

SECTION A: BASIC ECONOMIC PROBLEM

Candidates should be able to:

- define the nature of the economic problem (finite resources and unlimited wants)
- define the factors of production (land, labour, capital, enterprise)
- define opportunity cost and analyse particular circumstances to illustrate the concept
- demonstrate how production possibility curves can be used to illustrate choice and resource allocation
- evaluate the implications of particular courses of action in terms of opportunity cost.

M/J 2015/21

- 2 In 2013, an earthquake on the Iran/Pakistan border destroyed many factories and homes. Some officials wanted the Governments to rebuild the factories and homes, even though there would be an opportunity cost. Others suggested that some people should be encouraged to emigrate.
- (a) Define 'opportunity cost'. [2]
- (b) Explain why the economic problem can never be solved. [4]
- (c) Using a production possibility curve diagram, analyse the effect of the destruction of some of its resources on an economy. [6]
- (d) Discuss whether a country will benefit from the emigration of some of its people. [8]

M/J 2015/22

- 2 Students have to consider the opportunity cost of going to university. University graduates usually earn more than people who have not gone to university. Having more graduates influences a country's production possibility curve. Some economists suggest that students should pay the full cost of their university courses and accommodation. Others say that the government should pay some or all of the cost.
- (a) Describe a possible opportunity cost of a student going to university. [2]
- (b) Explain why university graduates usually earn more than people who have not gone to university. [4]
- (c) Using a production possibility curve diagram, analyse what effect an increase in the number of graduates will have on an economy. [6]
- (d) Discuss whether graduates should pay the full cost of their university education. [8]

M/J 2015/23

- (c) Using a production possibility curve diagram, analyse the effect of an increase in unemployment on a country's output. [6]

M/J 2014/21

- 2 In 2012, the Indian Prime Minister announced that the Government was going to spend US\$90 million on sending a spaceship to the planet Mars. Some economists argued that it would be better to use the factors of production, such as land and labour, to improve education or to build more roads.
- (a) Describe **two** ways in which land is different from labour. [4]
- (b) Explain the significance of opportunity cost for a government when making its spending decisions. [4]
- (c) Using a production possibility curve diagram, analyse the impact of an increase in resources on an economy. [5]
- (d) Discuss whether the building of more roads will benefit an economy. [7]

M/J 2014/23

- 2 In 2012, a few countries experienced a decrease in their factors of production, including labour and enterprise. New Zealand, however, experienced an increase in both the quantity and quality of its factors of production. In the same year, the country exported more agricultural and manufactured goods.
- (a) What is the difference between labour and enterprise? [4]
- (b) Explain why farmers should consider opportunity cost when deciding how to use their factors of production. [4]
- (c) Using a production possibility curve diagram, analyse the effect of a decrease in the supply of labour and enterprise on an economy. [5]
- (d) Discuss whether an increase in the quality of a country's factors of production will always increase its exports. [7]

M/J 2014/22

- 2 A number of economies are devoting more of their resources to the provision of health care. Due to the economic problem, this involves them having to make difficult choices.
- (a) What is meant by the 'economic problem'? [2]
- (b) Using a production possibility curve diagram, explain why choices have to be made as to how to allocate resources. [6]

M/J 2013/21

- 2 The economic problem exists in every country, but there are different ways to try to solve it.
- (a) Describe the nature of the economic problem. [4]

M/J 2013/22

- 2 Production involves the use of the four factors of production. The use of these resources involves an opportunity cost.
- (a) Using appropriate examples, describe the four factors of production. [6]
- (b) Using a production possibility curve, explain what is meant by opportunity cost. [6]
- (c) Discuss whether more factors of production should be used to build houses. [8]

M/J 2013/23

- 2 Producers aim to achieve a high rate of productivity. Production in some industries tends to be labour-intensive while in others it is largely capital-intensive.
- (a) Using examples, define the factors of production, land and capital. [4]
- 7 Economies, as they become more developed, tend to experience a change in the structure of their labour force with an increasing proportion of employment in the tertiary sector.
- (a) Using examples, explain the differences between the primary, secondary and tertiary sectors of production. [6]

M/J 2012/21

- 2 (a) Explain the economic problem of scarcity. [3]
- (b) Define the concept of opportunity cost. [3]
- (c) Distinguish, using examples, between the different factors of production. [6]

M/J 2012/22

- 2 (a) Explain, using examples, what is meant by the factor of production called land. [3]
- (b) Analyse why a firm might decide to change from labour-intensive production to capital-intensive production. [7]
- (c) Discuss the advantages and disadvantages of a newly established firm, with limited resources, expanding into foreign markets. [10]

M/J 2012/23

- 2 (a) Explain, using examples, what is meant by the factor of production called land. [3]

M/J 2011/21

2

- (c) Identify the **three** questions faced by every type of economic system. [3]

M/J 2010/21

- 2 A government decided to stop subsidising students when they went to university. This meant a university course cost the students more but the government had extra funds.

