



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.