

**Need:** basic requirement for survival ex: food clothing shelter

**Want:** means of expressing a need ex: broader range of things

**Good:** many things ppl desire

**consumer** (durable = 3yrs+ & nondurable = <3yrs when regularly used) or  
**capital** (tool/equipment used to produce other goods)

**Services:** work that is performed ex: haircut, concert

**Value:** has worth & utility, expressed in dollars and cents

**Scarcity:** basic condition that exists when unlimited wants exceed limited  
productive resources

TINSTAAFL

**Paradox of Value:** apparent contradiction b/w high value of nonessential  
item and low value of essential

Scarcity + utility + wealth = value

**Wealth:** sum of tangible econ goods that are scarce, useful, and transferable  
from 1 to another; excludes services

Conspicuous Consumption: use of a good or service to impress others – fairly  
common. Fur coat, fancy car

**Productive resources:** aka factors of production = land (natural), labor  
(human), capital (capital goods), entrepreneurship.

\*\*\*show factors of production transparency

Allocate: distribute

How should resources be allocated? \*\*\*show 3 Basic Qs transparency

**Free enterprise system:** consumers and producers decide the majority of the 3  
economic decisions

**Economics:** study of allocation of scarce resource and goods

Describe - GDP

Analyze – why things work? (diff prices? Higher incomes? Taxes >  
spend/save?) How they happen ?

Explain – communicate understanding > can address/fix problems

Predict- based on trends, facts, theory (what is likely & consequences of  
our actions)

\*\*Diagram the **Circular Flow** of Economic Activity \*\*\*show Circular Flow transparency

\_\_\_\_\_ : **Households > Factor Market > Businesses > Product Market**

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FLOWS ON OUTSIDE

**Trade -offs:** alternatives that must be given up when one is chosen rather than another

**Opportunity Cost:** next best alternative given up when individuals, businesses, and govts confront scarcity by making choices. It is other options that are given up.

**Cost-benefit analysis**

Marginal costs v marginal benefits (m. benefits equal or exceed m costs)

Decision Making Grid: 1. Consider relevant alternatives, 2. ID criteria to evaluate, 3. Eval alternatives based on criteria

**Production Possibilities Curve:** illustrates opportunity costs; diagram representing various combinations of goods &/or services an economy can produce when all productive resources are fully employed.

Specialization and voluntary exchange b/w buyers + sellers increase mutual satisfaction.

Division of labor provides for **specialization** (proficiency in a task/skill), which in turn, creates **economic interdependence**.

How do we need each other? Why can't we "go it alone"?

Goal is to maintain or improve **standard of living:** quality of life often measured by possessions of needs + luxuries.

Standard of living is maintained by long-term **economic growth**, one indicator is **GDP:** \$ value of all g/s made w/in a nation's borders; total output in a 12 mo period; a key means of economic health.

To maximize: be productive!

**Productivity:** measures amount of output produced by given amt of inputs in a specified time.

2 ways to increase productivity:

1. Get more output w/ same amt of input
2. Get same output w/ fewer inputs

Productivity increases when businesses invest in human capital: sum of ppl's skills, abilities, health, and motivation. EX: ideas, job training is an investment in human capital.

What are some other investments in human capital?