Exercise walk-through

Scarcity ▪ 1.1

eXercise

You must be able to

- explain that **scarcity 稀缺性** exists because resources are limited but wants are unlimited
- describe how scarcity forces **choices 选择**
- classify the **factors of production 生产要素**: land, labour, capital, entrepreneurship
- distinguish **microeconomics 微观经济学** from **macroeconomics 宏观经济学**

Method — Scarcity forces choices

Resources are **limited** while human wants are effectively **unlimited**, so every individual, firm, and society must choose among competing uses.

Method — The four factors of production

Land (natural resources), **labour** (human effort), **capital** (tools and machines), and **entrepreneurship** (organising the other three and taking risks).

Method — The three economic questions

Scarcity forces every society to answer: **what** to produce, **how** to produce it, and **for whom** to produce.

Method — Micro vs macro

Microeconomics studies individual markets and decisions; **macroeconomics** studies the whole economy (GDP, unemployment, inflation).

Practice 2.1 ▪ 1 mark

Define scarcity.

Solution 2.1

Worked steps

the condition that limited resources cannot satisfy unlimited wants **B1**.

Practice 2.2 ▪ 2 marks

List the four factors of production.

Solution 2.2

Method: The four factors of production

Worked steps

land, labour, capital, entrepreneurship **B1** **B1** *for any two; for all four.*

Practice 2.3 ▪ 2 marks

State the three basic economic questions that every society must answer.

Solution 2.3

Method: The three economic questions

Worked steps

what to produce; how to produce it; for whom to produce **B1** **B1** *for any two; for all three*.

Exam-style 3.1 ▪ 1 mark

Scarcity exists because

- **A** people are lazy
- **B** wants exceed the available resources
- **C** money is limited
- **D** prices are too high

Solution 3.1

A people are lazy

B wants exceed the available resources ✓

C money is limited

D prices are too high

Worked steps

B.

Exam-style 3.2 ▪ 1 mark

Which of these is a factor of production?

A money

B labour

C profit

D demand

Solution 3.2

- **A** money
- **B** labour ✓
- **C** profit
- **D** demand

Worked steps

B.

Exam-style 3.3 ▪ 1 mark

An economy must decide what goods to produce, how to produce them, and for whom.
(a) State why it cannot produce everything everyone wants.
(b) Name the branch of economics that studies the economy as a whole.

Solution 3.3

Method: Micro vs macro

Worked steps

(a) resources are scarce (limited), so choices must be made **B1**. (b) macroeconomics **B1**.