

ECONOMICS STUDY GUIDE

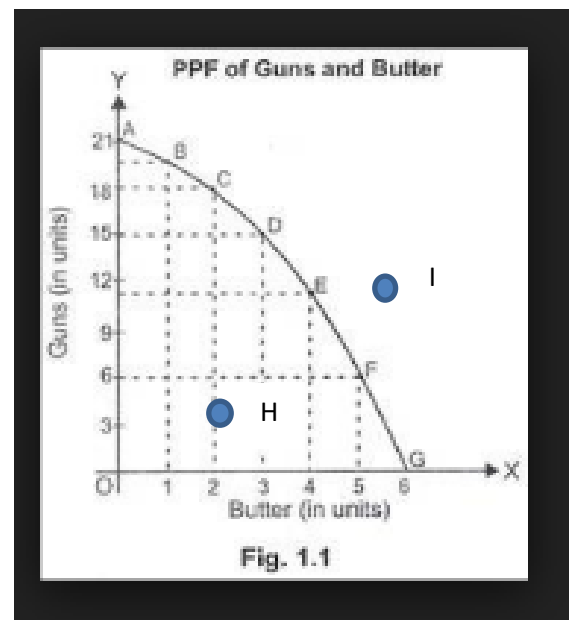
Unit 1: Fundamental Economic Concepts – Spring 2019

Scarcity, Productive Resources, and Opportunity Costs

1. What is scarcity?
2. What are productive resources/factors of production used for?
3. List and define the 4 productive resources.
4. What are the motivations that influence entrepreneurs to take risks?
5. You walk into Papa John's to buy a pizza. Label the following resources used at Papa John's as either land, labor, physical capital or human capital:
 - a. An oven
 - b. An employee taking an order over the phone
 - c. Flour
 - d. Peppers, olives, pineapples
 - e. Pizza box
 - f. An employee training someone else on how to work the cash register
 - g. An employee knowing how to make the dough for the pizza
 - h. The building
 - i. An employee who just came back from a delivery
6. Label the following as either a good or a service:
 - a. The oil put in your car
 - b. Mechanic fixing your car
 - c. A barber giving you a haircut
 - d. The scissors the barber uses on your hair.
7. Define tradeoff.
8. Define opportunity cost.
9. You just won \$1000 from a scratch off lottery ticket. You decide to either buy a new iPhone or spend it on the senior trip this year. You decide to buy the iPhone. What is your opportunity cost? How do you know?
10. What is the difference between a marginal cost and marginal benefit?
11. You decide to spend your money on an expensive prom dress (or suit) instead of buying new tires for your car. As a result of this decision, you can't drive yourself to school or work anymore. Was this a rational decision? Why or why not?
12. What is an incentive? What is the difference between a positive and negative incentive?
13. Identify the following as either a positive or negative incentive:
 - a. A sign that says "No Parking: Violators Will be Towed"
 - b. A \$1000 bonus for whoever sells more paper at Dunder Mifflin
14. How does specialization and division of labor increase productivity?
15. You walk into a hair salon and see one person cutting hair, another booking hair appointments, and someone else sweeping the floor. How is this an example of division of labor?

Production Possibility Curves

16. What is the purpose of a production possibilities curve?
17. On the PPC, which point(s) would be considered an efficient, inefficient, and currently impossible point of production?
18. What is the opportunity cost of moving production from Point F to Point E on the PPC? From Point B to D? From Point C to G? From Point E to A?
19. Define productivity
20. I own a coffee shop. Brenda is terrible at making coffee. If I decide to send Brenda to get training on how to be better at making coffee, is this an investment in human or physical capital? How will my investment increase productivity?
21. Darrell owns a business making clothes. He used to sew everything by hand, but he just invested in a sewing machine. How will this investment increase his productivity?



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Economic Systems: Market, Command, and Mixed

22. What is an economic system?
23. What are the different ways to allocate scarce resources? Compare and contrast each for effectiveness and fairness.
24. What is the difference between a traditional, command, and market economy?
25. What are the 3 economic questions every society has to answer? Who answers these questions in a traditional, market, and command economy?
26. Identify if the following descriptions are describing a traditional, command, or market economy.
 - a. Production techniques are handed down to family members from generation to generation.
 - b. The goods and services available for consumption are determined by the voluntary interaction of producers and consumers.
 - c. Wages and distribution system are controlled by government planners.
 - d. Profit motive drives sellers; self-interest drives buyers.
 - e. All decisions involving production and consumption of goods and services are made by the government.
 - f. No central planning occurs.
 - g. The right to make production and distribution decisions is based on political power.
 - h. Change comes slowly, often with opposition.
27. Know the basic economic goals a society might address: economic freedom, efficiency, equity, security, growth, sustainability, full employment, and stable prices. Which ones are important in each economic system?

Role of the Government

28. Why does the government provide public goods and services?
29. Label the following as either a public or private good:
 - a. cell phone
 - b. Piedmont Park
 - c. Atlanta Public Library
 - d. Nike shoes
 - e. PlayStation
 - f. South Cobb High School
30. Define transfer payments.
31. Why does the government redistribute income?
32. Define copyrights and patents.
33. Why does the government protect property rights?
34. What does it mean for the government to regulate the economy? What are the positive and negative effects on producers and consumers?
35. What does it mean if the market “fails”?
36. Identify if the following are positive or negative externalities:
 - a. Inhaling second hand
 - b. Free music from an outdoor concert you’re walking by
 - c. Your neighbor’s large SUV polluting the air
 - d. You buy an electric car

Essay: Compare and contrast a market and command economy in regards to three of the following: private ownership, profit motive, consumer sovereignty, competition, government regulation, economic questions