1. Scarcity exists because:

   ☐ people are greedy

   ☐ wants are unlimited but resources are limited

   ☐ prices are too high

   ☐ governments print too little money

2. The opportunity cost of a choice is:

   ☐ the money you spend

   ☐ the value of the single best alternative given up

   ☐ always zero

   ☐ everything you could have done

3. A country has a comparative advantage in a good when it has:

   ☐ the lower opportunity cost of making it

   ☐ more workers than its rival

   ☐ more natural resources

   ☐ the higher price

4. The law of demand says a higher price leads to a:

   ☐ higher quantity demanded

   ☐ lower quantity demanded

   ☐ no change

   ☐ higher supply

5. The law of supply says a higher price leads to a:

   ☐ lower demand

   ☐ higher quantity supplied

   ☐ lower quantity supplied

   ☐ no change

6. When the price is below equilibrium, excess demand creates a _____.

   _____

exercises.lol exercises.com.cn

   ☐ labour

   ☐ land

   ☐ entrepreneurship

   ☐ capital

   Tick every correct option.

8. Moving from A (60 consumer, 10 capital) to B (50 consumer, 25 capital), what is the opportunity cost of ONE capital good, in consumer goods?

   _____

9. Country A makes 12 wheat OR 6 cloth in a day. What is the opportunity cost of ONE cloth, in wheat?

   _____ wheat

10. A change in the good's own price causes a movement along the demand curve, not a shift.

    ☐ True ☐ False

1. **wants are unlimited but resources are limited**

   Scarcity is the gap between unlimited wants and limited resources.

2. **the value of the single best alternative given up**

   It is the next-best alternative sacrificed – measured in what you give up, not just money.

3. **the lower opportunity cost of making it**

   Comparative advantage is about opportunity cost, not raw output.

4. **lower quantity demanded**

   Price and quantity demanded move in opposite directions – the curve slopes down.

5. **higher quantity supplied**

   A higher price makes producing more profitable, so quantity supplied rises.

6. **shortage**

   A shortage makes buyers bid the price up toward equilibrium.

7. **labour; land; entrepreneurship; capital**

   Land, labour, capital and entrepreneurship are the four factors.

8. **0.67**

   Give up 10 consumer to gain 15 capital, so each capital good costs $10/15 \approx 0.67$ consumer goods.

9. **2 wheat**

   Giving up 12 wheat frees enough to make 6 cloth, so each cloth costs $12/6 = 2$ wheat.

10. **True**

    Own price → movement along; TRIBE determinants → shift.