A-LEVEL ECONOMICS • EXERCISE SHEET

1.1 Scarcity, choice and opportunity cost

Name: ____________ Class: _________ Date: ___________ **Total: 19 marks**

KEY WORDS opportunity cost 机会成本 • scarcity 稀缺 • resources 资源 • finite 有限 • wants 欲望

Objective

Build the skills to answer exam questions on **scarcity, choice and opportunity cost** 稀缺性、选择与机会成本 — the **economic problem** 经济问题 and the trade-offs every consumer, firm and government faces.

You must be able to:

- explain **scarcity** 稀缺 and the **economic problem** 经济问题
- define and apply **opportunity cost** 机会成本
- explain the three questions (what, how, for whom) every economy must answer

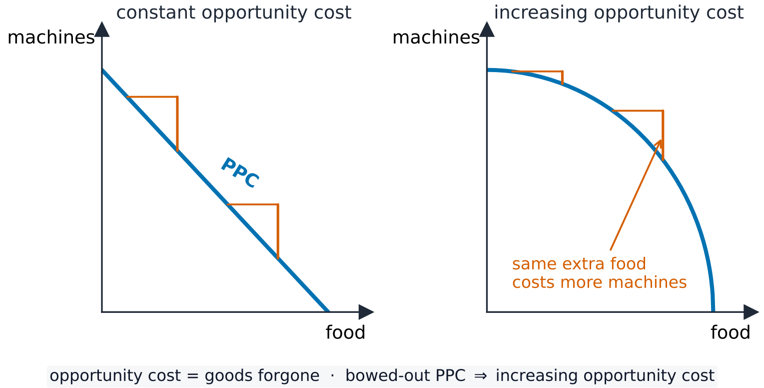
1 Worked examples

■ Scarcity forces choice

Resources are finite 有限的; wants are unlimited 无限的 — so we must choose

- **Scarcity:** wants are unlimited 无限 but resources are **finite** 有限, so choices must be made.

- **Opportunity cost:** the **next best alternative** 次优选择 given up when a choice is made.
- A government that spends on hospitals gives up the schools that money could have built (opportunity cost).



A production possibility curve makes opportunity cost visible: more of one good means less of the other

Answer shapes (marked by **level of response** on the assessment objectives — AO1 knowledge, AO2 application, AO3 analysis, AO4 evaluation):

- **Explain [up to 8]:** define (AO1), apply to the context (AO2), develop a chain (AO3).
- **Discuss/Evaluate [up to 12]:** add a two-sided, supported judgement (AO4).

2 Practice

2.1 Define the term *opportunity cost.* [2]

2.2 A student spends $20 on a textbook instead of a concert ticket. State the opportunity cost. [1]

2.3 State the three basic questions every economy must answer. [3]

3 Exam-style questions

3.1 Opportunity cost is best defined as: [1]

A the money price of a good
B the next best alternative given up
C the total cost of all alternatives
D the cost of producing one more unit

3.2 Explain, using an example, why scarcity means that producers face opportunity cost. [4]

3.3 Discuss whether opportunity cost is the most important idea a government should consider when deciding how to spend its budget. [8]