# Economics Chapter 1 Review

# Scarcity, Opportunity Costs, PPC, Tools

1. Scarcity is a problem because of the tension between limited resources and unlimited \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

2. As a factor of production, capital means

3. The satisfaction received from using one more unit of a good or service is the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

4. The term for the value of the next best alternative in an economic decision is

5. A benefit that is offered to encourage people to act in certain way is called a (n) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

6. Study the following Grid.

 Choice Benefit Opportunity Cost

1 hour of extra study C in Econ class 1 hour with friends

2 hours of extra study B in Econ class 2 hours with friends

3 hours of extra study A in Econ class 3 hours with friends

What is the **marginal cost** of one more hour of study?

7. Which could cause an outward shift in a production possibilities curve, more resources available or efficiency?

8. Adam Smith’s “invisible hand” works only in what kind of economy?

9. The additional cost of using one more unit of a product is

The additional satisfaction from using one more unit of a product is

10. Which factor of production brings the other three factors together?

11. Where on a PPC graph is efficiency shown?

12. Where on a PPC graph is underutilization or inefficiency shown?

13. Where on a PPC graph is an unreachable level of production shown?

14. What four assumptions does the production possibilities curve make? Pg 18

15. Macroeconomics is the study of

16. Microeconomics is the study of

17. The definition of economic **efficiency** is

 **1**

**Television Sets (in thousands)**

 **2**

 **9**

**7**

 **8**

 **3**

 **7**

 **6**

 **5**

 **6 4**

 **4**

 **3**

 **2**

 **1**

**5**

 **0 1 2 3 4**

**Trucks (in thousands)**

18. What point represents production that is impossible to attain?

19. What point represents underutilization?

20. What point shows the production of 4,000 TVs and 3,000 trucks?

21. What is the opportunity cost of television set for going from 1,000 trucks to 2,000 trucks?

22. Simplified representations of complex economic activities are called economic

23. Adam Smith said that the marketplace would be guided according by what?

 A. Scarcity B. Economics C. Labor D. Entrepreneur

 E. Good AB. Services AC. Microeconomics (Market economics)

 AD. Consumer AE. Opportunity Cost BC. Macroeconomics (National economics)

1. An item you see, feel, and touch that requires scarce resources to produce and satisfies human wants.
2. Person who buys or uses goods and services.
3. The value of the best alternative passed up for the chosen item or activity.
4. The study of how people use their scarce resources to satisfy their unlimited wants.
5. All human effort used to produce goods and services.
6. Something not physical that requires scarce resources to produce and satisfy human wants.
7. A profit-seeker who develops a new product or process and assumes the risk of profit or loss.
8. The condition when there is not enough productive resources to satisfy people’s unlimited wants.
9. The study of economic behavior in particular markets.
10. The study of economic behavior of the economy as a whole.

Make a choice to study for this test tonight. Remember, Econ is a graduation requirement.

And besides, since every job is a self-portrait, I am sure you will want to do your best.

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1. wants
2. human-made resources used for business purposes
3. marginal benefit
4. opportunity cost
5. incentive
6. the loss of one more hour with friends
7. more resources available
8. market economy
9. marginal cost, marginal benefit
10. entrepreneurship
11. any point on the PPC
12. Any point inside the PPC
13. Any point outside the PPC
14. Resources are fixed, all resources are fully employed, only two things can be produced, technology is fixed
15. The economy as a whole
16. The study of the behavior of individuals in an economy, such as families and businesses.
17. using resources to produce the maximum amount of goods and services
18. 7
19. 6
20. 4
21. 2000 television sets
22. Models
23. An invisible hand
24. Good
25. Consumer
26. Opportunity cost
27. Economics
28. Labor
29. Services
30. Entrepreneur
31. Scarcity
32. Microeconomics
33. macroeconomics