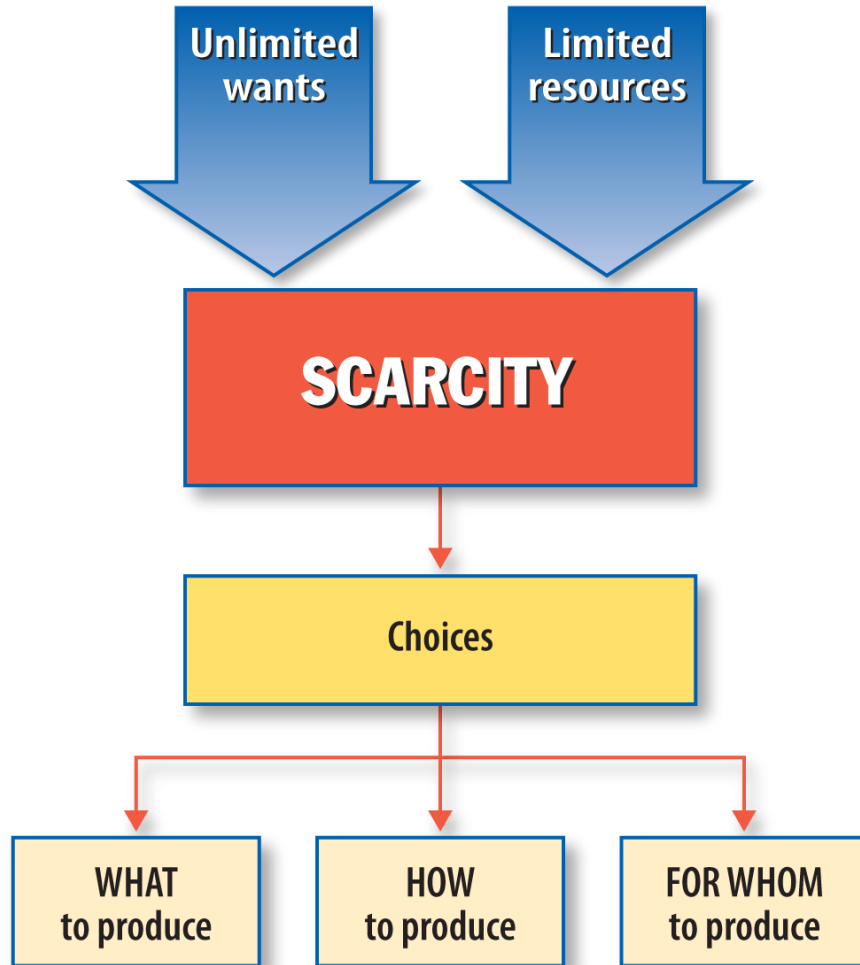


## Chapter 1 – What is Economics?

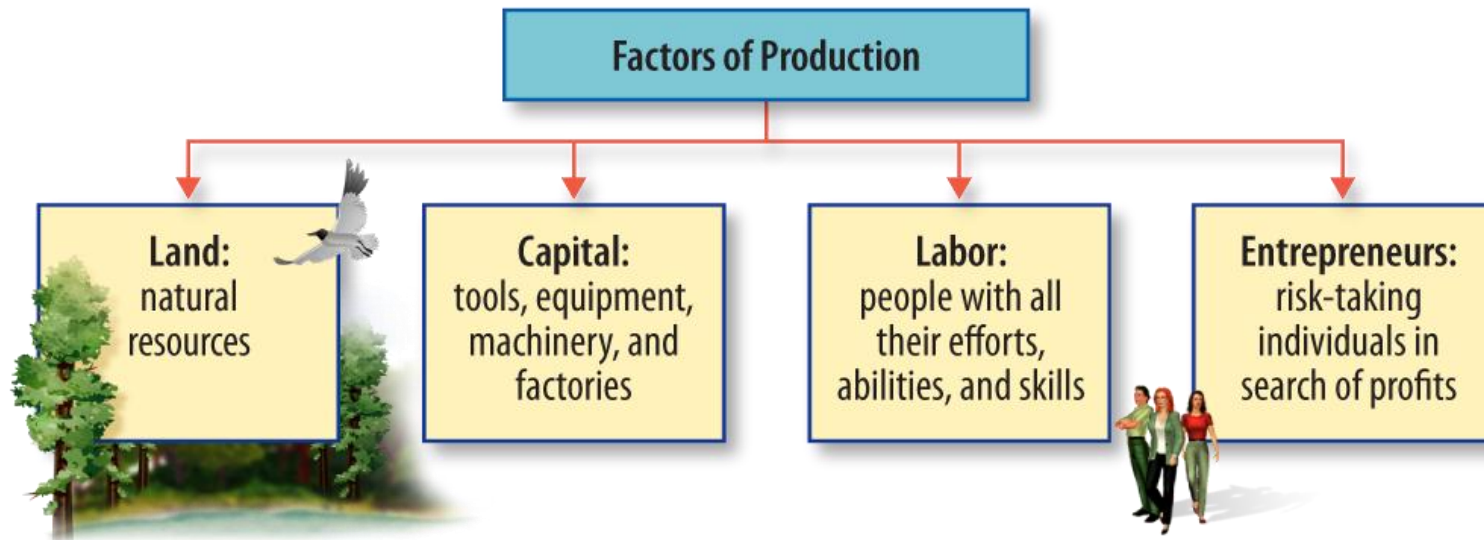
Scarcity - Explain and identify impact



## Opportunity Cost - Explain and identify impact



## Entrepreneur- Risk/Benefit/Importance Economic Interdependence Factors of Production



See page 27

