

Name: _____ Hour: _____

ATTENTION: THIS STUDY GUIDE IS NOT ACCEPTED AFTER THE TEST DATE FOR ANY REASON. THIS INCLUDES ILLNESS, EXCUSED ABSENCE, ETC. IT IS EXTRA CREDIT!!!

Study Guide 1

Economics

Chapters 1, 2, 3

Complete this study guide (optional) by test day, for up to ten percentage points on your test. This helps if you are not a great test-taker!!

1. What is the difference between wants and needs?
2. What is scarcity and what is considered scarce?
3. What is the study of economics?
4. What 3 economic questions need to be answered?
5. What are the 4 factors of production? What does each of the four factors mean, and what is included in each?
6. Give an example of an incentive.
7. Why does every choice cost something?
8. What is opportunity cost?
9. What do marginal cost and marginal benefit have to do with making good decisions?
10. What 4 assumptions do we make with regard to a PPC?

11. What would cause a PPC to shift? Give 3 examples.

12. What is the law of increasing opportunity cost and what does it have to do with the PPC?

13. What types of products would have constant opportunity cost?

14. What is the difference between microeconomics and macroeconomics?

15. What is the difference between positive and normative economics?

16. What are the three main types of economies and who makes the economic decisions in each?

Economy 1:

Economy 2:

Economy 3:

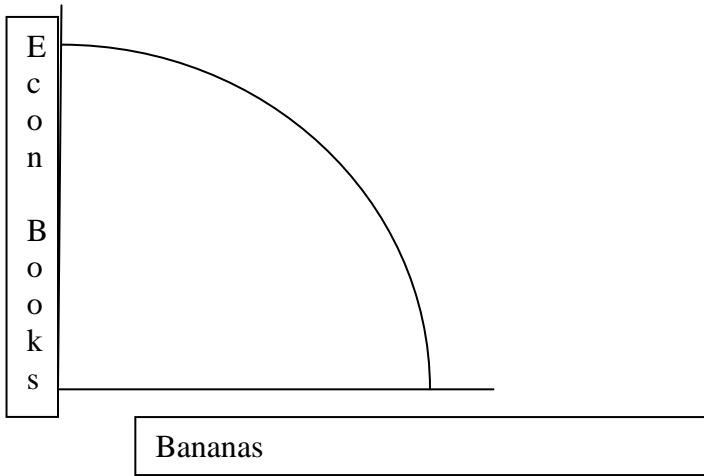
17. What is voluntary exchange?

18. What is consumer sovereignty?

19. Why does specialization help a market economy function?

20. What are some trends in modern economies?
21. What is nationalization and privatization?
22. What does the circular flow diagram show?
23. Who was Milton Friedman and what did he feel was government's role in the economy?
24. How do consumers vote in a market economy? (not in elections)
25. What is the free rider problem?
26. Why should government provide public goods?
27. Give an example of a positive and negative externality.
28. What are public transfer payments? Give 2 examples.
29. How do we encourage positive externalities?
30. How do we discourage negative externalities?

In Ungerland, only two products are made, bananas and economics textbooks.



1 PT EACH

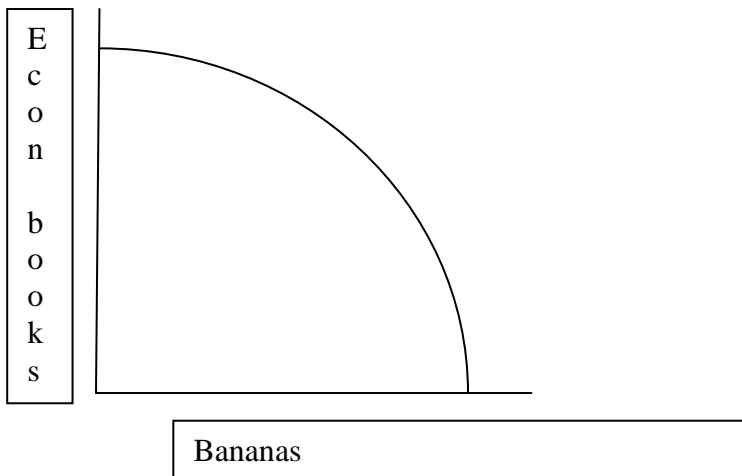
Label an efficient in which both bananas and textbooks are being made with A.

