



## Section 1: Guided Reading and Review

**Scarcity and the Factors of Production****CHAPTER 1****A. As You Read**

As you read Section 1, supply in the space provided an explanation an economist might give showing why each statement is true.

**Statement****Explanation**

1. People must make choices to satisfy their needs and wants.
2. Scarcity always exists.
3. Physical capital is an important factor of production.
4. All goods and services are scarce.
5. Entrepreneurs are important to the production of goods and services.

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_

**B. Reviewing Key Terms**

Complete each sentence by writing the correct term in the blank.

6. A CD player is a \_\_\_\_\_ rather than a need because it is not necessary to survival.
7. The study of how people seek to meet their needs and wants by making choices is \_\_\_\_\_.
8. Persons who perform such actions as cutting hair or teaching school are providing \_\_\_\_\_.
9. When producers will not or cannot offer goods and services at current prices, a \_\_\_\_\_ occurs.
10. Land, labor, and capital make up the \_\_\_\_\_.
11. When people make resources for producing other goods and services they are creating \_\_\_\_\_.
12. The term \_\_\_\_\_ refers to water, forests, and all other natural resources used to produce goods and services.
13. The two categories of capital are physical and \_\_\_\_\_.
14. Factories, machinery, and pencils are all examples of \_\_\_\_\_ capital.
15. Leaders who take risks to develop original ideas and start new industries are called \_\_\_\_\_.

## Section 1: Quiz



# Scarcity and the Factors of Production

**A. Key Terms**

Match the descriptions in Column I with the terms in Column II. Write the letter of the correct answer in the blank provided.

**Column I**

- \_\_\_\_\_ 1. a situation that occurs when a producer cannot offer a particular good or service at the current price
- \_\_\_\_\_ 2. the effort that a person devotes to a task, for which the person is paid
- \_\_\_\_\_ 3. physical objects such as baseballs or umbrellas
- \_\_\_\_\_ 4. the study of how people make decisions to satisfy their needs and wants

**Column II**

- a. goods
- b. economics
- c. shortage
- d. labor

**B. Main Ideas**

Write the letter of the correct answer in the blank provided.

- \_\_\_\_\_ 5. Which of the following are factors of production?
  - a. capital and land
  - b. scarcity and shortages
  - c. technology and productivity
  - d. economics and business decisions
- \_\_\_\_\_ 6. Which of the following is an example of using physical capital to save time and money?
  - a. hiring more workers to do a job
  - b. building extra space in a factory to simplify production
  - c. switching from oil to coal to make production cheaper
  - d. lowering workers' wages to increase profits
- \_\_\_\_\_ 7. To what part of an industry does a worker's education contribute?
  - a. technology
  - b. physical capital
  - c. human capital
  - d. scarce resources
- \_\_\_\_\_ 8. Which of the following is an entrepreneur?
  - a. a person who earns a lot of money as a singer or dancer
  - b. a person who creates a game and sells it to a game manufacturer
  - c. a person who starts an all-organic cleaning supplies business that employs others
  - d. a person who works as a highly paid computer programmer
- \_\_\_\_\_ 9. What is the difference between a shortage and scarcity?
  - a. A shortage can be temporary or long-term, but scarcity always exists.
  - b. A shortage results from rising prices; scarcity results from falling prices.
  - c. A shortage is a lack of all goods and services; scarcity concerns a single item.
  - d. There is no real difference between a shortage and scarcity.
- \_\_\_\_\_ 10. What does an economist mean by the term *land*?
  - a. farmland only
  - b. food crops grown on farmland as well as the farmland itself
  - c. goods and services that are produced from the land
  - d. all natural resources used to produce goods and services



## Section 2: Guided Reading and Review

# Opportunity Cost

### CHAPTER 1

#### A. As You Read

As you read Section 2, fill in two supporting facts or details under each main idea by answering each question.

**Main Idea:** Trade-offs are alternatives that people give up when they choose one course of action over another.

1. Who makes trade-offs? \_\_\_\_\_
2. Why do decisions involve trade-offs? \_\_\_\_\_

**Main Idea:** Opportunity cost is the most desirable alternative given up as the result of a decision.

3. How does opportunity cost vary? \_\_\_\_\_
4. Why does opportunity cost vary? \_\_\_\_\_

**Main Idea:** Deciding whether to do or use one more or one less unit of some resource is thinking at the margin.

5. What does thinking at the margin help with? \_\_\_\_\_
6. What does thinking at the margin help compare? \_\_\_\_\_

#### B. Reviewing Key Terms

Answer each of the following questions.

7. In what way are trade-offs and opportunity costs alike?

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8. How does an opportunity cost differ from a trade-off?

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9. What are "guns or butter" decisions?

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10. How does thinking at the margin change the decision-making process?

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Section 2: Quiz  
**Opportunity Cost****A. Key Terms**

Use each of the following terms in a sentence that suggests its meaning.

