

Exercise walk-through

Scarcity ■ 1.1

eXercise

You must be able to

- explain how **scarcity** 稀缺性 arises from limited resources and unlimited wants
- identify the four **factors of production** 生产要素
- define **opportunity cost** 机会成本 as the value of the next-best alternative given up
- distinguish **economic goods** 经济物品 (scarce) from **free goods** 自由物品 (not scarce)

Method — Scarcity forces choices

Resources are **limited** but wants are **unlimited**, so individuals and societies must choose.

Method — The four factors of production

Land, labour, capital, and entrepreneurship.

Method — Opportunity cost

The **next-best alternative** given up — not the money price, but what is sacrificed.

Method — Economic vs free goods

An **economic good** is scarce and has an opportunity cost; a **free good** (like air where abundant) is not scarce.

Practice 2.1 ■ 1 mark

Define opportunity cost.

Solution 2.1

Worked steps

the value of the next-best alternative given up when a choice is made **B1**.

Practice 2.2 ■ 2 marks

List the four factors of production.

Solution 2.2

Method: The four factors of production

Worked steps

land, labour, capital, entrepreneurship **B1** **B1** *for any two; for all four.*

Practice 2.3 ■ 2 marks

State the difference between an economic good and a free good.

Solution 2.3

Method: Economic vs free goods

Worked steps

an economic good is scarce and has an opportunity cost; a free good is not scarce
B1 **B1**.

Exam-style 3.1 ■ 1 mark

The opportunity cost of a choice is

- A** its money price
- B** the value of the next-best alternative given up
- C** the total cost of everything
- D** always zero

Solution 3.1

- A its money price
- B the value of the next-best alternative given up** 
- C the total cost of everything
- D always zero

Worked steps

B.

Exam-style 3.2 ■ 1 mark

Which of these is a free good?

- A** a car
- B** clean air where it is abundant
- C** a loaf of bread
- D** a haircut

Solution 3.2

Method: Economic vs free goods

A a car

B clean air where it is abundant



C a loaf of bread

D a haircut

Worked steps

B.

Exam-style 3.3 ■ 1 mark

A student spends an evening studying instead of working a \$40 shift.

- (a) State the opportunity cost of studying.
- (b) Name the factor of production that human effort represents.
- (c) Explain why the student must make a choice.

Solution 3.3

Worked steps

(a) the \$40 of wages given up **B1**. (b) labour **B1**. (c) time is scarce — an evening can be used only once **B1**.