ECONOMICS (Povletich)

Unit 1 Review Sheet - “Introduction to Economics”

There will be 30-40 multiple choice questions and 4-5 free-response questions on your test that will take place on Tuesday 2/9 (periods 2 & 4) or Wednesday 2/10 (period 7). This review sheet covers the content from the chapters but it is not directly tied to the questions on the test (in other words, I’m not feeding you the test questions ahead of time!). The purpose of this review is to guide you through the content, but on the test many of the questions will ask you to apply that content to unique questions and scenarios. You will not have time to study in class before you take the test so please come to class prepared!

Your packet for Chapters 2 & 3 will be collected on Tuesday along with your What’s Next Packet on Wages & Earning.

This review sheet will NOT be collected. I am providing it as a resource for you because it will help you do better on the test but it will be not graded and it will not be extra credit. The answer key will be posted on my website on Sunday night so you can check your answers.

**CHAPTER 1**
**What is Economics?**

1. ________________ exists when there is less of a good than people would like to have. In other words, when resources are ________________ and wants are ________________.

2. Opportunity cost could be described as your ________________ choice.

3. As the opportunity cost of a decision increases, a person will be ________ (more or less) likely to make such a decision.

4. The economic concept of ________________ explains why Kobe Bryant and LeBron James chose to go directly into professional basketball rather than college.

5. Money, grades and a promotion are all examples of ________________. Economists believe that people respond to and are motivated by them.

6. ________________ include anything used to produce goods or services.

7. Another word for ________________ is additional.

8. To an economist, ________________ refers to machinery and tools.

9. Oil, coal, natural gas, and gold are all examples of ________________ resources while timber, corn and cotton are examples of ________________ resources.

10. ________________ (a way to decide who gets what portion of all the resources and goods available) exists because of scarcity.

11. ________________ allocates products to those who are willing and able to pay.

12. A ________________ shows all possible combinations of TWO goods an economy can produce.

13. The world’s supply of resources is ________________ (limited or unlimited), therefore individuals, businesses and societies are all faced with ________________.

14. Things that can be felt or touched are ________________.

15. ________________ refers to physical and mental talents.

16. Look at the Production Possibilities Frontier on page 10. Which letter(s) represents a combination of goods we can’t have because we don’t have enough resources? ________________

17. Look at the Production Possibilities Frontier on page 10. Which letter(s) represents a combination of goods that are feasible? ________________
18. __________________ is the word that describes an economy that is not using its resources in the best possible way.

19. The marginal cost of something is the cost to produce one _______________ unit.

20. A government’s choice about spending money on military or domestic issues is often referred to as the _______________ or _______________ debate. In other words, when a society spends money on national defense, there is a _______________, since that money can’t be used for a school or a bridge.

21. ___________________________ is the study of small economic units such as an individual or single business firm.

22. ___________________________ is the study of the “big picture,” the entire economy.

You will need to be able to explain what the various points on a PPF curve mean and how the PPF curve is a graphic example of the concept of scarcity and opportunity cost.

23. What are the three economic questions?
   A) ___________________________________________________________________
   B) ___________________________________________________________________
   C) ___________________________________________________________________

24. The question of what goods will be produced must be answered because ______________ exists.

25. How a society answers the three economic questions defines its _________________.

26. Resources are owned and controlled by private individuals in a ________________ or ______________ economic system. (2 words than can be used interchangeably)

27. ___________________________ refers to the way all of a country’s income is divided among groups of earners.

28. In a ________________ economy, people pass on customs, skills, and cultural beliefs from one generation to the next.

29. In a socialist economic system, the ________________ own and controls many of the resources.

30. A ________________ economy is a particular type of (or another word for) a socialist economic system.

31. Adam Smith believes that people are motivated by __________________________ that causes people to work hard and take risks, which benefits society. He suggests that people’s actions are led by “_______________________.” In addition, he believes that the division of _________________ creates greater productivity and wealth and that ________________ should provide national defense, justice and public works.

