1 The economic problem – Part 1 — Answers

Answers

1.1 Resources are limited but human wants are unlimited, so there are not enough resources to meet everyone's wants.

1.2 Opportunity cost is the next best alternative given up when a choice is made; e.g. spending money on a phone means giving up the holiday it could have bought.

1.3 Land, labour, capital and enterprise.

1.4 (a) rent; (b) wages; (c) interest.

1.5 The cattle (and the income from them) that the field could have produced instead.

1.6 Opportunity cost is only the *next best* alternative forgone — the single option the student would otherwise have chosen (say, the paid shift, if that is preferred to seeing friends). It is not both alternatives added together, because only one of them could actually have been chosen instead.