

Economics Study Guide

Why do you think that an employer is willing to pay an employee more if they have continued their education after high school?

Your education affects the _____ someone. An employer benefits from competition because _____.

Employer - a person who needs to _____.

Entrepreneur - someone who takes a risk to start a _____.

An entrepreneur that I know: _____.

Basic Economic Concepts

Scarcity - the total amount of things that a group of people can produce.

Resources - something that can be used to improve productive capacity.

Examples:

- Technology is a resource that improves productive capacity (for example: on assembly line).
- Capital Goods** - tools needed for making things. Capital goods are usually more _____.
- Examples: _____.
- Specialization** - when companies focus on doing a few things very well.
- Nike's specialization: _____.
- Another company: _____.
- Why is it a good idea to specialize in ONE thing versus _____?
- Inside of a factory, different workers do different _____.
- Create a division of _____.

Worker 1: _____

People will _____ with each other once they both agree.

This is called **voluntary exchange**.

We trade money for _____.

The government _____.

Tax - money that is paid to the _____ people in different ways.

The government uses tax money to pay for _____.

Sales tax - a tax on the _____.

Make a prediction: If a wealthy woman and a poor woman go to the store to purchase a gallon of milk, who will pay more sales tax, who will pay less tax, or will they pay the same amount of sales tax?

_____ that you buy.

Income tax - tax that is charged on money earned from _____.

A _____ account is a service in which you put money in a bank so that you can take it out over time.

Ways to take out money from a checking account: _____.

_____ is a piece of paper that someone uses to tell the bank to give money to someone else.

_____ works like a credit card, but money is withdrawn from your account immediately.

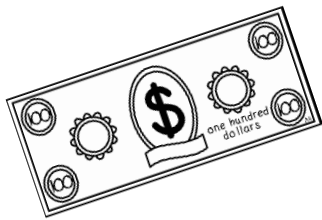
The Purpose of Banks

Savings account - the bank keeps your money safe.

- The bank actually _____.
- To pay you back for using your money, the bank pays _____.
- Interest** - a percentage of the total amount you have in the bank that is paid into your account.
- The bank uses your money to give out _____ to other people.
- Loan** - money that you have to pay back. The bank will make you pay your loan back with interest.

Pay to the order of _____ Date _____

Memo _____ \$ _____



Name: _____

Economics Study Guide

Spending and Saving

- An income is a limited amount of money that someone _____ for their work
 - Needs: _____ Wants: _____
- Budget: a plan for how much money will be _____ on each type of item that a person must buy
 - If you want to buy something that is not in your budget, you can _____ for that item

Reasons to Save Money:

--	--	--

- Most Americans live _____: they spend more money than they have

Explain why you think that this happens:

- Opportunity Cost: _____

How to Spend Money

- _____ - looking for items that are similar to the one you want to buy
- Keep a record in order to come up with a plan. For example: _____
- Credit Cards:



Consumers and Businesses

- People have to work to make money, their work is called _____
- When people get an education after high school, their labor is worth more and they make more _____

Why do you think that an employer is willing to pay an employee more if they have continued their education after high school?

- Your education affects the _____!
- Employer - a person who needs to _____ someone. An employer benefits from competition because _____
- Entrepreneur - someone who takes a risk to start a _____
 - An entrepreneur that I know: _____

Basic Economic Concepts



- _____ capacity - the total amount of things that a group of people can produce
- Resource - something that can be used to improve productive capacity.
 - Examples: _____
 - Technology is a resource that improves productive capacity (for example: an assembly line)
- Capital Goods - tools needed for making things. Capital goods are usually more _____ items.
 - Examples: _____
- Specialization - when companies focus on doing a few things very well.
 - Nike's specialization: _____
 - Another Company: _____ Specialization: _____

Why is it a good idea to specialize in ONE thing versus specializing in several different things?

- Inside of a factory, different workers do different _____ of a job. This is called division of labor.

Create a division of labor for putting together an ice cream sundae:

Worker 1	Worker 2	Worker 3	Worker 4



Markets and Prices



- The _____ of a product includes how much it costs and how difficult it is to get
 - Sellers set their prices at the highest amount that buyers will pay
 - Example: Mustard is easy to find, so its price stays _____
 - A one-of-a-kind painting is hard to find, so its price is set as _____
- When a product is hard to find, it is _____
 - Scarcity _____ prices!
- When a product is easy to find, there is a surplus.
 - A surplus _____ prices!

Items that are in surplus:

Items that are scarce:

Major Institutions

- Supply: the total amount of a _____ that producers are willing to make and sell at a certain price.
 - _____: a business that makes a product.
- Demand - the amount of product that consumers are willing and able to _____ at a certain price.
 - _____: a person who buys a product.
 - If the price of a product is too high, the demand will go _____
 - If the price of a product is too low, the demand will go UP, but the company will not make a profit

On February 15th, all stores place their Valentine's Day products on sale. Explain why this happens using what you know about surplus, supply, and demand:

- Competition - rivalry between two different _____.

Trade and Exchange

- The United States has a _____

- People will _____ with each other once they both agree.

- This is called voluntary exchange

- We trade money for _____ or _____



The Economic Function of Government

- The government _____ people in different ways.
 - Tax - money that is paid to the _____.
 - The government uses tax money to pay for _____.
- Sales tax - a tax on the _____ that you buy.