32. Karl Marx is best known for writing __________________________.
There will be a section on your test that comes from the activity you did in class with these two men so here it is again. *Use the following key to label each of the statements as more like the free enterprise vision of Adam Smith or more like the socialist vision of Karl Marx.*

\[ S = \text{Adam Smith, free enterprise vision} \]
\[ M = \text{Karl Marx, socialist vision} \]

33. _____ Resources are owned by private individuals and private property is sacred
34. _____ Government decision makers write economic plans
35. _____ Competition keeps prices down and quality up
36. _____ Government makes major decisions concerning the use of resources and the production of goods.
37. _____ Much attention is given to distribute income away from high earners toward low earners.
38. _____ All value in produced goods comes from labor
39. _____ Government does not attempt to control prices.
40. _____ Government plays a small role in the economy.
41. _____ Government sets wages and the prices of goods.
42. _____ Government owns most property and uses it for the benefit of the people.

**Chapter 3**

**Free Enterprise**

43. What are the five features of free enterprise?
   A) ___________________________________________________
   B) ___________________________________________________
   C) ___________________________________________________
   D) ___________________________________________________
   E) ___________________________________________________

44. __________________________________ refers to the right of government to take ownership of private land without the consent of the owner by compensating owners for the loss of their land.

45. The circular flow diagram shows __________________________ in the economy.

46. The amount of money that a business receives from the sale of its production is called ______________ ________________.

47. The money that a business pays for the things required for production of its products is called ______________________.

48. Although there are no guarantees in a free enterprise system, it offers ______________________.

49. ______________________ are motivated by potential profit.

50. National defense, schools, parks, a court system, and the postal service are examples of ________________ Goods. It is difficult to exclude people from receiving the __________________ of them once they are provided.

51. A person who receives the benefits of a good without paying for it is called a ________________ ________________.

52. An __________________ economic system rewards (or punishes) producers according to how well (or poorly) they respond to the preferences of the buying public.

53. The __________________ produces public goods because the private market will not produce them.

54. A(n) ______________________ exists when one person’s actions affect another person.

55. A bigger selection of products, better quality goods and lower prices are all a result of ______________________.
56. The circular flow has two loops. One loop represents the flow of ______________ and ______________ while the other represents the flow of ____________________.

57. Households sell ________________ to businesses according to the circular flow diagram.

58. Profits and losses are __________________ to firms earning the profits or taking the losses AND to firms standing on the sidelines.

59. The __________________________ notes that “private property [shall not] be taken for public use, without just compensation”.

60. When the Constitution states that “no tax or duty shall be laid on articles exported from any State,” it is strongly supporting ________________________.

61. A good is ________________________ if people can be prevented from using it.

62. The government will provide nonexcludable public goods and pay for them with ________________.

63. The government can minimize the negative externalities in society through the __________________________, ________________________ and __________________________.

Here is a different version of the circular flow diagram. It tells you the same information as the one in the textbook but I thought it might be useful to see a different version with slightly different labels. You will need to be able to analyze the circular flow diagram and explain how economists use it to show interactions in society. (We haven’t learned about the supply and demand curves that are on this model so you can ignore that part but the rest of it gives more detail than the one in your book)

** Be sure you are able to calculate total revenue, total cost, profit and loss **
Additional content for the Unit 1 Test!

In addition to the textbook content, there will also be questions from the Budget Challenge and What’s Next Projects. I’ve posted online some of the pages from your Budget Challenge reference folder that will be helpful to study including the glossary and some key information pages. The remainder of these questions come from the Wages and Earning Tutorials you are completing for the What’s Next Project. Here are some topics you need to know for the test with space to take some notes for your own use…

- The advantages of using a 401K
- The difference between Gross Pay and Net Pay
- What is ODP?
- What is NSF?
- What is the difference between fixed and flexible expenses?
- What are “payroll” taxes?
- What does the government use personal income tax revenue for?
- What is the purpose of Form W-4? (you will need to be able to understand this form for the test)
- What is the difference between a wage, salary, bonus, and commission?
- What is the purpose of Form W-2?