# The Basic Economic Problem

What is the basic economic problem?

Definitions for the factors of Production

|  |  |
| --- | --- |
| Land  | Labour |
| Capital | Enterprise |

Place the words below under the correct heading.

|  |  |
| --- | --- |
| Land | Labour |
| Capital | Enterprise |

Coal, IT Engineer, Sewing Machine, Forklift truck, Cereal Crops, Teacher, Agricultural plot, Inventor, Computers, Plumber, Salmon, Business Tycoon, Factory Site, Builder, Cattle

**Activity 1: What factors of production are required to make a Snickers?**

(Combining the factors of Production)

|  |  |  |  |
| --- | --- | --- | --- |
| Land  | Labour  | Capital  | Enterprise |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |

**Activity 2 ‘Opportunity cost’**

List the different activities you could do during study period.

Rank the above choices in order of your preference, considering the benefits you would get from each activity.

Definition of Opportunity Cost

**All Economic Agents experience the basic economic problem**

**Activity 3**

|  |  |  |  |
| --- | --- | --- | --- |
| **Economic Agent**  | **Examples of Wants/Needs** | **Resources at their disposal to achieve these wants** | **Example of choices this factor of production makes** |
| **Individuals** |  | >Wages earned >Land they own. |  |
| **Firms** | >Investment in New Equipment>Retraining of staff |  | >Train staff OR buy new machines |
| **Government** | >To provide schooling for the state  |  |  |