1.4 Scarcity, Choice and the Production Possibility Frontier: 10-minute Pack

AQA 7136 · Calculators not allowed · about 10 minutes

Total Marks

Name: _____ Date: ____ / ____ / _____

Answer all questions. Full sentences are required in questions worth 4 marks or more. Spend about 10 minutes in total on this pack.

1 State and briefly explain the three basic economic questions an economy must answer: what to produce, how to produce and for whom to produce, and link each to scarcity.

(Total for Question 1 is 4 marks)

2 A small island economy can produce only fish or coconuts. If it devotes all resources to fish it can catch 120 units; if all resources go to coconuts it can harvest 80 units. Suppose the economy moves from producing 90 fish and 20 coconuts to producing 70 fish and 40 coconuts. Calculate the opportunity cost of moving from the original point to the new point in terms of fish forgone per extra coconut gained, and state whether the movement is along the PPF assuming both points are on the curve. Show workings and give the numerical answer and unit.

(Total for Question 2 is 4 marks)

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Mark scheme · 1.4 Scarcity, Choice and the Production Possibility Frontier: 10-minute Pack

Question 1

what to produce: which goods and services to make given limited resources	**B1**
how to produce: choice of techniques and factor combinations to use the scarce resources efficiently	**B1**
for whom to produce: how output is distributed among individuals or groups in society	**B1**
each explanation linked to scarcity and the need to choose	**B1**

Answer: What to produce: which goods and services should be made given scarce resources. How to produce: which combination of labour, capital and technology should be used to produce those goods efficiently. For whom to produce: how the output is distributed between households, firms and groups, deciding who gets what.

Question 2

method: fish forgone = 90 - 70 = 20; coconuts gained = 40 - 20 = 20; compute fish forgone per coconut = 20 / 20	**M1**
answer: 1 fish forgone per extra coconut, awrt 1 fish per coconut	**A1**
state that if both points lie on the PPF the movement represents an efficient reallocation along the PPF, showing the trade-off/opportunity cost	**B1**
units: fish per coconut explicitly stated	**B1**

Answer: Fish forgone = 20; coconuts gained = 20; opportunity cost = 20/20 = 1 fish forgone per extra coconut. If both points are on the PPF, this is a movement along the PPF showing the trade-off.

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