1. The basic economic problem exists because:

   ☐ prices are too high

   ☐ people do not work hard enough

   ☐ wants are unlimited but resources are limited

   ☐ there is too much money

2. In economics, capital means:

   ☐ money saved in a bank account

   ☐ man-made aids to production (machines, tools)

   ☐ the capital city of a country

   ☐ natural resources such as land

3. Opportunity cost is:

   ☐ the next best alternative given up

   ☐ the cost of making a good

   ☐ the total of all options not chosen

   ☐ the money price of a good

4. A point on the PPC represents an economy that is:

   ☐ in recession

   ☐ wasting resources

   ☐ using all its resources efficiently

   ☐ producing the impossible

5. Which is a free good?

   ☐ a bus ticket

   ☐ a smartphone

   ☐ air

   ☐ a loaf of bread

6. Labour is the factor of production that takes the risk and combines the other factors.

   ☐ True ☐ False



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☐ True ☐ False

8. Moving along the PPC to produce more of one good has no opportunity cost.

   ☐ True ☐ False

9. Every economy must decide what to produce, how to produce it, and for whom.

   ☐ True ☐ False

10. Education and training that make workers more productive improve human _____.

    _____

1. **wants are unlimited but resources are limited**

   Scarcity = unlimited wants meeting finite resources.

2. **man-made aids to production (machines, tools)**

   Capital is man-made aids to production, not money.

3. **the next best alternative given up**

   It is the single next-best alternative sacrificed.

4. **using all its resources efficiently**

   On the curve = full, efficient use; inside = waste; beyond = unattainable.

5. **air**

   Air is not scarce, so it has no opportunity cost – a free good.

6. **False**

   False. That describes enterprise: the entrepreneur organises land, labour and capital and bears the risk for profit. Labour is human effort, rewarded by wages.

7. **True**

   Anyone making a choice with scarce resources faces an opportunity cost.

8. **False**

   False. On the PPC all resources are used, so producing more of one good means giving up some of the other: that is the opportunity cost.

9. **True**

   These three questions follow from scarcity.

10. **capital**

    Human capital is the skills embodied in labour.



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