

## Section 1: Guided Reading and Review

# Scarcity and the Factors of Production



### 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 2: Guided Reading and Review

# Opportunity Cost

### 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?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
8. How does an opportunity cost differ from a trade-off?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
9. What are “guns or butter” decisions?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
10. How does thinking at the margin change the decision-making process?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

## Section 3: Guided Reading and Review

# Production Possibilities Curves



### 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 \_\_\_\_\_



## Section 1: Guided Reading and Review

# Answering the Three Economic Questions

### A. As You Read

As you read Section 1, supply the missing information about economic systems in the spaces provided.

1. Three economic questions answered:
  - (a) \_\_\_\_\_
  - (b) \_\_\_\_\_
  - (c) \_\_\_\_\_
2. Economic concept necessitating choices and priorities in any society:
 

\_\_\_\_\_
3. Economic question answered by basic social values and goals:
 

\_\_\_\_\_
4. Five basic economic goals guiding society's choice of systems:
  - (a) \_\_\_\_\_
  - (b) \_\_\_\_\_
  - (c) \_\_\_\_\_
  - (d) \_\_\_\_\_
  - (e) \_\_\_\_\_
5. Four main kinds of economies:
 

(a) _____	(c) _____
(b) _____	(d) _____

### B. Reviewing Key Terms

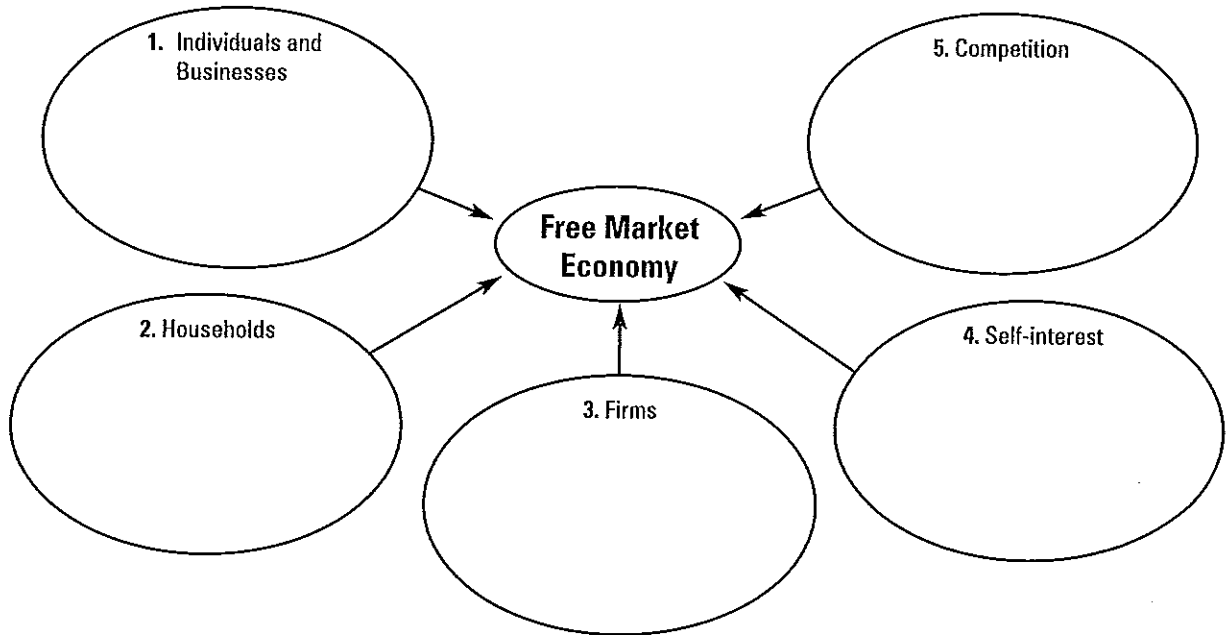
Complete each sentence by writing the correct term in the blank.

