

Basic economic problem

How to make the best use
of limited, or scarce,
resources

Economic choice

This involves the alternative uses
of scarce resources

Economic goods

These are scarce because their use has an opportunity cost

Free goods

These are unlimited in supply and therefore have no opportunity cost

Margin

A point of possible change



Need

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The minimum which is necessary
for a person to survive as a human
being

Opportunity cost

The benefits you lose of the
next best alternative

Production possibility frontier

A curve which shows the maximum potential level of output of one good given a level of output for all other goods in the economy

Scarce resources

These are limited in supply so that choices have to be made about their use

Wants

Desires for the consumption of
goods and services

Capital productivity

Output per unit of capital employed

Factors of production

The inputs to the production
process:

Land (all natural resources)

Labour

Capital (stock of manufactured
resources)

Entrepreneurs