**Teaching guidance**

1 The nature of the basic economic problem

The following are the key points of understanding for students in relation to this chapter:

* The fundamental economic problem is that the world’s resources are finite, while society’s wants are largely unlimited.
* Economics exists as the study of how best to allocate scarce resources to satisfy people’s unlimited needs and wants.
* The three main economic agents (or decision-makers) in an economy are consumers, firms and the government.
* The three basic questions to be addressed by economic agents are: what to produce, how to produce it and for whom to produce it.
* Economic goods, such as oil and wheat, are limited in supply, whereas free goods, such as air and sunlight, are unlimited in supply.
* Students should be able to define and give examples of the economic problem in the contexts of consumers, producers and the government.
* Students should understand the difference between economic goods and free goods.

Once they have completed the chapter, students can evaluate their knowledge and understanding using the end-of-chapter interactive test provided in this Teacher’s Guide and also available in the student etextbook. In addition, the revision checklist can be used to help highlight any areas that may need to be revisited.

Ideas for extension

Ask students to discuss whether the economic problem can ever be solved, or only get worse. Which resources are most/least scarce? Do human desires to always want more solve, or worsen, the economic problem?