**Economic Interdependence:**

**RESOURCES:**

* All \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ used in producing goods and services.

**ECONOMIC RESOURCES:**

**LAND:**

* Natural Resources
* Includes everything contained in the earth or found in the sea.

**LABOR:**

* Human resources
  + All the people who work in the economy, including full and part-time workers, managers, public employees, and professional people.

**CAPITAL:**

* The money needed to start and operate a business.
  + Includes goods used in the production of other goods.
  + Can be limited because they break or are of poor quality.

**SCARCITY:**

* A condition in which more goods and services are desired than are available.
* \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ forces people, businesses and nations to make choices.
* Unlimited wants-Limited resources = SCARCITY

**ECONOMIC GOODS:**

* A tangible item.
  + Examples: CD player or sports equipment

**ECONOMIC SERVICE:**

* Intangible
  + Example: going to the circus

**ENTREPRENEURSHIP:**

* Skills of people who are willing to take the risk of starting their own \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.
* Entrepreneurs organize the other economic resources in order to create goods and/or services needed and desired in an economy.

**FIVE ECONOMIC UTILITIES:**

**UTILITY:**

* Economic term referring to the added value or “\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_” of a product.

**FORM UTILITY:**

* Value added by changing raw materials or putting parts together to make them more useful.

**PLACE UTILITY:**

* Value added by having a product where customers can buy it.
  + Ex. Playing a football game at a stadium.

**TIME UTILITY:**

* Value added by having a product at a certain time of \_\_\_\_\_\_\_\_\_\_\_\_ or a convenient time of day.

**POSSESSION UTILITY:**

* Value added by exchanging a product for some \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ value.

**INFORMATION UTILITY:**

* Value added by communicating with the consumer.

**The Three Basic Economic Questions:**

* \_\_\_\_\_\_\_\_\_\_goods and services should be produced?
* \_\_\_\_\_\_\_\_\_\_\_ should the goods and services be produced?
* \_\_\_\_\_\_\_\_\_\_\_\_should the goods and services be produced?

**The Role of Government in:**

* Market Economy
* Command Economy
* Mixed Economies
* Capitalism
* Socialism
* Communism
* Traditionalism

**Promote Economic Freedom:**

* The freedom of consumers to decide how to spend or save their income, the freedom of workers to change jobs.

**Promote Economic Security:**

* Protecting consumers, producers, and resource owners from risks that exist in society. Each society must decide from which “uncertainties” individual can and should be protected, and whether individuals, employers, or the government should provide for this protection.

**Government Regulation and Deregulation and their effects on consumers and producers:**

**Regulation:**

* When the government puts policies in place to try to \_\_\_\_\_\_\_\_\_\_\_\_ a problem.

**Deregulation:**

* When the government retracts policies to let the market \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ itself.

**Effects of Regulation and De-Regulation:**

* Both Regulation and deregulation have benefits and costs to producers and consumers.

**Market Economy:**

* No government involvement in answering the three basic economic questions. (What? How? For whom?)
* Market (or the people) answers the three basic economic questions.
* Consumers decide what should be produced.
* Businesses decide how products should be produced.
* People who have the money to purchase the products determine for whom the products are produced.

**Command Economy:**

* Government answers the three basic economic questions
* Officials or leaders decide what should be produced.
* Government runs the businesses and employs the workers. (How)
* Government decides who will receive the produces. (For whom)

**Traditionalism:**

* An economic system based on the way things have always been done
* Examples:
* Amish community
* Indian reservation

**Mixed Economies:**

* A blend of a market economy and government.
* All economies are presently mixed.
* Mixed economies include:
  + Capitalism
  + Socialism
  + Communism

**Capitalism:**

* People elect the government officials who are concerned about the people
  + Examples: United States and Japan.

**Socialism:**

* \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ government involvement
* Government tries to reduce the differences between the rich and poor.
* Based on the welfare of people.
  + Examples: France, Germany, Great Britain.

**Communism:**

* Government is run by \_\_\_\_\_\_\_\_\_\_\_\_\_\_ political party and that party controls everything.
* People are assigned jobs.
* Students are told what type of schooling they will receive.
  + Examples: Cuba and North Korea

**What is supply and demand?**

**Supply:**

* The amount of goods producers are willing and able to produce and sell at a given price during a certain period of time.
* Producers prefer to supply when the price is high – known as a seller’s market.

**Demand:**

* A consumer’s willingness and ability to buy products at a given price during a certain period of time.
* Consumers prefer to buy when the price is low – known as a buyer’s market.

**Law of Supply and Demand:**

* The economic principle which states that the supply of a good or service will increase when demand is great and decrease when demand is low.

**Elasticity:**

* The degree to which \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ is affected by its price.

**Elastic Demand:**

* Refers to how changes in the price of a product affect demand for that product.
  + Example: When the price is reduced on a CD, the demand for the CD may increase.

**Inelastic Demand:**

* Changes in the price of a product have little effect on the demand for that product.
  + Example: People will pay any price for Super Bowl tickets.

**Factors affecting elasticity of demand:**

* Availability of substitutes
  + If a substitute is easily obtainable, demand becomes more elastic.
  + Example: Disney World, EPCOT, Sea World, Universal Studios, Bush Gardens, etc.
* Brand loyalty
  + Many customers will only purchase a certain brand of products. Demand becomes more inelastic.
* Price relative to income
  + When an increase in the price of a good or service does not have a major impact on a customer’s budget, the demand is usually inelastic.
  + When an increase in the price of a good or service has a major impact on a customer’s budget, the customer most likely will no longer buy the product. In this case, the demand is elastic.
    - Example: Luxury suite versus general admission.
* Luxury versus necessity (want vs. need)
  + When a product is a necessity, demand is inelastic.
  + When a product is a luxury, demand is most likely elastic.
* Urgency of purchase
  + If a purchase must be made immediately, demand tends to be inelastic.

**Business Cycle:**

* Movement of an economy through four recurring phases

**Prosperity:**

* Highest period of economic growth
* Low unemployment
* High output of goods and services
* High consumer spending
* Increased attendance and purchasing of related merchandise

**Recession:**

* Economic slowdown
* Rise in unemployment
* Production slows down
* Decrease in consumer spending
* Decrease in attendance and purchasing of related merchandise

**Depression:**

* Prolonged recession
* Extremely low consumer spending
* High unemployment
* Drastic decrease in production of products
* Poverty can result
* Lowest point of attendance and few related items are purchased

**Recovery:**

* Renewed economic growth and an increase in output of goods and services
* Reduced unemployment
* Increased consumer spending
* Moderate business expansion
* Gradual increase in leisure time activities and purchase of related merchandise.