

# 1

## The nature of the economic problem

- 1 The basic economic problem is
  - A how to allocate scarce resources to satisfy unlimited needs and wants.
  - B how to satisfy limited wants and needs with unlimited resources.
  - C meeting increased demand for goods and services with limited resources.
  - D the interaction of market forces to satisfy unlimited needs and wants.
  
- 2 An example of a free good is
  - A housing.
  - B public domain web pages.
  - C running shoes.
  - D tennis rackets.
  
- 3 An olive farm in northern Italy produces organic olive oil which it sells on its website to specialist shops around the world. An example of tertiary industry activity is
  - A bottling the olive oil.
  - B crushing the olives to extract the oil.
  - C growing olive trees.
  - D selling the oil over the internet.
  
- 4 Which is **not** one of the three basic economic questions addressed by an economy?
  - A For whom should production take place?
  - B How should production take place?
  - C What production should take place?
  - D When should production take place?
  
- 5 Which term is used to describe non-physical items, such as haircuts, bus journeys and internet access?
  - A factors of production
  - B goods
  - C opportunity costs
  - D services

**1 THE NATURE OF THE ECONOMIC PROBLEM**

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**6** Define the term *public sector*. [2 marks]

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**7** Using relevant examples, explain the difference between *needs* and *wants*. [4 marks]

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**8** Explain the difference between *economic goods* and *free goods*. [4 marks]

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**9** Use examples to explain how *goods* differ from *services*. [4 marks]

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**10** Explain how poverty in the real world is an example of the basic economic problem. [4 marks]

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