

Unit 7 Study Guide

Objective: Economic Decisions

1. The study of how people make choices between their needs and wants is known as _____.
2. _____ means that there are limited resources for unlimited wants and needs.
3. The _____ of an economic decision is the most desirable trade off you make.
4. All the items given up when an economic choice is made are known as _____.

Ellen owns a bookstore with a physical location and an online store. Because of her expenses, she decides that she will have to close the physical store and only sell books online.

5. What is scarce: _____
6. Benefit: _____
7. Opportunity cost: _____

Hal runs his own apartment complex. He rents apartments to anyone in New York City. He charges \$1000.00 a month for every apartment he rents out. However, he has a very expensive monthly mortgage payment to the bank, and must pay for maintenance and upkeep of each occupied apartment. Hal is considering dividing each apartment unit in half by building a wall down the center each living room, doubling the number of available apartments. Many of Hal's tenants claim they will move if the size of their apartment is cut in half.

8. What is scarce: _____
9. Benefit: _____
10. Opportunity cost: _____

Three questions we are trying to answer because items are scarce:

- 1.
- 2.
- 3.

Objective: Factors of Production

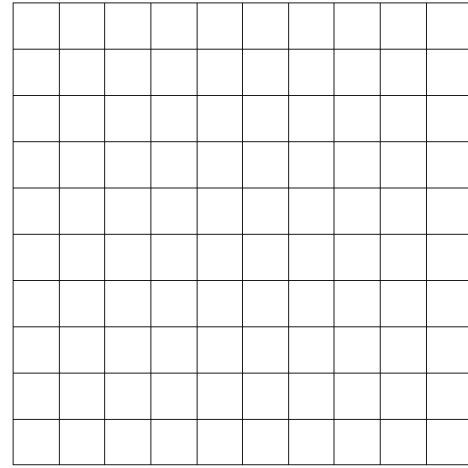
	What factor?	Give an example
1. Natural resources used to produce goods and services		
2. Man-made goods used to produce other goods		
3. Knowledge, skills, and education		
4. Human effort devoted toward production		...and tell whether your example is blue collar or white collar:
5. A person who creates a business or new products		

Objective: Demand and Supply

1. In order to generate demand for a good, a consumer must _____ and _____.
 2. The law of demand states that:
 - a. as price increases, quantity demanded _____, &
 - b. as price decreases, quantity demanded _____
 - c. Why does this happen?
 3. The law of supply states that:
 - a. as price increases, quantity supplied _____, and
 - b. as price decreases, quantity supplied _____
 - c. Why does this happen?
 4. _____ When buyers will purchase exactly as much as sellers are willing to sell, what is the condition that has been reached?
 5. _____ Is the minimum wage a price floor or price ceiling?
 6. _____ On what kind of goods would the government generally place price ceilings?
 7. _____ Is a price ceiling likely to create a surplus or shortage?
 8. Why is the supply of some goods inelastic?
 9. Why is the demand for some goods inelastic?
- BONUS: _____ Name a good that has inelastic supply AND inelastic demand.

Graph the following demand schedule and supply schedule on the same graph.

Price of an apartment	Quantity demanded	Quantity supplied
\$200	500	0
\$400	450	100
\$600	350	200
\$800	200	300
\$1000	100	400
\$1200	50	500



- Label the supply line, demand line, and equilibrium point.
- The equilibrium price for apartments is _____.
- Name a price that would create a surplus of apartments:
- Name a price that would create a shortage of apartments:
- If people begin moving out of the area, the demand line above will shift to the (left / right.)
- If the government created a price ceiling, would it be set above or below the equilibrium? (above / below)

Objective: Businesses and markets

- What would we expect to be happening during a contraction?
- What would we expect to be happening during an expansion?
- How is a recession different from a depression?

4. Draw a business cycle, labeling these events: expansion, contraction, trough, peak

- In the product market, _____ buys _____ from _____.
- In the factor market, _____ buys _____ from _____.
- A market dominated by one seller is a _____. An Oligopoly is _____.

- Draw the circular flow of economic activities, including and labeling these parts:
 - households
 - business firms
 - goods and services
 - consumer expenditures
 - factors of production
 - wages, rent, dividends

Blank area for drawing the circular flow of economic activities.

- Who owns a sole proprietorship?
- Who owns a partnership?
- Who owns a corporation?
- What is unlimited liability? What is limited liability? What type of business has each?
- Name 2 advantages and 2 disadvantages of ONE type of business organization.

What three things does competition give us?

How does the Federal Reserve try to influence the business cycle/economy?

What is Monetary Policy?

Define Fiscal Policy.

Objective: Different Economies

Define:

1. Traditional

Ex.

2. Command

Ex.

3. Mixed Market

Ex.

4. Free Market

Ex.