- (a) Define opportunity cost and explain how the above decision might be used to illustrate an opportunity cost. [4]

- 6 Firms employ factors of production to produce goods and services in order to make profits.

- (a) What is meant by the term factors of production? [4]

M/J 2010/22

3

- (b) Explain **three** factors of production that are involved in the operation of an airport. [6]

M/J 2009/22

- 3 In 2007, it was reported that a trade union of post office workers feared that increased capital investment would mean more automation and job losses. The union demanded that managers allow higher wages and shorter working hours for its members.

- (a) Explain what is meant by the factors of production and identify which factors are involved in the above statement. [4]

M/J 2008/02

- 3 In Ghana local farmers manage small plots of land for subsistence farming. However, some have benefited by selling pineapples at an agreed, fixed price to an exporter. The exporter provides finance, training, fertilizers and machinery and even building materials for the farmers' homes.

- (a) Identify and explain which factors of production are mentioned above. [4]

M/J 2006/02

- 2 Sometimes in an industry a firm buys a smaller competitor which uses similar factors of production. At other times a firm buys another firm which supplies it with the raw materials and other inputs for its production.
- (a) Explain what is meant by the factors of production. [4]

M/J 2006/04

- 3 (a) Explain the terms scarcity and opportunity cost. [4]

O/N 2014/21

- 2 All countries face the economic problem and so choices have to be made.
- (a) Explain what is meant by the 'economic problem'. [2]
- (b) Describe the **two** main features of the factor of production, 'enterprise'. [4]
- (c) Using a production possibility curve diagram, explain how the curve can be used to show the consequences of a change in the allocation of resources between the production of two goods. [6]
- (d) Discuss whether a decision by a government, with limited financial resources, to increase expenditure on education by 25% over a three year period, is likely to be an appropriate decision. [8]

O/N 2014/22

- 2 Factors of production, private and external costs and opportunity costs are all important concepts in Economics.
- (a) Using examples, define the factor of production, 'capital'. [4]
- (c) Explain why scarcity gives rise to an 'opportunity cost'. [4]

O/N 2013/21

- 2 Economic decisions involve an opportunity cost. This can clearly be seen in a production possibility curve.
- (a) Describe why economic decisions involve an opportunity cost. [4]
- (b) Using a production possibility curve diagram, explain how it can show the concept of opportunity cost. [6]
- (c) Discuss the extent to which the concept of opportunity cost is only of use to governments. [10]

O/N 2013/22

2 An entrepreneur plans to cut down timber in a rainforest. The local community, however, are concerned that the social costs will be greater than the social benefits.

(a) Define the factor of production, enterprise. [4]

O/N 2013/23

2 Labour is one of the most important factors of production.

(a) Using examples, define the factor of production, labour. [4]

O/N 2012/22

2 (a) Describe, with the use of examples, **two** factors of production. [4]

(b) Explain what is meant by the economic problem and why opportunity cost is relevant to the allocation of resources. [6]

O/N 2012/23

2 (a) Define the term capital and explain why this factor of production is important in the production process. [4]

(b) Explain what is meant by enterprise and analyse the effect that an entrepreneur can have on a business. [6]

(c) Discuss why the concept of opportunity cost is important for (i) firms, (ii) consumers and (iii) governments to consider when making choices. [10]

O/N 2011/21

2 Car production in the United States has changed dramatically during the last forty years. The managers of the firms have decided to use more advanced machinery and fewer employees to produce the cars.

(a) Identify and explain the factors of production in the information above. [4]

O/N 2011/22

2 All countries face the basic economic problem in relation to the factors of production. One country might allocate more resources to education and health care than another, but there will always be an opportunity cost involved in such decisions.

(a) Why do all countries face the basic economic problem? [4]

(b) State and explain the factors of production. [4]

(c) Define opportunity cost and explain why it is an important concept for economists. [4]

O/N 2011/23

- 2 A market approach to the basic economic problem has the advantage that prices act like an 'invisible hand' to allocate the resources in an economy. However, the market system also has some disadvantages.

(a) What is meant by the basic economic problem? [2]

O/N 2010/21

6

(c) Explain what is meant by

(i) opportunity cost [2]

O/N 2010/22

- 2 The economic problem exists everywhere in the world, whatever type of economic system a country may have.

(a) Giving an example of each, define the **four** factors of production. [4]

(b) Explain the nature of the economic problem. [4]

O/N 2010/23

- 2 The Malaysian Government has stated that it wants to promote enterprise and is seeking to increase the role of market forces in the economy.

(a) Describe the role of entrepreneurs. [4]

(b) Explain **two** ways that a government could promote enterprise. [4]