## Chapter 2- Economic Systems

Using the three basic economic questions (e.g., what to produce, how to produce, and for whom to produce), compare and contrast a socialist (command) economy (such as North Korea or Cuba) with the capitalist as a mixed, free market system of the United States. P. 55

### Basic Economic Questions

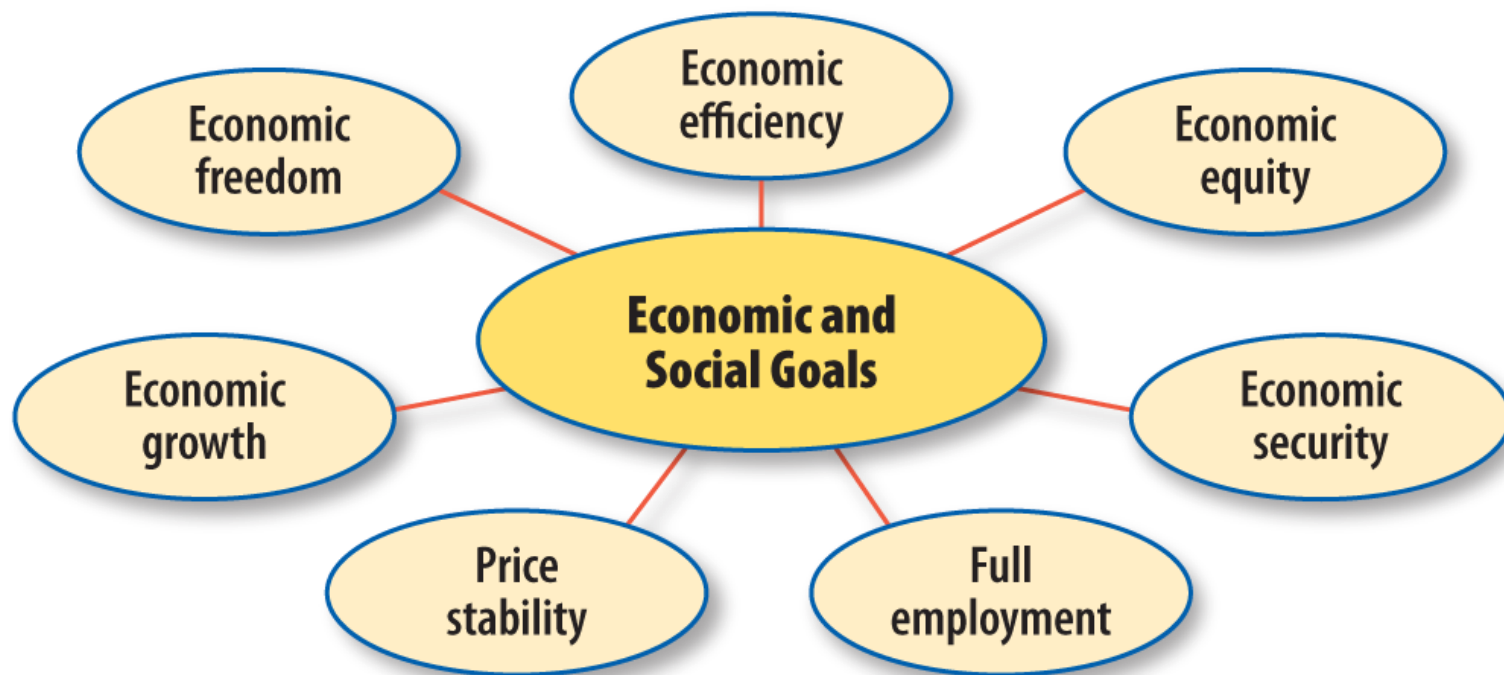
#### Characteristics of economic systems:

- Command
- Traditional
- Market
- Mixed

**Figure 2.1** ▶ **Comparing Economic Systems**

	Traditional	Command	Market
Advantages	<ul style="list-style-type: none"> <li>• Sets forth certain economic roles for all members of the community</li> <li>• Stable, predictable, and continuous life</li> </ul>	<ul style="list-style-type: none"> <li>• Capable of dramatic change in a short time</li> <li>• Many basic education, health, and other public services available at little or no cost</li> </ul>	<ul style="list-style-type: none"> <li>• Individual freedom for everyone</li> <li>• Able to adjust to change gradually</li> <li>• Lack of government interference</li> <li>• Decentralized decision making</li> <li>• Incredible variety of goods and services</li> <li>• High degree of consumer satisfaction</li> </ul>
Disadvantages	<ul style="list-style-type: none"> <li>• Discourages new ideas and new ways of doing things</li> <li>• Stagnation and lack of progress</li> <li>• Lower standard of living</li> </ul>	<ul style="list-style-type: none"> <li>• Does not meet wants and needs of consumers</li> <li>• Lacks effective incentives to get people to work</li> <li>• Requires large bureaucracy, which consumes resources</li> <li>• Has little flexibility to deal with day-to-day changes</li> <li>• Lacks room for individual initiative</li> </ul>	<ul style="list-style-type: none"> <li>• Rewards only productive resources; does not provide for people too young, too old, or too sick to work</li> <li>• Does not produce enough public goods such as defense, universal education, or health care</li> <li>• Workers and businesses face uncertainty as a result of competition and change</li> </ul>