Label the point at which Ungerland is producing all bananas and no textbooks with B.

Label a point of an impossible level of production with C.

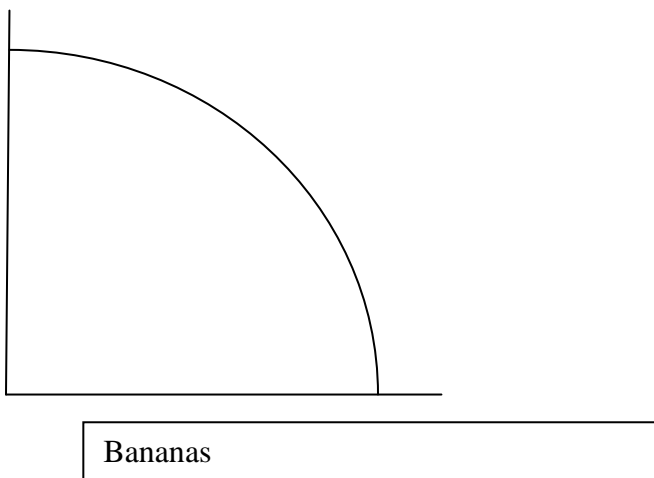
Label a point of underutilization with D.

On the graph above show a shift of the PPC that would occur if Ungerland took over a neighboring country, Dineganland.



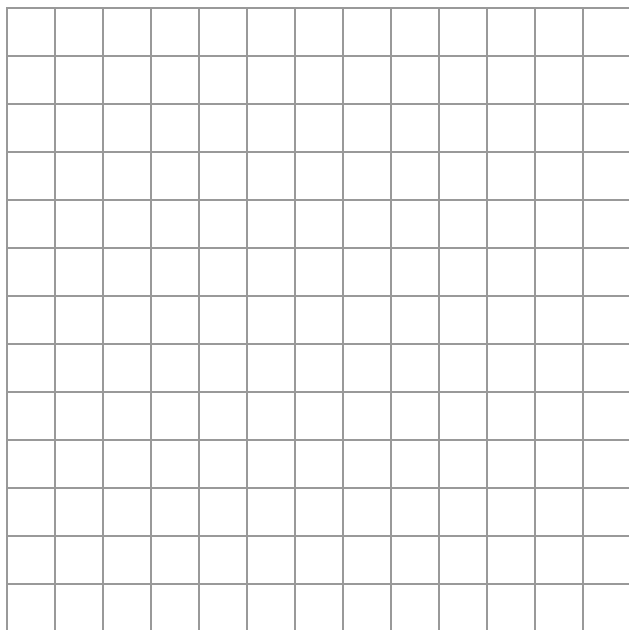
On the graph above, show how the PPC would shift if there were a hurricane that destroyed 10% of Ungerland's banana-growing fields.

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Until 2009, economics textbooks were copied by hand in Ungerland. Then the printing press was introduced. Show how the PPC would shift due to the technologic innovation.

Graph the PPC for tacos and tamales.



Tacos	Tamales
12	0
9	1
6	2
3	3
0	4

1. What is the opportunity cost of producing the first tamale? ___ Tacos
2. What is the opportunity cost of producing the second tamale? ___ Tacos
3. What is the opportunity cost of producing the third tamale? ___ Tacos
4. What is the opportunity cost of producing the fourth tamale? ___ Tacos
5. What conclusion can you draw about the opportunity cost shown in this PPC?

Guns	Butter
0	40
40	30
70	20
90	10
100	0

- What is the average opportunity cost of the first 10 units of butter?
- What is the average opportunity cost of the second 10 units of butter?
- What is the average opportunity cost of the 3rd 10 units of butter?
- What is the average opportunity cost of the fourth 10 units of butter?