

1.1 The nature of the basic economic problem

Name: _____ Class: _____ Date: _____

Total: 16 marks

Objective

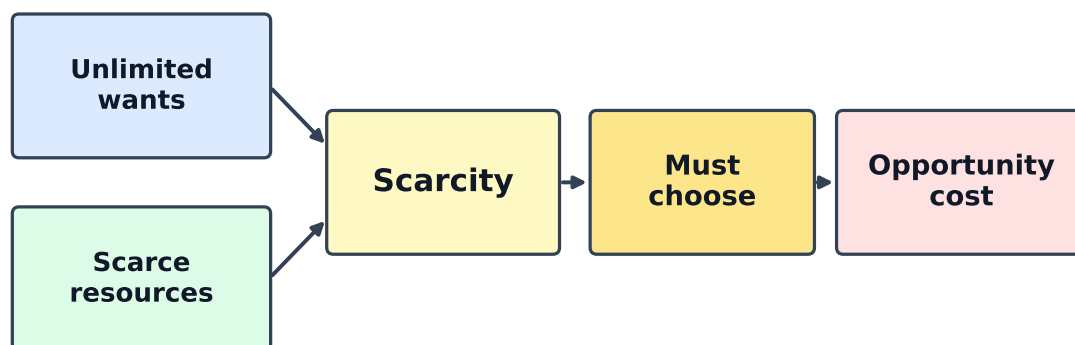
Build the skills to answer exam questions on **the basic economic problem** 基本经济问题—**scarcity** 稀缺, **choice** 选择, and **economic and free goods** 经济物品与免费物品.

You must be able to:

- explain scarcity and why it forces choices
- identify the four decision-makers (consumers, workers, producers, governments)
- distinguish economic goods from free goods

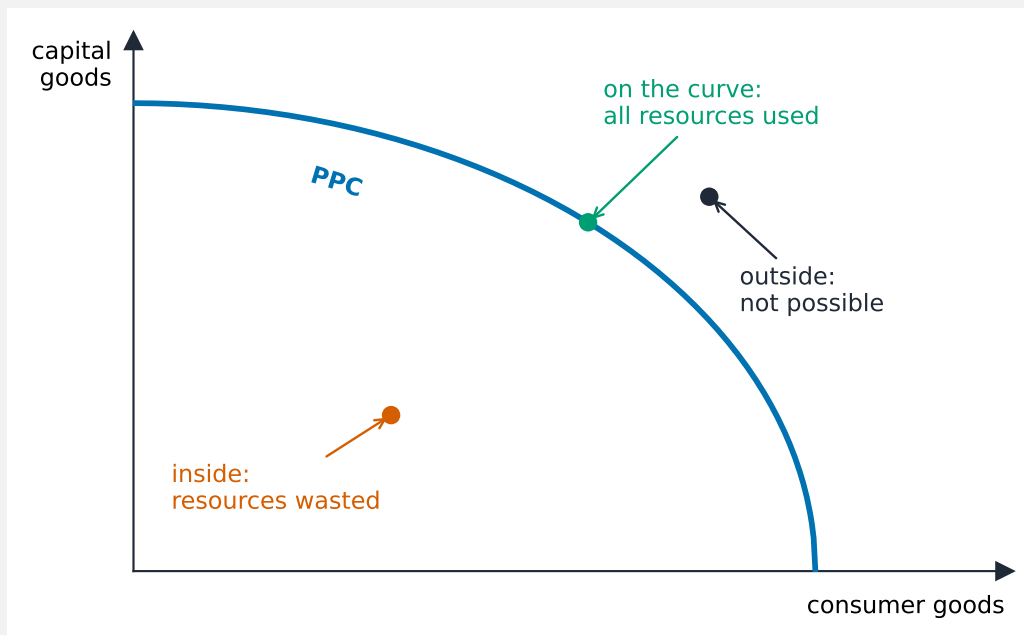
1 Worked examples

■ Scarcity forces choice



Unlimited wants 欲望 + *finite* 有限 *resources* → *scarcity* 稀缺

- **Economic problem** 经济问题: wants are unlimited but resources are scarce, so we must choose.
- **Decision-makers:** consumers, workers, producers (**firms** 企业), governments.
- **Economic good** 经济物品: scarce, has an **opportunity cost** 机会成本. **Free good** 免费物品: not scarce (air, sunlight), no opportunity cost.



Scarcity forces a choice between two goods —the PPC shows the limit and the trade-off

Answer shapes (the discuss question is marked by **level of response** —**K** knowledge, **App** application, **An** analysis, **Ev** judgement):

- **Analyse [up to 6]:** define + a developed reasoning chain.
- **Discuss [8]:** both sides + a supported judgement (Ev).

2 Practice

2.1 Define the term *scarcity*.

[2]

2.2 State the difference between an *economic good* and a *free good*.

[2]

2.3 Identify the four groups of decision-makers in an economy.

[4]

3 Exam-style questions

3.1 Which is a **free good**? [1]

- **A** a free gift with a purchase
 - **B** the air you breathe
 - **C** a state-funded school place
 - **D** a discounted product
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3.2 Explain why scarcity means that consumers must make choices. [4]

3.3 Discuss whether scarcity affects a government in the same way as it affects a consumer. [6]

4 Go further

You are now ready for the real exam questions on this subtopic. Open the **1.1 The nature of the basic economic problem** past-paper sheet in the Library, or try these in **Practice mode**:

- 0455/12 J25 —Q1 (the economic problem)
- 0455/23 J25 —Q5 (scarcity and choice)
- 0455/22 M25 —Q2 (economic vs free goods)

Solutions

IGCSE Economics answers are marked by **level of response**: award **K** knowledge, **App** application, **An** analysis and **Ev** a justified judgement.

2.1 when there are not enough resources to satisfy everyone's unlimited wants (2 for a clear definition; 1 for a partial idea).

2.2 an economic good is scarce and has an opportunity cost; a free good is not scarce and has no opportunity cost (2 for a clear difference; 1 for a partial idea).

2.3 consumers; workers; producers (firms); governments (1 + 1 + 1 + 1).

3.1 B. The air you breathe is not scarce, so it is a free good.

3.2 [4] K 1–2 + An up to 2 —resources are scarce but wants are unlimited, so a consumer cannot buy everything → they must choose what to buy → and giving up the next best thing is the opportunity cost.

3.3 [6] K/App/An up to 4 + Ev up to 2. **Similar:** both face scarce resources and must choose, and each choice has an opportunity cost (a government building a hospital gives up a school; a consumer buying a game gives up a book). **Different:** a government chooses for millions of people and weighs the whole society, while a consumer chooses only for themselves. **Judgement (Ev):** scarcity forces both to choose, but the scale and aims differ —so the *idea* is the same, the *decisions* are not.