**Economic & Social Goals: Examples pg 44-45**



## \*Free Enterprise Economy

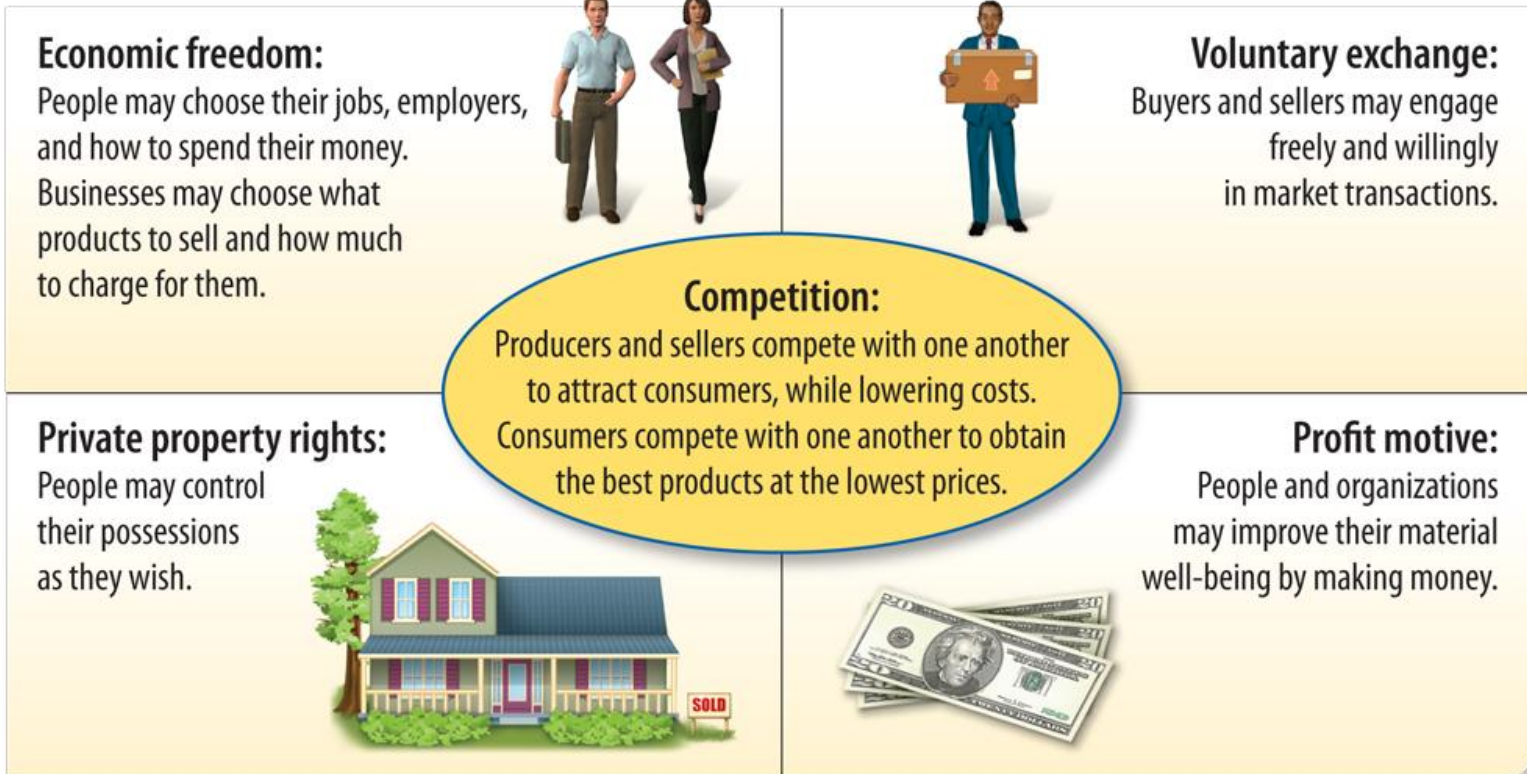
- Characteristics
- Role of Entrepreneurs
- Role of Consumers
- Role of Government

Characteristics	Role of Entrepreneurs	Role of Consumers	Role of Government
<ul style="list-style-type: none"><li>• Economic freedom</li><li>• Voluntary exchange</li><li>• Private property rights</li><li>• Profit motive</li><li>• Competition</li></ul>	<ul style="list-style-type: none"><li>• Organize land, capital, and labor in order to seek profit</li><li>• Accept the risk of loss</li><li>• Decide HOW to produce</li><li>• Are innovators and catalysts</li></ul>	<ul style="list-style-type: none"><li>• Decide WHAT is produced by how they spend their money</li><li>• Spur development of new products by changing their wants</li></ul>	<ul style="list-style-type: none"><li>• As protector, provider, and regulator, ensures and enforces that economic and social goals are carried out</li><li>• Is a large consumer in the economy</li></ul>

•

**Figure 2.3** ▶

## Characteristics of Free Enterprise Capitalism



## Chapter 4 - Demand

Explain the law of demand and analyze the likely change in demand when there are changes in prices of the goods or services, availability of alternative (substitute or complementary) goods or services, or changes in the number of buyers in a market created by such things as change in income or availability of credit. P. 111

- Law of Demand

What happens at high prices? Low prices?

