Unit 2 Fundamental Economic Concepts
SSEF1-SSEF6
What is Economics?____
A social scientist ____
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 Choice
A "need" is ____
A "want" is s____

Wants are unlimited while the resources (i.e. Money) are not!
Scarce: Short in supply
Scarcity____
Unlimited wants ____
Economics attempts to solve the problem of scarcity.
Shortage vs. Scarcity
A "shortage occurs" ____
Shortages ____
"Scarcity" ***always*** _____________ because our ____________ and ___________ are always greater than our resource supply.

SSEF1: Element B

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

What resources
were used to produce the fruits and vegetables shown here?
1. Natural Resources: ____
2. Resources:____
3. Productive Resources
Resources need to be ____
4. Factors of Production
Economists call the resources that are used to make all goods and service the _____________ of _____________.
Four basic Factors of production: land, labor, entrepreneurship and capital (human and physical).
i. Resource/Factors of Production
The inputs _________________, ________________, _______________, and ____________________-used by society to produce outputs which are often finished products…
Factors of Production (cont.)
Capital is any ____
Land ____
It is more than the land we stand on it is __________, water, iron ore, crude oil, natural gas, coal, fish, uranium.
Labor ____
Labor Includes: ___________________ and ______________efforts, __________ skilled, and un skilled.
Capital
Physical capital includes buildings, machinery, tools, all structures and equipment used in the manufacturing process. etc.
Human capital is the knowledge and skills a worker gains through education and experience.
It ____

Entrepreneurship
A specific form of labor. ____

____

Goods vs. Services
Goods are ________________________ objects such as shoes and shirts.
Services are ____________________or activities that one person performs for another.
Thoughts:____

____

SSEF1: Element C
List a variety of strategies for allocating scarce resources.

1. Scarcity:____
2. Strategies for allocations
a. ____. By raising prices, companies limit the number of consumers who can actually buy the product. This allows the producers to still make money while making sure the limited supply of a product lasts longer than it normally would have
b. Government Regulation: Government establishes price ceiling or price floor

i. **Price ceiling**: means that the price of a certain good or service is not allowed to rise above a certain level.
ii. **Price floor**: means that a certain good or service is not allowed to drop below a certain price

iii. **Rationing**: ____
iv. Lotteries: ex. Ga Pre-K
vi. Redistribution of Income: ____

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: Every time people make a choice about how to use their resources, the must make a trade-off! People gain something, but also give up something!
2. Opportunity Cost: ____
You face an opportunity cost every time you decide how to use your scarce productive resource!

Making Choices…___________________

SSEF2: SSEF2 The student will give examples of how rational decision making entails comparing the marginal benefits and the marginal costs of an action.
a. Illustrate by means of a production possibilities curve the trade offs between two options.

Choices: ____
Remember:
Trade Offs are ____
whenever we choose one course of action over another.
Types of Trade-Offs:____
Remember: Opportunity Costs

The ____ as the result of a decision is called the opportunity cost.
The Items we give up ____

If you choose to use your savings to pay off a credit card bill instead of going on the senior trip, what is your opportunity cost?____

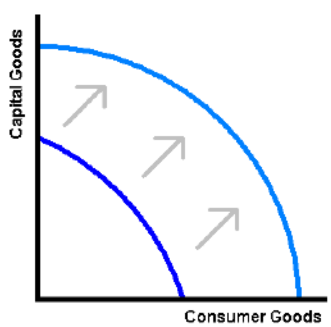
Opportunity Cost is associated with scarcity. Why?
____
____

Every economic decision must determine which tradeoffs are most beneficial. Trade-offs involves giving up one option for another.

- Production Possibilities Curve:

Depicts how much of ____
____

Productions Possibilities Curve (PPC)
Graphical representation of how an economy makes decisions



Shows the <u>choices</u> an economy can make with respect to its <u>available</u> <u>resources</u>
Interpreting the PPC
All points on the curve represent the <u>efficient</u> production of goods and services (you are using your resources well)
Any point inside the curve represents an underutilization of resources (you're wasting resources – could be producing more)

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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 of opportunity cost to produce more or one good (or service)
Shows how efficient (or inefficient) an economy is working
Shows growth or reduction
Why would the PPC/PPF move?
When the _____________or _________________ of land, labor, capital, or ______________ ___________,
the ENTIRE PPC will *shift to* ______________ _________ _________________________
When the quantity or quality of land, labor, and capital _____________________, the ENTIRE PPC will
____________*to the* ___________________________

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:
Refers to the amount of Benefit a person, business,____
____
Marginal Costs vs. Marginal Benefits
The additional ____
The additional ____
3. Thinking at the Margin
When you're trying to decide, ""____" you are _____________

Rational Decisions are made when the marginal benefits equal or exceed marginal costs