

- 2** Which term describes the loss of potential benefit to a consumer when making a choice between alternatives?
- A** opportunity cost
 - B** scarcity
 - C** shortage
 - D** the economic problem

- 9** A government intends to build a new road through a forest.

What will be an external cost of this?

- A** the cost of building the road
- B** the loss suffered by those who would have used the forest
- C** the cost of maintaining the road
- D** the new jobs created from the construction of the road

- 2** South Korea makes use of both economic goods and free goods. Its output includes products with both elastic and inelastic supply. The country is building the world's first floating city, estimated to cost \$180m. This is to cope with rising sea levels caused by climate change. Governments take a number of measures to reduce greenhouse gases which contribute to climate change, including banning the burning of wood to heat homes.

- (a)** Identify a difference between economic goods and free goods. [2]
- (b)** Explain how opportunity cost will influence a government's decision on whether to spend tax revenue on a large infrastructure project. [4]
- (c)** Analyse the influences on whether supply of a product is elastic or inelastic. [6]
- (d)** Discuss whether or not a government should ban the burning of wood to heat homes. [8]