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

**Economics**

**Chapter 1: What is Economics?**

* **Section 1: Scarcity and the factors of production**
* Economics and You
  + - Economics is the study of how \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ make choices when faced with a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
    - \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ forces us to decide what is \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
  + I. Scarcity and Choice
    - \_\_\_\_\_\_\_\_\_\_\_\_\_ = Something essential for survival
    - \_\_\_\_\_\_\_\_\_\_\_\_\_ = Something desired but not essential
    - \_\_\_\_\_\_\_\_\_\_\_\_\_ = physical objects that someone produces
    - \_\_\_\_\_\_\_\_\_\_\_\_\_ = Actions or services performed by a person
    - I-A. The Problem of Limits
      * \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ are unlimited
      * \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ – this is called scarcity.
      * Scarcity forces \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
      * \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ = how we make choices to fulfill wants / needs
    - I-B. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
      * \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ = Producers unwilling to produce more of a good/service than consumers want
      * Unlike shortages, scarcity \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
  + II. Entrepreneurs and the Factors of Production
    - \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ = People who decide how to combine resources to create new goods and services.
    - Must assemble the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
    - These are \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
    - II-A. Land
      * Land = All \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ used to produce goods and services
    - II-B. Labor
      * Labor = The \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
    - II-C. Capital
      * Capital = Any \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ that is used to produce other goods and services.
        + \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ – AKA Capital Goods. These are buildings, equipment, and tools.
        + \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ – The knowledge and skills a worker gains through education and experience.
    - II – D. Benefits of Capital
      * Capital is the key factor in \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
      * It makes producers more productive
      * Example…. A \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
      * \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
    - III. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
      * \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ are scarce because \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ are scarce
      * Example… French Fries
      * All resources have alternative uses
* **Section 2: Opportunity Cost**
* Economics and You
  + - Doing one thing is giving up the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ to do something else.
  + I. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ – giving up one benefit to gain another
    - I-A. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and Trade Offs
      * Being in a play prevents you from being in track
    - I-B. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and Trade Offs
      * Farming broccoli prevents you from farming squash
    - I-C. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ and Trade Offs
      * “guns or butter”
      * Spend money on military or domestic needs?
    - The reason for any trade off is \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
  + II. Determining \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
    - The most desirable \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
    - Sleep late or get up and study?
    - Sleep late or get up for breakfast?
    - Sleep late or get up to leave on vacation?
      * II-A. Using a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
      * II-B. Making the Decision
        + By choosing, we are willing to \_\_\_\_\_\_\_\_\_\_\_\_ opportunity cost
        + Different alternatives change our perception of cost
        + “\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_”
  + III. Thinking at the Margin
    - * III-A. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
        + Compare \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
        + Sometimes called cost/benefit analysis
        + \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ = the cost of adding one unit
        + \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ = the extra benefit of adding one unit
      * III-B. Decision Making at the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
        + “\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ decisions”
        + Decisions can be made in varying degrees
        + The best decisions are those made at the margin
* **Section 3: Production Possibilities Curves**
* Economics and You
  + I. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
    - I-A. Drawing a Production Possibilities Curve
      * A graph that shows alternative ways to use an economy’s productive resources
      * Capeland – 15 million pairs of shoes or 21 million tons of watermelons
    - I-B. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
      * Each point on the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ represents a trade off
      * Necessary because the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ are scarce
  + II. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
    - II-A. Efficiency
      * Use of resources in a way that \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ the output of goods and services
      * \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ – using fewer resources than the economy is capable of using
      * Future production possibilities frontier
    - II-B. Growth
      * In reality, the curve is always \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
      * Change in land, labor, or capital changes the curve
      * “shifted to the right” / “shifted to the left”
    - II-C. Cost
      * The curve can determine \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
      * Law of increasing costs
        + \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
      * III. Technology and Education
    - Examination of the possible goods and services based on available resources
    - \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ – the process used to create goods and services
    - Technology impacts the possible output of a production possibilities curve
      * Can increase a nation’s efficiency
      * Education can do this as well

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

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

**Economics and Government**

Economics Chapter 1 Section 1 Guided Practice

**Directions:** Define and identify the following key terms from Ch 1 Sec 1.

1. Need

2. Want

3. Goods

4. Services

5. Scarcity

6. Economics

7. Shortage

8. Entrepreneur

9. Factors of Production

10. Land

11. Labor

12. Capital

13. Physical Capital

14. Human Capital

**Directions:** Answer the following questions based on the material in Ch 1 Sec 1 as well as the material discussed in class.

15. How do limits impact the economic choices that we make on a daily basis?

16. Read and examine the graphic at the top of pages 4 and 5. What are the steps that an entrepreneur must take to be successful?

17. How does capital save companies time and money?

18. Think of a good or service that you consumed today. List 5 factors of production that were used to make that good or service.

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

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

**Economics and Government**

Economics Chapter 1 Section 2 Guided Practice

**Directions:** Define and identify the following key terms from Ch 1 Sec 2.

1. Trade-Off

2. Guns or Butter

3. Opportunity Cost

4. Thinking at the Margin

5. Cost/Benefit Analysis

6. Marginal Cost

7. Marginal Benefit

**Directions:** Answer the following questions based on the material in Ch 1 Sec 2 as well as the material discussed in class.

8. Give two examples of decisions that your school or local government might have to make. Explain how each decision involves trade-offs.

9. Identify an opportunity cost for each of the following….

A. Studying for a test on a Saturday afternoon

B. Using all the money you received for your birthday to pay for downloaded songs

C. Spending four hours playing a video game on a Tuesday night

D. Having four slices of pizza for lunch

10. What marginal costs and benefits might a business owner have to consider when trying to decide whether to hire one, two, or three additional workers?

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

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**Economics and Government**

Economics Chapter 1 Section 3 Guided Practice

**Directions:** Define and identify the following key terms from Ch 1 Sec 3.

1. Production Possibilities Curve

2. Production Possibilities Frontier

3. Efficiency

4. Underutilization

5. Law of Increasing Costs

**Directions:** Answer the following questions based on the material in Ch 1 Sec 2 as well as the material discussed in class.

6. Suppose you were an economic adviser to the Leader of Capeland. Based on the production possibilities curve in Figure 1.2 on pg 14, what combination of watermelons and shoes would you recommend? Why? What other information might help you to make the best decision?

7. How is the law of increasing costs similar to the concept of decision making at the margin?

8. Explain how each of the following circumstances is likely to affect a nation’s production possibilities frontier…

A. The opening of a new college of engineering

B. An earthquake in the nation’s chief farming region

C. A new type of chemical fertilizer

D. A shortage of oil