

IGCSE Economics Subject Content 1

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Contents

1	The Basic Economic Problem	iii
1.1	The Nature of the Economic Problem	iii
1.1.1	Finite resources and unlimited wants	iii
1.1.2	Economic and free goods	iii
1.2	The Factors of Production	iii
1.2.1	Definitions of the factors of productions and their rewards	iii
1.2.2	Mobility of the factors of production	iii
1.2.3	Quantity and quality of the factors of production	iv
1.3	Opportunity Cost	iv
1.3.1	Definition of opportunity cost	iv
1.3.2	The influence of opportunity cost on decision making	iv
1.4	Production Possibility Curve Diagrams (PPC)	iv
1.4.1	Definition of PPC	iv
1.4.2	Points under, on, and beyond a PPC	iv
1.4.3	Movements along a PPC	iv
1.4.4	Shifts in a PPC	iv

Chapter 1

The Basic Economic Problem

1.1 The Nature of the Economic Problem

Key points from this section:

1. Define the nature of the economic problem.
2. Define the factors of production.
3. Define opportunity cost and illustration of the concept.
4. Demonstrate how production possibility curves can be used to illustrate choice and resource allocation.
5. Evaluate the implications of particular courses of action in terms of opportunity cost.

1.1.1 Finite resources and unlimited wants

- **The basic economic problem:** How to allocate scarce resources to satisfy unlimited needs and wants.
- **Scarcity:** Unlimited wants and not enough limited resources to fulfill the wants.
- **Unlimited wants:** The unlimited desires that people have.
- **Limited resources:** The limited factors of production (resources) that we have on Earth.

1.1.2 Economic and free goods

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1.2 The Factors of Production

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1.2.1 Definitions of the factors of productions and their rewards

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1.2.2 Mobility of the factors of production

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1.2.3 Quantity and quality of the factors of production

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1.3 Opportunity Cost

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1.3.1 Definition of opportunity cost

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1.3.2 The influence of opportunity cost on decision making

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1.4 Production Possibility Curve Diagrams (PPC)

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1.4.1 Definition of PPC

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1.4.2 Points under, on, and beyond a PPC

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1.4.3 Movements along a PPC

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1.4.4 Shifts in a PPC

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