

1 Scarcity, choice, and trade – Part 1

Name: _____ Class: _____ Date: _____

Vocabulary

Write each word three times.

English

Write it 3 times (English)

scarcity

opportunity cost

production pos-
sibilities curve
(PPC)

comparative
advantage

Recall

You already meet economics every day:

- You cannot buy everything you want – money and time are limited.
- Choosing one thing means giving up another.
- Countries trade goods with each other.

This sheet lines up the core economic ideas. Each idea has a worked example.

New ideas

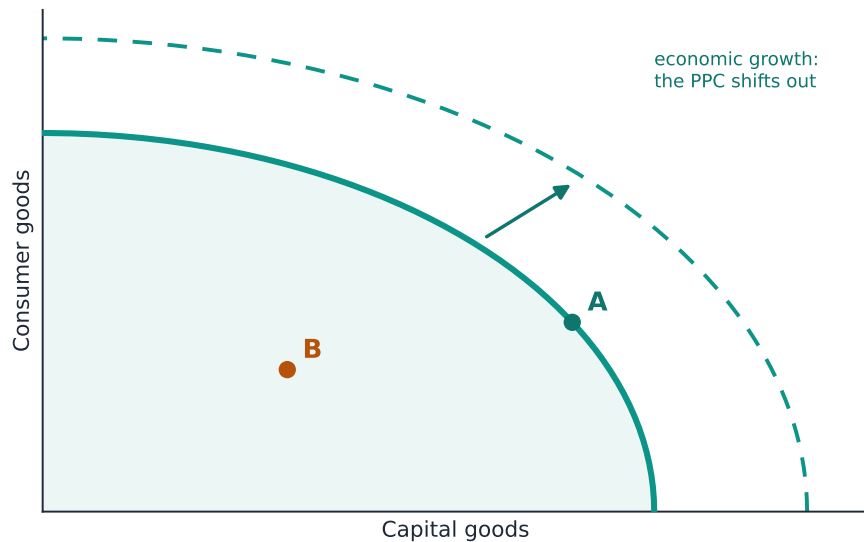
■ 1 Scarcity and choice

Economics starts with **scarcity** : wants are unlimited, but resources are limited. So every choice has an **opportunity cost** – the value of the next-best thing you gave up.

Worked example. If you spend an evening studying instead of working a \$40 shift, the opportunity cost of studying is the \$40 you did not earn.

■ 2 The production possibilities curve

The **production possibilities curve (PPC)** shows the most of two goods an economy can make with its resources fully used.

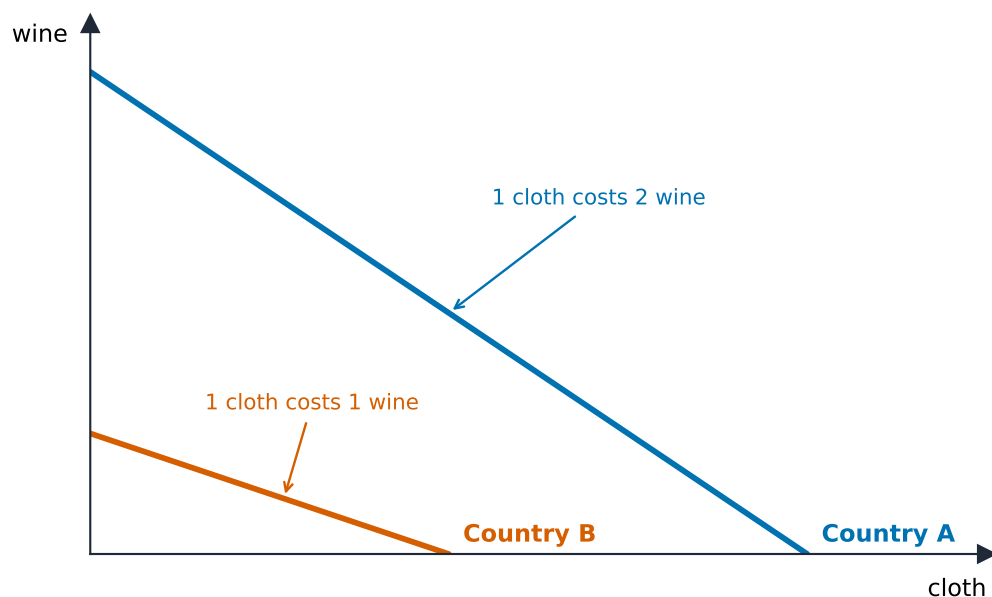


A on the curve = efficient · B inside = idle resources · growth shifts the PPC out

- Points **on** the curve are efficient; **inside**, wasteful; **outside**, impossible.
- More resources or better technology shift the whole curve **outward** (growth).

■ 3 Comparative advantage

A producer has a **comparative advantage** in a good if it can make it at a **lower opportunity cost**. Countries should specialize where they have the comparative advantage, then trade.



Watch out: opportunity cost is what you **give up**, not the money you spend. Even

| a free activity has an opportunity cost – the best alternative use of that time.

Practice

Try these in order. The methods are all above.

2.1 State what “scarcity” means in economics. [1]

2.2 You choose to watch a film instead of earning \$15 babysitting. State the opportunity cost. [1]

2.3 On a PPC, state what a point (a) on the curve, (b) inside the curve represents. [2]

2.4 State one thing that would shift a country’s PPC outward. [1]

2.5 Explain what it means for a country to have a comparative advantage in a good. [2]
