

Exercise walk-through

1.1

Scarcity and assumptions: supported rehearsal

International Baccalaureate · IB Diploma · Economics · HL

Scarcity and assumptions: method

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Scarcity means resources cannot meet every competing use. Opportunity cost is the next-best alternative forgone. A production possibility model fixes resources and technology for a period; a point inside may indicate underuse, while an outward frontier shift indicates greater potential.

A positive claim is in principle testable; a normative claim requires a value judgement.

Scarcity and assumptions: reasoning

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Opportunity cost per desk = $40 \text{ chairs} / 20 \text{ desks} = 2 \text{ chairs per desk}$ under constant trade-offs. The should claim is normative and needs a criterion, such as need or fairness.

Actual costs may change along a curved frontier.

Scarcity and assumptions: transfer review

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The unchanged boundary indicates the same modelled potential. More resources are employed or used efficiently, so actual output rises without a demonstrated capacity increase.

An outward boundary shift would represent higher potential under changed resources or technology.

Exercises 2.1·3.1

2.1 For the worked case, identify the evidence and a conclusion it can support. Explain one material limit. [3]

3.1 Output moves from inside the PPC to its unchanged boundary. Has productive potential increased? Give a reasoned answer, evidence or method, and a relevant qualification. [3]

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2.1 Opportunity cost per desk = $40 \text{ chairs} / 20 \text{ desks} = 2 \text{ chairs per desk}$ under constant trade-offs. The should claim is normative and needs a criterion, such as need or fairness. Actual costs may change along a curved frontier. Authored points for identifying relevant evidence, explaining a supported inference and a material limit.

3.1 Output moves from inside the PPC to its unchanged boundary. Has productive potential increased? Give a reasoned answer, evidence or method, and a relevant qualification. [3]

3.1 The unchanged boundary indicates the same modelled potential. More resources are employed or used efficiently, so actual output rises without a demonstrated capacity increase. An outward boundary shift would represent higher potential under changed resources or technology. Authored points for a relevant judgement, reason tied to the case and justified qualification or method. Accept a supported alternative.