Answers to End-of-Chapter Exercises

1. a. Resource maintenance—improving the natural resource base. This occurs in the business sphere—activity within a corporation.
   b. Production—planting a garden is part of the production of food or flowers. This occurs in the core sphere—a household activity.
   c. Distribution—the groceries are being distributed, in this case without the exchange of money. This occurs in the public purpose sphere—activity with a non-profit organization.
   d. Consumption—the food is being eaten as its final use. This occurs in the public purpose sphere—the army is a government organization.

2. This question is designed to serve two purposes. First, students are sometimes confused by the notion of general scarcity, as economists use it, and confuse it with more specific, prosaic situations of shortage or inadequacy. (For a more detailed discussion of the difference among these, you might consult Chapter 4, section 5.2). This question gives you a chance to clear up such confusion at an early stage. Scarcity exists whenever there are competing uses for a resource that is, in a global sense, fixed in supply. If there is not enough of something around to meet all desires, then it is “scarce,” in the economist’s sense, and decisions have to be made. On the other hand, if there is more than enough to meet all desires, so that the notion of having to make decisions about allocating its use does not apply, then it is not “scarce.” The global supply of desert sand, for example, is big enough, relative to foreseeable human needs, that sand is not “scarce” (even though people may sometimes experience specific local “shortages”—e.g., when urgently needing to fill sandbags to protect a town from a flood). Second, at a deeper level, students could also question whether scarcity is, in fact, a universal existential condition for many important, but intangible, resources. Decisions about allocation of scarce resources can be compared to dividing up of a fixed pie of resources, among different uses or different people. But it is not clear that the pie analogy fits well with things like enjoying a piece of music or enjoying something coming over radio waves, where one person’s consumption does not deplete another person’s opportunities. Nor is it clear that allocating more trust or respect in one direction means that you then have less of it to allocate somewhere else. Resources such as trust may be increased, rather than decreased, by their common use!

3. As long as a resource is not scarce, there is no need to use it efficiently. For example, one does not generally need to be concerned about the quantity of air one breathes because it is not scarce (disregarding the issue of air quality). When more demands are put on a resource, the importance of efficiency increases. Most people would try to use their time more efficiently when they are pressed for time. Thus, one would use time efficiently when studying for exams but perhaps be less efficient during a vacation.

4. The correct matches are a→iii, b→ii, c→vi, d→iv, e→v, f→i, g→vii.