6. An economic system that relies on habit, custom, or ritual to decide questions of production and consumption of goods and services is a \_\_\_\_\_.
7. An encyclopedia entry illustrating how a hunter-gatherer group collects and shares food resources is describing that society's \_\_\_\_\_.
8. When voluntary exchanges in the markets determine decisions on production and consumption, the society's economic system is a \_\_\_\_\_.
9. When people earn income for supplying land, labor, capital, or entrepreneurship, they receive \_\_\_\_\_.
10. An economic system in which the central government makes all decisions on production and consumption of goods and services is a \_\_\_\_\_.
11. People who receive disaster relief from the government after a flood are benefiting from an economic system that provides a \_\_\_\_\_.

## Section 2: Guided Reading and Review

**The Free Market****A. As You Read**

As you read Section 2, list the role or roles played in a free market economy by each factor in the diagram below.

**Roles and Functions in a Free Market Economy****B. Reviewing Key Terms**

Match the definitions in Column I with the terms in Column II. Write the letter of the correct answer in the blank provided. You will not use all of the terms.

**Column I**

- \_\_\_ 6. market in which households purchase the goods and services that firms produce
- \_\_\_ 7. an expectation that encourages people to behave in a certain way
- \_\_\_ 8. power of consumers to decide what gets produced
- \_\_\_ 9. market in which firms purchase the factors of production from households
- \_\_\_ 10. financial gain made in a transaction
- \_\_\_ 11. concentration of productive efforts of individuals and firms on a limited number of activities
- \_\_\_ 12. an arrangement that allows for exchange among buyers and sellers

**Column II**

- a. profit
- b. competition
- c. product market
- d. market
- e. incentive
- f. self-interest
- g. specialization
- h. factor market
- i. consumer sovereignty



## Section 3: Guided Reading and Review

**Centrally Planned Economies****A. As You Read**

As you read Section 3, supply the missing information in the chart below.

**Central Economic Planning in the Former Soviet Union**

1. Main goal: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
2. Role of central government:
  - (a) \_\_\_\_\_
  - (b) \_\_\_\_\_  
\_\_\_\_\_
3. Effects on agriculture:
  - (a) *Positive* \_\_\_\_\_
  - (b) *Negative* \_\_\_\_\_
4. Effects on industry:
  - (a) *Positive* \_\_\_\_\_
  - (b) *Negative* \_\_\_\_\_
5. Effects on consumers:
  - (a) *Positive* \_\_\_\_\_
  - (b) *Negative* \_\_\_\_\_

**B. Reviewing Key Terms**

Define the following terms.

6. socialism \_\_\_\_\_  
\_\_\_\_\_
7. communism \_\_\_\_\_  
\_\_\_\_\_
8. authoritarian \_\_\_\_\_  
\_\_\_\_\_
9. collective \_\_\_\_\_  
\_\_\_\_\_
10. heavy industry \_\_\_\_\_  
\_\_\_\_\_

## Section 4: Guided Reading and Review

# Modern Economies



### A. As You Read

As you read Section 4, fill in two supporting facts or details under each main idea by answering each question.

**Main Idea:** Government intervenes in market economies because some needs and wants of modern societies are hard to answer in the marketplace or may be answered more fairly for all members of society with government involvement.

1. What needs and wants are hard to answer? \_\_\_\_\_  
\_\_\_\_\_
2. What needs and wants are answered more fairly with government involvement? \_\_\_\_\_  
\_\_\_\_\_

**Main Idea:** Government intervention dominates in some mixed economies.

3. How does government intervene in North Korea's economy? \_\_\_\_\_  
\_\_\_\_\_
4. How is government intervention less extreme in China's economy? \_\_\_\_\_  
\_\_\_\_\_

**Main Idea:** The market system dominates in some mixed economies.

5. Where is the world's freest market located? \_\_\_\_\_  
\_\_\_\_\_
6. Why is it one of the freest? \_\_\_\_\_  
\_\_\_\_\_

### B. Reviewing Key Terms

Answer each of the following questions.

7. How does *free enterprise* differ from *laissez faire*? \_\_\_\_\_  
\_\_\_\_\_
8. Why is China said to have a *transition* economy? \_\_\_\_\_  
\_\_\_\_\_
9. What does it mean to *privatize* an industry? \_\_\_\_\_  
\_\_\_\_\_
10. Why do the world's national economies fall inside a *continuum*? \_\_\_\_\_  
\_\_\_\_\_