**Chapter One Questions**

1. What is an example of a shortage

2. Give an example of making a decision at the margin

3. An efficient economy is one that does \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

4. The opportunity cost of a decision can be examined by using a \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

5. Production possibilities frontiers curve when they are charted on a graph because this shows\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

6. What is a factory building an example of?

7. What does a production possibilities frontier show?

8. What is scarcity?

9. You bought two new CDs with the last $30 in your checking account, and your next payday is on Monday. What is the opportunity cost of these CDs?

10. One example of an entrepreneur is

11. Which of the following is a “guns or butter” decision?

12. What would an economist consider to be *land*?

13. Give an example of thinking at the margin is

14. What is an example of scarcity, rather than shortage?

15. What can cause a production possibilities curve to move to the right?

**Interpreting a Decision-Making Grid**

|  |  |  |
| --- | --- | --- |
| **Decision Making at the Margin** | | |
| **Options** | **Benefits** | **Opportunity Cost** |
| Work 1 hour | 1 hour pay | 1 hour of study or recreation time |
| Work 2 hours | 2 hours pay | 2 hours of study or recreation time |
| Work 3 hours | 3 hours pay | 3 hours of study or recreation time |
| Work 4 hours | 4 hours pay | 4 hours of study or recreation time |
| Work 5 hours | 5 hours pay | 5 hours of study or recreation time |

**Figure 1.1**

According to Figure 1.1, which option leaves the most time for recreation?

What basic assumption is made by Figure 1.1?

According to Figure 1.1, which option will earn the most money the quickest?

Why is the decision being made a decision at the margin?

**Drawing Conclusions** Explain how the introduction of physical capital, in the form of a computer, could benefit a family. Are there also some ways in which a computer might not benefit a family?

**Analyzing Information** Explain how an economy can work efficiently in terms of its production possibilities but not be producing goods that are useful to it.

**Define the following hint first Quiz**

|  |  |  |  |
| --- | --- | --- | --- |
|  | efficiency |  |  |
|  | goods |  |  |
|  | trade-off |  |  |
|  | production possibilities graph |  |  |
|  | scarcity |  |  |
|  | services |

|  |  |
| --- | --- |
|  | shortage |
|  | opportunity cost |
|  | underutilization |
| . | labor |
|  | factors of production |

|  |  |  |  |
| --- | --- | --- | --- |
|  | production possibilities frontier |  |  |
|  |  |  |  |
|  | growth |  |  |
|  | opportunity cost |  |  |
|  | underutilization |  |  |
|  | efficiency |
| . | services |