

Assessment: The Three Fundamental Economic Questions

Instructions:

Answer the following questions based on your understanding of the three fundamental economic questions.

Part 1: Multiple Choice (4 Marks)

1. Which of the following is an example of the question, "What to produce?"
 - a) Should a factory use renewable energy?
 - b) Should farmland be used for food crops or biofuel crops?
 - c) Should luxury goods be taxed to support public services?
 - d) Should workers be paid minimum wage?
 2. What is the focus of the question, "How to produce?"
 - a) Distribution of goods and services
 - b) The most efficient use of resources
 - c) Which goods are in demand
 - d) Which resources are available
 3. Which economic system relies on supply and demand to answer the three economic questions?
 - a) Command Economy
 - b) Mixed Economy
 - c) Market Economy
 - d) Traditional Economy
 4. The question, "For whom to produce?" is concerned with:
 - a) Deciding which resources to use in production
 - b) Choosing the most efficient production methods
 - c) Distributing goods and services among society
 - d) Deciding what goods to produce
-

Part 2: Short Answer (6 Marks)

5. Explain the importance of the question, "What to produce?" in managing scarce resources.
 6. Give an example of how technology impacts the question, "How to produce?"
 7. Describe one way governments influence the answer to the question, "For whom to produce?"
-

Answer Key

Part 1: Multiple Choice

1. **b) Should farmland be used for food crops or biofuel crops?**
2. **b) The most efficient use of resources**
3. **c) Market Economy**
4. **c) Distributing goods and services among society**

Part 2: Short Answer

5. **The question "What to produce?" is crucial because resources are limited, and prioritizing certain goods ensures that society's most essential needs are met. It helps allocate resources to maximize benefits and minimize opportunity costs.**
6. **Technology impacts "How to produce?" by introducing efficient methods, such as automation in manufacturing, which reduces costs and increases production speed while potentially replacing manual labor.**
7. **Governments influence "For whom to produce?" by implementing policies like subsidies, welfare programs, or progressive taxation to ensure goods and services are accessible to lower-income groups.**