

1.1 The Nature of the Economic Problem

Question Paper

Course	CIE IGCSE Economics
Section	1. The Basic Economic Problem
Topic	1.1 The Nature of the Economic Problem
Difficulty	Medium

Time allowed: 20
Score: /10
Percentage: /100

Question 1

There is a range of factors that influence the supply of economic goods, including natural disasters. Recently a series of earthquakes in one country destroyed buildings, including factories and offices. One factory that survived has since increased its scale of production. This firm has employed more factors of production and has experienced a fall in its average cost of production.

Define economic good.

[2 marks]

Question 2

The main industries in the Seychelles, an island country in the Indian ocean, are tourism and fishing. The price elasticity of supply of fish is affected by the relatively short time that fish can be stored. Economic goods and free goods play a role in both fishing and tourism. With rises in the skills of workers and an increase in enterprise, GDP per head has increased by more than seven times over the last fifty years.

Explain how opportunity cost is different for economic goods and free goods.

[4 marks]

Question 3

The economic problem results in people having to make choices. In Bulgaria, in recent years, people have changed how much they spend. The Bulgarian government is encouraging people to spend more. It is trying to ensure that deflation does not return and that the country will continue to experience an increase in output.

Explain how the economic problem results in people having to make choices.

[4 marks]

