

Exercise walk-through

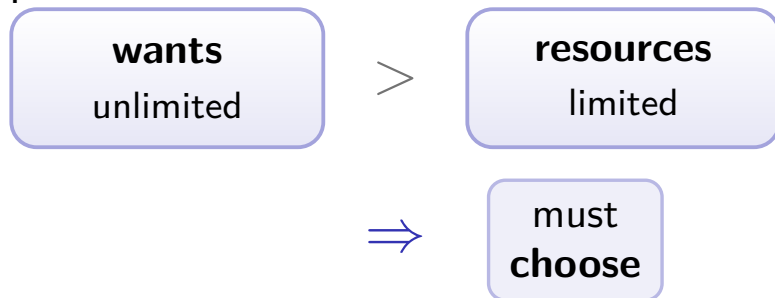
1.1

Scarcity

AP Macroeconomics

Scarcity: the starting point of economics

Every economy faces the same basic problem:



Three questions – and every choice has a cost:

- **what** to produce?
- **how** to produce?
- **for whom?**



Limited resources force every society to choose

The four factors of production

The scarce **resources**

an economy uses to make everything:

Land

natural resources

Labour

human effort and skill

Capital

tools, machines, factories

Entrepreneurship

initiative and risk-taking

Entrepreneurs combine the other three and bear the risk of the venture.

Exercises 2.1-2.3

2.1 Define scarcity.

[1]

2.2 List the four factors of production.

[2]

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

[2]

Exercises 2.1-2.3

2.1 Define scarcity. [1]

2.1

- the condition that limited resources cannot satisfy unlimited wants
-

2.2 List the four factors of production. [2]

2.2

- land, labour, capital, entrepreneurship
-

2.3 State the three basic economic questions that every society must answer. [2]

2.3

- what to produce; how to produce it; for whom to produce

Exercises 3.1-3.2

3.1 Scarcity exists because

[1]

☐

A people are lazy

B wants exceed the available resources

C money is limited

D prices are too high

3.2 Which of these is a factor of production?

[1]

☐

A money

B labour

C profit

D demand

Exercises 3.1-3.2

3.1 Scarcity exists because

[1]

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

3.1 B

- wants exceed the available resources.

3.2 Which of these is a factor of production?

[1]

- ☐ A money
B labour
C profit
D demand

3.2 B

- labour.

Exercise 3.3 (a)

3.3 An economy must decide what goods to produce, how to produce them, and for whom.

(a) State why it cannot produce everything everyone wants.

[1]

Exercise 3.3 (a)

3.3 An economy must decide what goods to produce, how to produce them, and for whom.

(a) State why it cannot produce everything everyone wants. [1]

(a)

- resources are scarce (limited), so choices must be made

Exercise 3.3 (b)

3.3 An economy must decide what goods to produce, how to produce them, and for whom.

(b) Name the branch of economics that studies the economy as a whole. [1]

Exercise 3.3 (b)

3.3 An economy must decide what goods to produce, how to produce them, and for whom.

(b) Name the branch of economics that studies the economy as a whole. [1]

(b)

- macroeconomics