What comes to your mind when you hear the word SCARCE?

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**What is Economics?**

* *“A science that deals with the allocation, or use, of scarce resources for the purpose of fulfilling society’s needs and wants.” – Addison-Wesley*

**What is Economics?**

* So then the big two concepts are that:
  + Resources are scarce!
  + Society has unlimited needs and wants!
    - Economics decides the “\_\_\_\_\_\_\_\_\_\_\_” way of providing one to the other

**Vocabulary:**

* **Scarcity**
  + Definition
    - A situation in which the amount of something actually available would not be sufficient to satisfy the desire for it, if it were provided \_\_\_\_\_\_\_ of charge.

**Factors of Production:**

* There are 4 factors that must all be used to produce anything
  + \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (also referred to as “land”)
  + \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ – effort of a person for which they are paid
  + \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ – human-made resources used to create other goods
    - 2 Kinds of Capital
      * \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Capital – Also called Capital Goods, objects that are used to produce other goods
      * \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Capital – knowledge or skills workers get from education and experience
  + \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ – person who takes a risk in combining the other 3 factors to create a new good
    - A person who organizes and operates a business or businesses, taking on greater than normal financial risks in order to do so.

**Making Economic Decisions:**

* Every decision we make involves trade-offs – alternatives that we must give up when we make a choice
  + Example – “I could stay up for 3 hours playing Halo, study, or sleep.”

**QUIZ:**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 1 | 2 | 3 | 4 | 5 | 6 |

**Making Economic Decisions:**

* The most desirable of the options you pass up is called the Opportunity Cost
* *“\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_” –* decision involving adding one unit and subtracting one unit, rather than all or nothing
* There is a point at which you are paying the same increase in cost, but seeing lower benefits
* You must make the decision as to whether the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ is worth it
* This same process is used by businesses and consumers to make decisions

**QUIZ:**

|  |  |  |  |
| --- | --- | --- | --- |
| 1 | 2 | 3 | 4 |

**Production Possibilities:**

* Production Possibilities Graph – shows alternatives to what an economy can produce
  + The outer red line shows the maximum possible output with any given combination
  + This is the *Production Possibilities Frontier (or Curve)*
* To move from one point to another, the economy must make *\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_*
* Any point along the line shows the economy operating at \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ efficiency
* Any point below the line is underutilization – they are not getting all that they could
* Any point above the line is presently impossible, until new resources are available
* Why does the graph curve instead of making a straight line?
  + *Law of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ –* as production increases for one item, more and more resources are necessary to increase production of the second item! The OPPORTUNITY COST increases…

**QUIZ:**

|  |  |  |  |
| --- | --- | --- | --- |
| 1 | 2 | 3 | 4 |