1.1 What is economics? How do economists approach the world?

Name: _____ Class: _____ Date: _____ **Total: 17 marks**

KEY WORDS scarcity • opportunity cost

What is economics? How do economists approach the world?

Objective

Apply scarcity, choice and opportunity cost to all economic agents, keep positive and normative statements apart, and use the scientific method, the ceteris paribus assumption and the nine key concepts (syllabus 1.1–1.2).

1 Key knowledge and worked examples

> **Unit 1 toolkit.** Scarcity (unlimited wants, finite resources) forces consumers, producers and government to choose; every choice's cost is the next-best alternative forgone. Positive statements are testable, normative statements carry value judgements. Economists work by hypothesis → model → prediction → data test → revision, isolating one relationship at a time under ceteris paribus. Nine key concepts: scarcity, choice, efficiency, equity, well-being, sustainability, change, interdependence, intervention.

2 Practice

2.1 Define scarcity and explain why it forces choice on all three economic agents. [2]

2.2 A government spends its 10 billion budget on a hospital valued at 10 bn; two schools valued at 7 bn were the alternative. State the choice's opportunity cost and the test of whether the choice was rational. [2]

2.3 Classify each statement as positive or normative: (a) "Youth unemployment is 14%." (b) "The government should cut tuition fees." [2]

2.4 Name the four factors of production and the reward each earns. [2]

2.5 State the ceteris paribus assumption and give one example of a relationship it isolates. [2]

3 Exam-style questions

3.1 *(Original.)* Explain, using the scientific method, how an economist would test the claim that a tuition subsidy raises enrolment. [4]

3.2 *(Original.)* Using one key concept, explain why a country banning single-use plastics is an economic (not purely environmental) decision. [3]