

Examrace

IGCSE Economics, Scarcity, Opportunity Cost, PPC, Nature of Economic Problem, Factors of Production, PPC and Efficiency

Get unlimited access to the best preparation resource for UGC : Get [detailed illustrated notes covering entire syllabus](#): point-by-point for high retention.

Title: IGCSE Economics

Scarcity

A situation where there is not enough resources to achieve human wants.

Nature of Economic Problem

Unlimited wants and limited resources lead to scarcity. Choices have to be made. While making choices opportunity cost is used. Opportunity cost is next best alternative forgone. Economic problem won't be solved as wants are increasing always. If one want is fulfilled, all of a sudden new wants will emerge.

Factors of Production

FOP	Payment	Definition	E.g.	Geographical mobility	Occupational mobility
Land	Rent	All natural resources Used in production. It includes what's on the surface, below and above the surface.	River water used in Production. (raw materials)	Mere land-Geographically Immobile Raw materials-Geographically Mobile	Some land-Occupationally mobile E.g. can build house or mall Some land-Occupationally immobile
Labour	Wage/Salary	All human resources	Worker, Manager	Some are geographically	Some are occupationally

Visit examrace.com for free study material, doorsteptutor.com for questions with detailed explanations, and "Examrace" YouTube channel for free videos lectures

		both mental and physical used in Production.		immobile if they are having family ties and Health issues.	Immobile if they are not having required skill and qualification.
Capital	Interest	All man made goods used in production.	Machines, tools and building	Building- Geographically immobile. Other capital Geographically mobile	Some are Occupationally mobile. E.g. building can be used to make notebooks or pencils
Enterprise	Profit	Risk bearing and Decision amking factor in production.	Idea of the entrepreneur	Most mobile factor	Most mobile factor
<i>Factors of Production</i>					

Opportunity Cost

Next best alternative forgone.

Economic goods: These goods need resources to make it, so it has opportunity cost.

Free goods: These goods don't need resources to make it, so don't have opportunity cost.

Opportunity Cost and Consumers

- We all are consumers and most of us cannot buy everything we like.
- We have to make a choice based on the priorities
- We finally choose one over other.

Opportunity Cost and Producer

- Producers have to decide what to make

Visit examrace.com for free study material, doorsteptutor.com for questions with detailed explanations, and "Examrace" YouTube channel for free videos lectures

- Ex: Agriculture field – Rice OR sugarcane
- Factory – Model “A” car OR Model “B” car
- Profit plays a key role in choosing an option.
- Demand for different products and the cost of production also play a role.

Opportunity Cost and Workers

- Taking up one job means giving up another job
- Teacher job VS Civil servant job
- The choice will be based on the remuneration, chances of promotion and the job satisfaction
- If the pay & working condition in civil servant job are higher, the opportunity cost of being a teacher will increase.

Opportunity Cost and Government

- Government has to decide how to spend the tax revenue.
- If it decides to spend more on military, the opportunity cost will be reduction in expenditure on health care.
- It could raise tax revenue to spend more on health care. But the opportunity cost will be shifted to tax payers.
- To pay higher taxes, people have to give up the opportunity to buy certain products or to save.

PPC

- **Production possibility curve** shows the maximum output of two products and combination of those products that can be produced with existing resources and technology.
- Production Possibility Curve represents
 - Scarcity,
 - Opportunity cost and
 - Efficiency.

Scarcity and PPC

PPC represents the amount of available resource. So there is scarcity of resources in the economy. People can't satisfy all their wants. Some wants are unattainable with the existing resource and technology.

PPC and Opportunity Cost

Visit examrace.com for free study material, doorsteptutor.com for questions with detailed explanations, and "Examrace" YouTube channel for free videos lectures

If the economy moves from point A to Point B, it need to sacrifice some amount of good y in order to produce extra units of good x. There is opportunity cost involved.

PPC and Efficiency

The points in the top of the PPC represents the economy uses resources efficiently. Point inside the curve represents inefficient use of resources. Point outside the curve represents unattainable one.

PRODUCTION POSSIBILITY CURVE
[SHOWS COMBINATION OF TWO PRODUCTS CAN BE PRODUCED WITH EXISTING RESOURCES AND TECHNOLOGY]

INCREASE IN RESOURCE:-

- NEW TECHNOLOGY
- NEW RESOURCE
- ECONOMIC GROWTH

DECREASE IN RESOURCE:-

- DISASTER
- EXTINGUISHING RESOURCE
- RULES AND REGULATIONS OF GOVERNMENT [INCREASED]

©Examrace. Report @violations @https://tips.fbi.gov/

-Manishika

Developed by: Mindsprite Solutions