



## Worksheet 1: Economic terms answers

- 1 The economic problem  
*The basic economic problem is scarcity – limited resources versus infinite wants.*
- 2 Resources  
*The four factors of production (land, labour, capital, enterprise) used as inputs to produce goods and services.*
- 3 Wants  
*Individuals' unlimited and ever-growing desires that are non-essential to survival.*
- 4 Economic goods  
*Goods in limited supply, for which economic resources have been used up to produce them, thus generating opportunity cost.*
- 5 Free goods  
*Goods for which no resources have been used to produce them and are thus in unlimited supply and do not generate opportunity cost.*
- 6 Land  
*A factor of production including all natural resources and rewarded with rent.*
- 7 Labour  
*A factor of production including all physical and mental effort of workers and rewarded with wage.*
- 8 Capital  
*A factor of production including all man-made goods used to produce other goods and services and rewarded with interest.*
- 9 Enterprise  
*A factor of production including the calculated risk-taking and decision-making that organises the other factors of production and is rewarded with profit.*
- 10 Opportunity cost  
*The benefit of the next best alternative given up when making a choice.*
- 11 Production possibility curve (PPC)  
*A curve showing all combinations of the maximum output of two goods a country can produce with given resources and state of technology.*