

WHAT IS ECONOMICS ABOUT?



Multiple choice

- 1 D
- 2 B
- 3 B
- 4 D
- 5 D

Matching terms

The wants of the whole community, e.g. parks and libraries (determined by the preferences of the community as a whole and not individuals).	collective wants
The concept that using resources for one purpose means that we do not use them for an alternative purpose (often referred to as the 'real' cost, it represents the cost of satisfying one want over some alternative want).	opportunity cost
A graphical representation of all the possible combinations of production of two goods and services (or two types of goods and services) that the economy can produce at any given time.	production possibility frontier
The question of 'how to satisfy unlimited wants with limited resources.	the economic problem
Land, labour, capital and enterprise used in production.	resources
A situation where resources are insufficient to satisfy all wants.	scarcity
A science that seeks to address the problem of unlimited wants yet scarce resources.	economics
The desires of each person.	individual wants

True or false

Select the alternative true or false that best answers the question. Place a tick in the space provided.

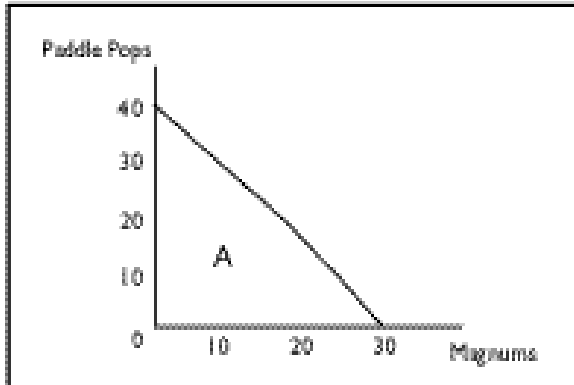
	True ✓	False ✓
1 The basic economic problem is that resources are not used productively and therefore consumers' wants cannot be satisfied.		✓
2 Wealthy consumers do not have to sacrifice any of their wants, because they can afford to satisfy them all.		✓
3 In attempting to maximise utility for society, an economy must attempt to produce at maximum efficiency.	✓	
4 The opportunity cost of unemployment is the cost of paying unemployment benefits.		✓
5 Applying new technology in the production process always shifts the entire production possibility curve outward.		✓
6 A straight line for a production possibility frontier implies that the economy could substitute between the production of the two goods at a constant rate.	✓	
7 If an economy focuses on the production of capital goods, in the long-run this will lead to an outward shift of the production possibility frontier.		✓
8 The tax system is a means by which the government can influence the economic decisions of individuals.	✓	
9 Economics is primarily concerned with the study of finance.		✓
10 Thongs and socks are complementary wants.		✓

Short answer questions

Write or draw your answer in the space provided.

Question 1

(a)

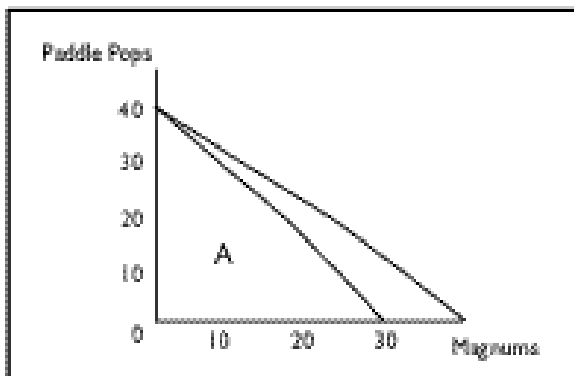


(b) 11 magnums

(c) 30 paddle pops

(d) See point A on diagram above

(e)



(f) The production possibilities frontier would push outwards as the British backpackers would be willing to work. The entry of the backpackers into the labour market means that the limited resource of labour increases pushing outward the production possibilities frontier.

Question 2

- (a) Opportunity cost can be defined as what a country must forgo by producing one type of good.
- (b) Economic growth can be defined as the increase in the real output of an economy over time.
- (c) Unemployment refers to unused resources, or resources not being utilised to produce goods and services.

Question 3

Wants can be defined as the non-essential material desires of an individual or community, (ie collective or individual wants). Our wants are unlimited and will change over time depending on needs and circumstance. Wants are recurring, as many need to be satisfied more than once. They can be complementary, requiring associated goods or services. They change over time due to fashion and age. These factors must be considered by producers.