

1.1 Scarcity

Name: _____ Class: _____ Date: _____

Total: 9 marks

Objective

Build the skills to answer exam questions on **scarcity** —the starting point of all economics.

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

1 Worked examples

Study these first. Each one shows the method for a question type used later.

■ Scarcity forces choices

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

■ The four factors of production

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

■ The three economic questions

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

■ Micro vs macro

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

2 Practice

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]

3 Exam-style questions

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

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]

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

4 Go further

- work through the **1.1 Scarcity** lesson on the **Learn** page;

- read the **Basic Economic Concepts** section of the AP Macroeconomics handout on the **Know** page.

Solutions

2.1 the condition that limited resources cannot satisfy unlimited wants.

2.2 land, labour, capital, entrepreneurship.

2.3 what to produce; how to produce it; for whom to produce.

3.1 B.

3.2 B.

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