

# Worksheet 4: Scarcity, Choice and Trade-offs

IB Economics - Introduction to Economics / Foundations | Trimester school assessment practice

Name: \_\_\_\_\_

Date: \_\_\_\_\_

Total: 44 marks

Instructions: Answer all questions. Use accurate economic terminology. For extended responses, include definitions, application, analysis and evaluation. HL-labelled questions are suitable for extension practice.

## Section A: Multiple choice questions [5 marks]

- The fundamental economic problem is that:
  - resources are unlimited.
  - wants are limited.
  - scarce resources cannot satisfy unlimited wants.
  - all choices have no cost.
- A trade-off occurs when:
  - one choice requires giving up another option.
  - resources become infinite.
  - all goods are free.
  - there is no scarcity.
- The classic "guns or butter" example shows a choice between:
  - micro and macro topics.
  - defence goods and food/consumer goods.
  - free goods and services.
  - land and entrepreneurship only.
- Scarcity leads society to ask what should be:
  - produced and sacrificed.
  - made unlimited.
  - ignored by economists.
  - free of opportunity cost.
- If there were no scarcity:
  - choice would still always be necessary.
  - opportunity cost would be central to every decision.
  - society could produce all desired goods and services.
  - resources would still be wasted by definition.

## Section B: Short-answer questions

- Explain why scarcity forces choices to be made. [3 marks]
- Explain the relationship between scarcity and the need to avoid waste. [3 marks]
- Use the guns-or-butter example to explain a trade-off. [4 marks]
- Distinguish between needs and wants, giving one example of each. [4 marks]

## Section C: Data response / case study

Case study: Country A has enough labour, land and capital to produce either 100 units of food or 50 units of defence equipment if all resources are devoted to one option. The government chooses to produce 60 units of food and 20 units of defence equipment. Some citizens argue for more food, while others argue that national security requires more defence spending.

- Explain why Country A cannot produce unlimited amounts of both goods. [2 marks]
- Identify the opportunity cost of increasing defence production. [2 marks]
- Explain how the case illustrates scarcity and choice. [4 marks]

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4. Discuss one possible short-run and one possible long-run consequence of choosing more defence equipment. [4 marks]

### **Section D: Extended response**

Evaluate the statement: "Because resources are scarce, every society must make difficult economic choices." [12 marks]

Recommended structure: define key terms, apply to the case or examples, develop analysis with cause-and-effect reasoning, and finish with a balanced judgment.

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# Answer key and marking guidance

Award marks for valid economic reasoning. Accept alternative examples if they are accurate and clearly linked to the question.

## Section A answers

1. C 2. A 3. B 4. A 5. C

## Section B marking guidance

1. Because wants exceed available resources, not all alternatives can be produced or consumed; selecting one means not selecting another.
2. Scarce resources should be used effectively; wasting them means fewer goods/services or goods/services that do not satisfy needs/wants.
3. More defence goods require fewer resources available for food, and more food requires fewer resources for defence; clear explanation earns full marks.
4. Needs are essential for survival/basic living, such as food, water or shelter; wants are desired but not essential, such as luxury travel or a new phone.

## Section C marking guidance

1. Factors of production are finite; production capacity is limited.
2. Less food production/food foregone.
3. The country has limited resources and competing aims; it must choose a combination, creating a sacrifice.
4. Short run: less food, security gain, public dissatisfaction, budget pressure. Long run: improved defence/security or reduced living standards/human capital if food/health are neglected.

## Section D marking guidance

A strong response defines scarcity and choice, explains why finite resources and unlimited wants create trade-offs, and applies this to households, firms and governments. Evaluation should note that the difficulty of choices varies by income, institutions and priorities, but even wealthy societies face scarcity because resources and time remain limited.

12-mark guidance: 1-3 knowledge; 4-6 application with examples; 7-9 analysis of consequences; 10-12 evaluation and judgment.