

1 Scarcity, choice, and opportunity cost

– 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)

Recall

Economics is about choices you already make:

- You cannot have everything – your money and time are limited.
- Picking one thing means giving up another.
- Making more of one thing can mean making less of another.

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

New ideas

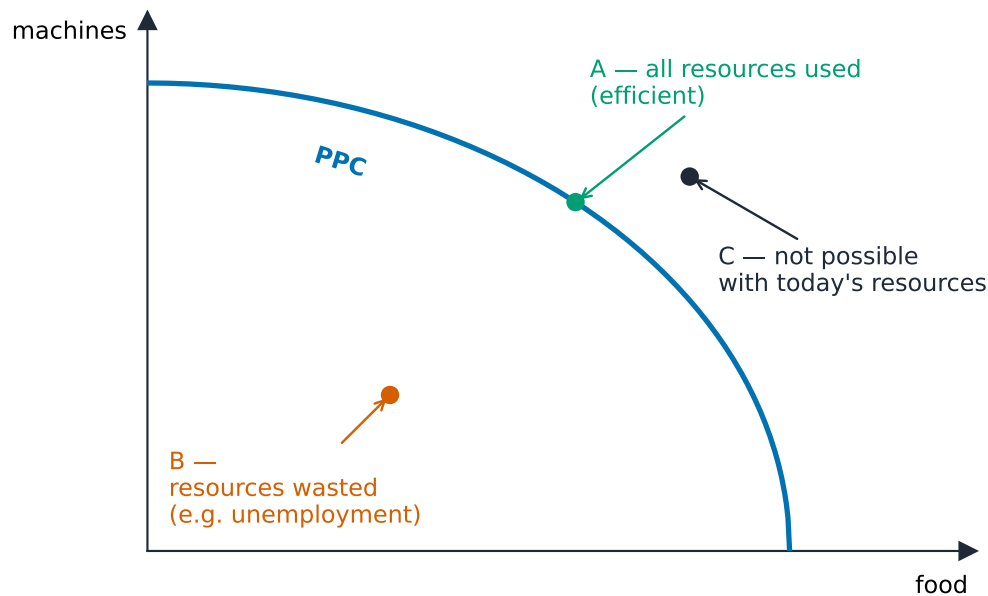
■ 1 Scarcity and opportunity cost

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

Worked example. If you spend \$20 and an afternoon on a concert instead of a \$60 shift, the opportunity cost is the \$60 you did not earn (plus the \$20 ticket).

■ 2 The production possibilities curve

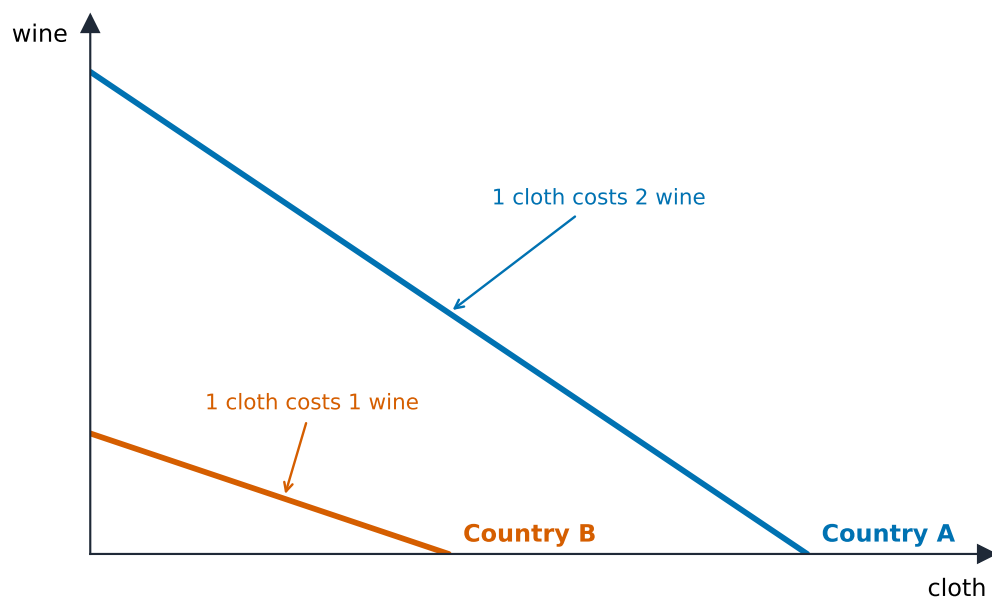
The **production possibilities curve (PPC)** shows the most of two goods an economy can make with resources fully used.



- **on** the curve = efficient; **inside** = wasteful; **outside** = impossible.
- Its downward slope shows opportunity cost: making more of one good means less of the other.

■ 3 Comparative advantage

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



Watch out: money already spent and unrecoverable is a **sunk cost** – ignore it when

deciding what to do next. Only future costs and benefits should affect a choice.

Practice

Try these in order. The methods are all above.

2.1 State what scarcity means and why it forces choices. [2]

2.2 You give up a \$40 shift to study. State the opportunity cost of studying. [1]

2.3 On a PPC, state what a point outside the curve represents. [1]

2.4 Explain what a comparative advantage is. [2]

2.5 You have already paid \$10 for a film ticket but now feel too tired to enjoy it. Explain why the \$10 should not affect your decision to go. [2]
