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

**Economics Unit 1 Study Packet**

**Section 1.1**

**Answer questions 1-10 on page 12.**

**1. Free market systems exist when consumers and businesses are able to buy and sell products**

**with a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ of government restrictions.**

**2. Rich individuals and countries do not have the problem of scarcity. True / False**

**3. Entrepreneurship is a special type of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.**

**4. Microeconomics studies decisions making by examining specific parts of an economy. True / False**

**5. Explain how business and consumers benefit from free markets in the US economy.**

**6. If you won one million dollars in the lottery, would you escape the scarcity problem? \_\_\_\_\_\_\_\_\_\_\_**

**7. Computer software programs are an example of which resource? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**8. What are the scarce economic resources or factors of production? Give an example of each.**

 **1.\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

 **2. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

 **3.\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**9. Explain why scarcity is a basic problem faced by all societies and how it forces societies to make choices.**

**10. Which of the following are microeconomic issues and which are macroeconomic issues? Explain.**

 **a. How will an increase in Cola price affect quantities sold? Micro / Macro because \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

 **b. What will cause the nation’s prices for goods to fall? Micro / Macro because \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

 **c. How does a quota on textile imports affect the industry? Micro / Macro because \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

 **d. Does a large federal budget deficit reduce the unemployment rate? Micro / Macro because \_\_\_\_\_\_\_\_\_\_\_\_\_**

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

**Economics Unit 1 Study Packet**

**Section 1.2**

**Answer the questions below taken from page 21.**

**1. Free markets allow \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ because buyers and sellers decide what to buy and sell with minimal**

**government interventions.**

**2. Economic efficiency means providing income only to those with jobs. True / False**

**3. The \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_means an economy must decide the mix and quantity of goods it produces.**

**4. The standard of living is the level of economic well-being of people. True / False**

**5. The \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ decides which combination of technology and resources to use in production.**

**6. Name *and describe* each of the 5 principles of a free market.**

 **1. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

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 **4. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

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**7. Which principle is best illustrated by the ability for a person to use a credit card *and why*?**

**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

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**8. Name *and describe* the 6 goals of a free market system.**

 **1. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

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 **3. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

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 **4. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

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**9. When a wild fire destroys peoples’ homes, which economic goal would help the economy *and why*?**

 **\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

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**10. What are the three basic economic questions that must be answered by every society and how are they answered in the US economy?**

 **1. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ In the US:** **:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

 **2. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ In the US:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

 **3. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ In the US:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**11. Your class decides to earn money by washing cars. Relate this enterprise to the *What, How,* and *For Whom* questions.**

 **What:**

 **How:**

 **For Whom:**

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

**Economics Unit 1 Study Packet**

**Section 1.3**

**Answer the questions below taken from page 29.**

**1. The \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ economic system answers the What, How, and For Whom questions the way they have**

**always been answered.**

**2. The *invisible hand* is the belief that the best interests of society are served by markets guided by self-interests.**

**True / False**

**3. The economic system based on government ownership of resources and centralized decision making is \_\_\_\_\_\_\_\_\_\_**

**4. According to Karl Marx, the highest form of socialism is communism. True / False**

**5. Give an example of how a nation’s culture affects its economic system.**

**6. Fill out the chart with the advantages and disadvantages of the three basic types of economic systems.**

|  |  |  |
| --- | --- | --- |
| **Type of Economic System:** | **Advantages** | **Disadvantages** |
|  |  |  |
|  |  |  |
|  |  |  |

**7. Suppose you are a farmer. Explain why you would be motivated to work in a traditional, command, and market economy.**

 **Traditional-**

 **Command-**

 **Market-**

**8. The US is primarily a market economy. Give an example of elements of a traditional and a command economy in the United States.**

 **Traditional-**

 **Command-**

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

**Economics Unit 1 Study Packet**

**2.1**

**Answer the questions below taken from page 44.**

**1. A(n) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ relationship is a positive relationship between two variables.**

**2. A model is based on assumptions. True / False**

**3. An analysis based on value judgments is \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ economics.**

**4. An inverse relationship between two variable means both variables move the same direction. True / False**

**5. An analysis based on facts is \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.**

**6. Explain why it is important for an economic model to be a simplification of the real world.**

**7. Which statements are positive economics and which are normative economics?**

 **a. The lottery is a better way to fund our schools. Positive / Normative**

 **b. Variables A and B move in the same direction. Positive / Normative**

 **c. As people’s incomes rise, the number of jobs also rises. Positive / Normative**

**8. Which statements’ variables are direct or indirect relationships?**

 **a. Probability of living for ten more years and age Direct / Indirect**

 **b. Annual income and years of education Direct / Indirect**

 **c. inches of snow and the sales of bathing suits Direct / Indirect**

 **d. number of football games won and the athletic budget for Vista PEAK Prep Direct / Indirect**

**9. What is the purpose of economic models?**

**10. How many graphs may be used to demonstrate economic relationships? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**11. What is the cause of most disagreements among disagreements? \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

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

**Economics Unit 1 Study Packet**

**2.2**

**Answer the questions below taken from page 50.**

**1. The decision about how much more or less to do is \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.**

**2. Trade-offs always exist, but opportunity cost does not. True / False**

**3. The difference between the marginal benefit and the marginal cost of an option is the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.**

**4. Cost-benefit analysis can only be applied to money decisions. True / False**

**5. Explain how scarcity forces all individuals to incur opportunity costs when they make choices.**

**6. Explain how scarcity applies to society. Consider the “Guns versus Butter” choice.**

**7. Which of the following opportunities has the greatest opportunity cost? Explain.**

 **a. A decision to use an undeveloped lot in Tokyo’s financial district for an apartment building**

 **b. A decision to use a square mile in the desert for a gas station**

**8. What might be the opportunity cost of watching TV until 2a.m. on a night before your economics test? Explain.**

**9. What steps are involved in marginal analysis?**

**10. Attending college is expensive, time consuming, and it requires effort. So why do people decide to go to college?**

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

**Economics Unit 1 Study Packet**

**2.3**

**Answer the questions below taken from page 57.**

**1. An outward shift of a production possibilities curve illustrates \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.**

**2. All points inside a production curve are inefficient. True / False**

**3. Opportunity costs and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ can be illustrated on a production possibilities curve.**

**4. An advancement in technology will not shift a production possibilities curve outward. True / False**

**5. What do points outside, along (on), and inside the production possibilities curve represent?**

**6. Explain the statement “There is no such thing as a free lunch” in relation to the production possibility curve.**

**7. What does the production possibilities curve on page 54 demonstrate?**

**8. How does scarcity of resources determine the location of a production possibilities curve?**

**9. How can economic growth be shown on a production possibilities curve?**

**10. What might cause the production possibilities curve outward?**