Make a prediction: If a wealthy woman and a poor woman go to the store to purchase a gallon of milk, who will pay more sales tax, who will pay less tax, or will they pay the same amount of sales tax?

- Income tax - tax that is charged on money earned from _____.

The Purpose of Banks

- A _____ account is a service in which you put money in a bank so that you can take it out over time
- Ways to take out money from a checking account:
 - _____: a piece of paper that someone uses to tell the bank to give money to someone else
 - _____: works like a credit card, but money is withdrawn from your account immediately

Date _____	
Pay to the order of _____	\$
Memo _____	AH

- Savings account - the bank keeps your money safe.
 - The bank actually _____ your money when you don't
 - To pay you back for using your money, the bank pays _____ for your savings account
 - Interest - a percentage of the total amount you have in the bank that is paid into your account
 - The bank uses your money to give out _____ to other people
 - Loan - money that you have to pay back. The bank will make you pay your loan back with interest

Name: _____

Economics Study Guide KEY

Spending and Saving

- An income is a limited amount of money that someone earns for their work
 - Needs: food, shelter, clothing
 - Wants: student examples
- Budget: a plan for how much money will be spent on each type of item that a person must buy
 - If you want to buy something that is not in your budget, you can save for that item

Reasons to Save Money:

Make a large purchase or save for wants	Save for retirement	Save for emergencies
---	---------------------	----------------------

- Most Americans live beyond: they spend more money than they have

Explain why you think that this happens:

- Opportunity Cost: what a person gives up by choosing one thing over another (THIS or THAT)

How to Spend Money

- Comparison Shopping - looking for items that are similar to the one you want to buy
- Keep a record in order to come up with a plan. For example: _____
- Credit Cards: you can purchase items using a credit card. The company will pay the store, and then you have pay the company back when you receive a bill. If you don't pay in full, they will charge you interest.

Consumers and Businesses

- People have to work to make money, their work is called labor.
- When people get an education after high school, their labor is worth more and they make more money.

Why do you think that an employer is willing to pay an employee more if they have continued their education after high school?

-
-
- Your education affects the REST OF YOUR LIFE!
 - Employer - a person who needs to hire someone. An employer benefits from competition because they want to choose the best, most qualified employee.
 - Entrepreneur - someone who takes a risk to start a business.
 - An entrepreneur that I know: _____

Basic Economic Concepts




- Productive capacity - the total amount of things that a group of people can produce
- Resource - something that can be used to improve productive capacity.
 - Examples: money, cars, tools, people
 - Technology is a resource that improves productive capacity (for example: an assembly line)
- Capital Goods - tools needed for making things. Capital goods are usually more expensive items.
 - Examples: assembly lines, computers, tractors, machines
- Specialization - when companies focus on doing a few things very well.
 - Nike's specialization: _____
 - Another Company: _____ Specialization: _____

Why is it a good idea to specialize in ONE thing versus specializing in several different things?

- Inside of a factory, different workers do different parts of a job. This is called division of labor.

Create a division of labor for putting together an ice cream sundae:

Worker 1	Worker 2	Worker 3	Worker 4



Markets and Prices

- The price of a product includes how much it costs and how difficult it is to get
 - Sellers set their prices at the highest amount that buyers will pay
 - Example: Mustard is easy to find, so its price stays low
 - A one-of-a-kind painting is hard to find, so its price is set as high as possible
- When a product is hard to find, it is scarce
 - Scarcity raises prices!
- When a product is easy to find, there is a surplus.
 - A surplus lowers prices!

Items that are in surplus

Items that are scarce

Major Institutions

- Supply: the total amount of a product that producers are willing to make and sell at a certain price.
 - Producer: a business that makes a product.
- Demand - the amount of product that consumers are willing and able to purchase at a certain price.
 - Consumer: a person who buys a product.
 - If the price of a product is too high, the demand will go down
 - If the price of a product is too low, the demand will go UP, but the company will not make a profit

On February 15th, all stores place their Valentine's Day products on sale. Explain why this happens using what you know about a surplus, supply, and demand:

- Competition - rivalry between two different companies.

Trade and Exchange

- The United States has a free market economy
- People will trade with each other once they both agree.
 - This is called voluntary exchange
- We trade money for goods or services



The Economic Function of Government

- The government taxes people in different ways.
 - Tax - money that is paid to the government.
 - The government uses tax money to pay for schools, hospitals, roads, parks, etc.
- Sales tax - a tax on the goods that you buy.

Make a prediction: If a wealthy woman and a poor woman go to the store to purchase a gallon of milk, who will pay more sales tax, who will pay less tax, or will they pay the same amount of sales tax?

- Income tax - tax that is charged on money earned from working

The Purpose of Banks

- A checking account is a service in which you put money in a bank so that you can take it out over time
- Ways to take out money from a checking account:
 - Check : a piece of paper that someone uses to tell the bank to give money to someone else
 - Debit Card: works like a credit card, but money is withdrawn from your account immediately
- Savings account - the bank keeps your money safe.
 - The bank actually uses your money when you don't
 - To pay you back for using your money, the bank pays interest for your savings account
 - Interest - a percentage of the total amount you have in the bank that is paid into your account
 - The bank uses your money to give out loans to other people
 - Loan - money that you have to pay back. The bank will make you pay your loan back with interest

If you have a question or need to contact me, please email me at
lovelearningtpt@yahoo.com