Unit 1 Fundamental Economic Concepts

SSEF1-SSEF2

Unit 1A: Test August____

What is Economics?

What is Economics?

Allocate-

SSEF1

The student will explain why limited productive resources and unlimited wants result in scarcity, opportunity costs, and tradeoffs for individuals, businesses, and governments.

SSEF1: Element A

Define scarcity as a basic condition that exists when unlimited wants exceed limited productive resources.

1. Scarcity and____________

A "need" is:

A "want" is:

Wants are:

Scarce:

Scarcity:

Scarcity implies:.

Unlimited wants

Economics :

- Shortage vs. Scarcity

  A "shortage occurs":

  Shortages:

"Scarcity" ***:***

- Why is social security a scarce resource?

SSEF1: Element B

Define and give examples of productive resources (factors of production) (e.g., land (natural), labor (human), capital (capital goods), entrepreneurship).

Natural Resources:

2. Resources

3. Productive Resources

Resources :

4. Factors of Production

- Economists call :

Four basic Factors of production: land, labor, entrepreneurship and capital (human and physical).

i. Resource/Factors of Production

The inputs:

1. Factors of Production (cont.)

Capital is :

2. Land:.

b. Labor is :

- Contribution :
- Labor Includes: Physical capital includes buildings, machinery, tools, all structures and equipment used in the manufacturing process. etc.
  - *Human capital* :

- It assists :

d. Entrepreneurship

- A specific form of labor.

5. Goods vs. Services

Goods are :

Services are :

- Closing Thought

All goods and services :

- Journey of the French Fry…

Scarce resources used to make the French Fry…

- Land:
- Labor:
- Physical Capital:

SSEF1: Element C

List a variety of strategies for allocating scarce resources.

1. Scarcity:

An item's scarcity:

List Five Items that have become less scarce, more common and the demand has diminished. Since you where in 9th grade!

2. Strategies for allocations

a. Higher Prices.

b. Government Regulation:

c. Government establishes price ceiling or price floor

i. **Price ceiling**:
ii. **Price floor**:
iii. **Rationing**:
iv. Lotteries:
v. Markets:
vi. Redistribution of Income: How is price an incentive for producers and consumers?

SSEF1: Element D

Define opportunity cost as the next best alternative given up when individuals, businesses, and governments confront scarcity by making choices.

1. Trade-off

2. Opportunity Cost

Making Choices…EFFICIENTLY

- SSEF2: Element A.

a. Illustrate by means of a production possibilities curve the trade offs between two options.

  - Choices: the Decision to produce one good instead of another.
  - Remember:
- Trade Offs :
- Types of Trade-Offs
  - Individual Trade Offs

- Businesses Trade Offs
  - **Society Trade Offs: “**
  - **Should :**

- Remember:
- The:
- The Items :

OC is

- Every economic decision

1. Production Possibilities Curve:

- Depicts:
- Productions Possibilities Curve (PPC)
  - Graphical representation:
    a. Shows the:
    b. Interpreting the PPC
- **All points on the curve represent:**
- **Any point inside the curve represents:**

Interpreting the PPC/PPF

- **Points on the curve** –
- **Points inside (under) the curve** –
- **Points outside the curve** –

Why are PPCs/PPFs valuable to decision-makers?

- Graphical illustration :
- Shows :
- Shows :

Why would the PPC/PPF move?

- When:
- When :

SSEF2: Element B

Explain that rational decisions occur when the marginal benefits of an action equal or exceed the marginal costs.

- 1. Marginal Cost :
  2. Marginal Benefits:

Marginal______________ vs. Marginal ________________________

- The additional :
- The additional :

3. Thinking at the Margin

- When you're :

<u>Rational Decisions are made :</u>

4. What is processing?

Opportunity Cost:
Value :

- Opportunity Costs and the PPC/PPF
- The PPC/PPF i:

- Increasing Opportunity Cost
- A convex curve :

- **Constant Opportunity Cost**

- **Decreasing Opportunity Cost**
- When the curve is concave:

5. When and Why are irrational decisions made?