

Unit 1 Study Guide – Economics
Introduction to Economics: Chapters 1-3

Name _____ Hour _____

Definitions and examples

Central Questions

| <u>Chapter 1</u> | <u>Chapter 1</u> |
|---|---|
| scarcity | 1. How do economists believe people make decisions? |
| opportunity cost | |
| trade-offs | 2. Draw and Label the Production Possibility Frontier using quantity of Guns and Butter on each axis (mark inefficient X., efficient Y., and not possible Z. |
| Cost-benefit analysis | |
| production possibilities frontier (PPF) | How does the PPF show (a.) opportunity cost, (b.) scarcity, and (c.) trade-offs? (a.) (b.) (c.) |
| rationing device | 3. Describe and give examples of Four Resources (aka Factors of Production and Inputs) |
| | Land |
| | Labor |
| economics | Capital |
| | Entrepreneurship |

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| marginal | <p><u>Chapter 2</u> 4. Identify the 4 Economic Systems we studied.</p> |
| incentive | <p>5. Identify the 3 economic questions a society must answer about the production and distribution of goods.</p> |
| microeconomics | <p>6. Adam Smith – What did he believe about private property and self-interest?</p> |
| macroeconomics | <p>7. Karl Marx – What did he believe about public property and equality?</p> |
| goods | <p>8. How might the United States be identified as a mixed economy?</p> |
| utility | <p>9. Why does the government provide national defense and not private businesses?</p> |
| services | <p>9. Why does the government provide national defense and not private businesses?</p> |
| entrepreneurship | <p><u>Chapter 3</u> 10. Identify the 5 Components of Free Enterprise</p> <ol style="list-style-type: none"> 1. 2. 3. 4. 5. |
| <p><u>Chapter 2</u> economic system</p> | |

| | |
|---|---|
| <p>free enterprise / capitalism</p> <p>socialism</p> <p>mixed economy</p> <p>traditional economy</p> | <p>11. What is competition and how does it improve our society?</p> <p>12. Draw and label the Circular Flow Diagram</p> |
| <p>Chapter 3 Circular flow of economic activity</p> <p>Profit</p> <p>Loss</p> <p>Entrepreneur</p> <p>Externalities</p> | <p>13. What do households sell in the diagram? What do households buy?</p> |