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CLASS: SS1B

SUBJECT: ECONOMICS

QUESTION

Economics problems arise because a country's resources are limited in relation to her unlimited wants. Identify and explain these economic problems.

ANSWERS

Identification of economic problems:

(i)What to produce: The question arises because resources are scarce. Since we cannot have everything we want, we have to set our priorities and in so doing, we are actually deciding what to produce. It involves efficient resource allocation. What should be produced depends upon the needs and wants of the society.

(ii) How to produce: This arises because there are different techniques of production. The technique adopted depends on the resources available to the society. The country can employ labour intensive technique or capital intensive technique of production. Whichever method is employed, should depend on the cost per unit of output incurred.

(iii) For whom to produce: This deals with the problem of types of consumers' market and distribution. How the distribution can be done equitably? In addition, product distribution depends upon personal income distribution.