1. trade-off \_\_\_\_\_
2. opportunity cost \_\_\_\_\_
3. thinking at the margin \_\_\_\_\_

**B. Main Ideas**

Write the letter of the correct ending in the blank provided.

- \_\_\_\_\_ 4. The economic concept of *guns or butter* means that
  - a. a person can spend extra money either on sports equipment or food.
  - b. a company must decide whether to manufacture guns or butter.
  - c. a government must decide whether to produce more or less military or consumer goods.
  - d. a government can buy unlimited military and civilian goods if it is rich enough.
- \_\_\_\_\_ 5. If a person who wants to buy a compact disc (CD) has just enough money to buy one, and chooses CD A instead of CD B, then CD B is the
  - a. trade-off.
  - b. opportunity cost.
  - c. decision at the margin.
  - d. opportunity at the margin.
- \_\_\_\_\_ 6. A decision-making grid is a visual way of
  - a. examining opportunity costs.
  - b. selling goods or services.
  - c. making marginal decisions.
  - d. identifying shortages.
- \_\_\_\_\_ 7. Making a decision at the margin is possible only in situations where
  - a. the available opportunity costs are unclear or complicated.
  - b. the available alternatives can be divided into increments.
  - c. there are more than three different types of alternatives to consider.
  - d. there are differences in the amount of time each alternative will consume.
- \_\_\_\_\_ 8. Every decision involves trade-offs because
  - a. everyone has to make decisions.
  - b. everyone's resources are limited.
  - c. some people have more money than others.
  - d. some decisions are made for business, others for society.
- \_\_\_\_\_ 9. All of the following are trade-offs for a student who spends a semester abroad EXCEPT
  - a. eating all of their favorite foods.
  - b. seeing friends from home daily.
  - c. experiencing the culture of another country.
  - d. missing family activities at home.
- \_\_\_\_\_ 10. A decision is made at the margin when each alternative considers
  - a. a different trade-off than the others.
  - b. where the most costly alternative will be.
  - c. what the "all or nothing" alternative will be.
  - d. cost and benefit ranked in progressive units.



## Section 3: Guided Reading and Review

# Production Possibilities Curves

### CHAPTER 1

#### A. As You Read

As you read Section 3, complete the chart by indicating where on a production possibilities curve the following information is shown.

#### Reading a Production Possibilities Curve

1. Categories or specific goods or services to be compared

2. Range of choices in the combination of goods or services produced

3. Production possibilities frontier

4. An economy working at its most efficient production levels

5. An economy working below its most efficient production levels

6. Future production possibilities frontier if more land, labor, or capital resources become available

#### B. Reviewing Key Terms

Define the following terms.

7. production possibilities curve \_\_\_\_\_
8. production possibilities frontier \_\_\_\_\_
9. efficiency \_\_\_\_\_
10. underutilization \_\_\_\_\_
11. cost \_\_\_\_\_
12. law of increasing costs \_\_\_\_\_

# Production Possibilities Curves



## A. Key Terms

Briefly define or identify each of the following.

1. underutilization \_\_\_\_\_
2. efficiency \_\_\_\_\_
3. law of increasing costs \_\_\_\_\_

## B. Main Ideas

Write the letter of the correct ending in the blank provided.

- \_\_\_\_\_ 4. A production possibilities curve shows the relationship between the production of
  - a. farm goods and factory goods.
  - b. two types of farm goods.
  - c. two types of factory goods.
  - d. any two categories of goods.
- \_\_\_\_\_ 5. The line on a production possibilities curve showing the relative amounts of two types of goods produced using all resources is called the
  - a. production possibilities frontier.
  - b. opportunity cost line.
  - c. utilization of resources.
  - d. maximum possible production line.
- \_\_\_\_\_ 6. Increasing the number of laborers in an economy generally causes a(n)
  - a. increase in the production possibilities curve.
  - b. decrease in the production possibilities curve.
  - c. increase in the opportunity cost of production.
  - d. decrease in the opportunity cost of production.
- \_\_\_\_\_ 7. The law of increasing costs means that as production shifts from one item to another,
  - a. the cost of production gets cheaper and cheaper.
  - b. the cost of producing an item stays the same no matter how many are produced.
  - c. more and more resources are necessary to increase production of the second item.
  - d. the land costs of increasing production rise much more steeply than do the labor costs.
- \_\_\_\_\_ 8. An economy that is NOT using all its resources to gain the maximum possible production is
  - a. efficient.
  - b. underutilized.
  - c. growing.
  - d. trading off.
- \_\_\_\_\_ 9. The curve usually seen in a production possibilities frontier can be explained by
  - a. growth in the economy.
  - b. underutilization of resources.
  - c. increasing an economy's efficiency.
  - d. the law of increasing costs.
- \_\_\_\_\_ 10. An economy that is producing the maximum amount of goods and services is considered
  - a. efficient.
  - b. underutilized.
  - c. growing.
  - d. trading off.