Translation</u> |
|---------------------|---------------------------|---------------------------|
| Scarcity | | Rareté |
| Supply | | Offre |
| Demand | | Demande |
| Resources | | Ressources |
| Aggregate Demand | | Demande globale |
| Aggregate Supply | | Offre globale |
| Production | | Production |
| Consumption | | Consommation |