

GRADE 8
ECONOMICS

TOPIC: The Nature of Economic Problem

Week # 1 Lesson

1) What is Economics?

Economics is a study of how people use their scarce resources in order to satisfy their unlimited wants.

2) Differentiate between needs and wants and give one example of each.

A need is a good or service essential for living. E.g. food, clothing, shelter. Whereas a want is a good or service which people would like to have, but which is not essential for living. People's wants are unlimited. E.g. having a luxurious house, designers dress.

3) What is the basic economic problem?

The basic Economic problem is scarcity i.e. limited wants and unlimited resources.

4) What is meant by scarcity?

It is a situation where there are not enough resources to satisfy everyone's wants at a zero price. Or scarcity is when the means to fulfill ends are limited and costly.

5) How the basic Economic problem can be solved or what are the questions of resource allocation?

The basic economic problem is about scarcity. Due to this gap between limited resources and unlimited wants choices have to be made and every society has to decide:

- What goods and services should be produced?
- How these goods and services can be produced?
- For Whom the goods and services should be produced?

6) Why choices have to be made?

Every individual is faced with the problem of limited resources and unlimited wants, and one resource can be used for numerous purposes. These alternative uses of resources compel societies and individuals to make choices in order to best allocate their resources.

7) What is opportunity cost?

Opportunity cost measures the cost of any choice in terms of the next best alternative foregone. Because making a choice normally involves a trade-off – this means that choosing more of one thing can only be achieved by giving up something else in exchange. E.g. \$10 can be used to buy a burger or it can be used to buy a book. If a person buys a book then a burger becomes his opportunity cost and vice versa.