

1 Scarcity, choice, and opportunity cost

– Part 1 —Answers

Answers

Work through these after you have tried the questions yourself.

2.1 wants are unlimited but resources are limited, so people cannot have everything and must choose.

2.2 the \$40 you did not earn.

2.3 a combination that is currently unattainable (not enough resources).

2.4 the ability to produce a good at a lower opportunity cost than someone else.

2.5 the \$10 is a sunk cost –already spent and unrecoverable –so only whether you will now enjoy the film (a future benefit) should matter.