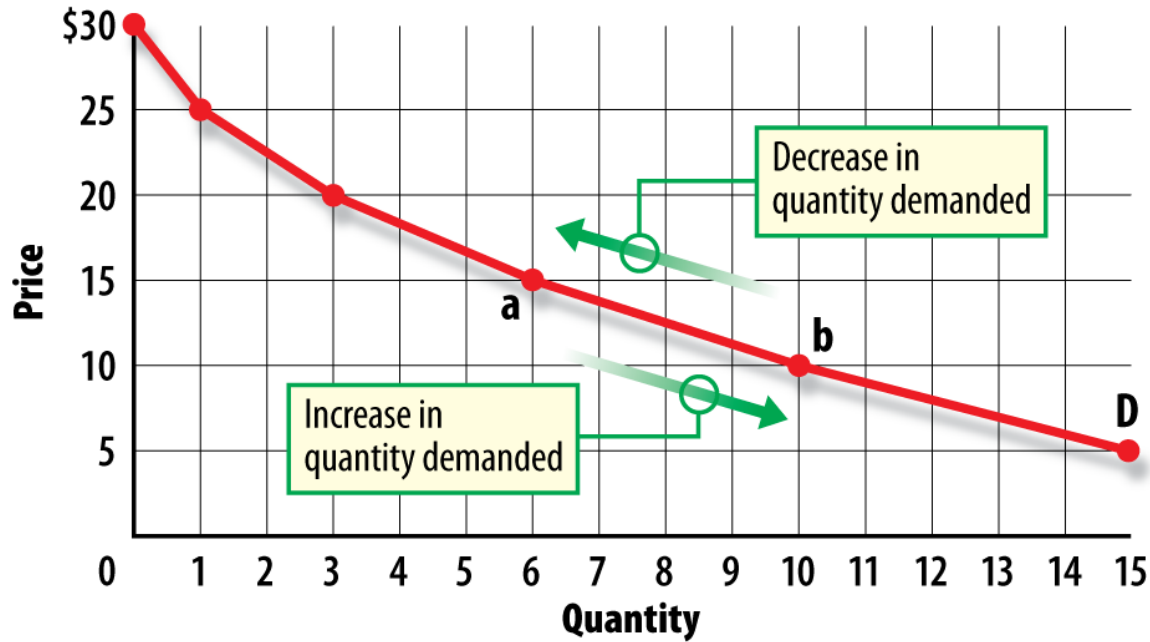


- Changes in quantity demand (change in price)

Figure 4.3

Change in the Quantity Demanded

DEMAND CURVE



- 
- Changes in Demand pgs 99-101

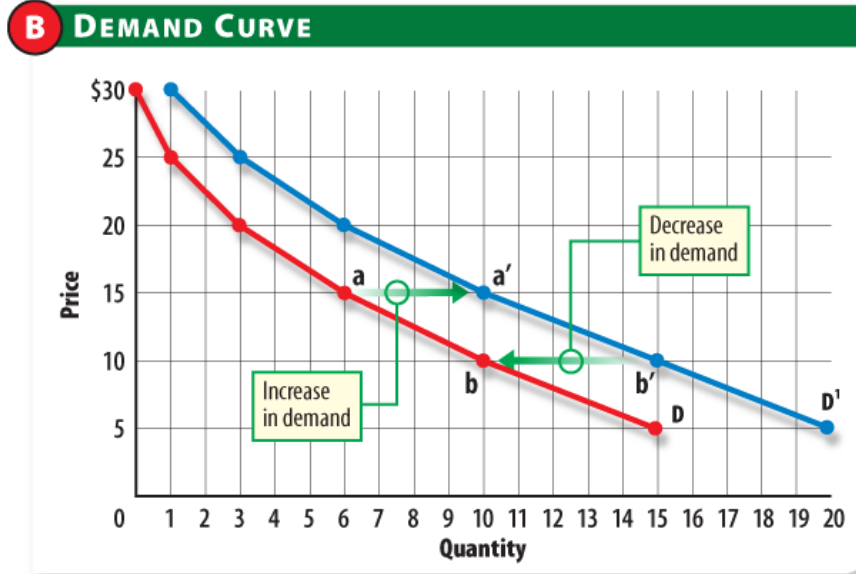


**Figure 4.4** ▶

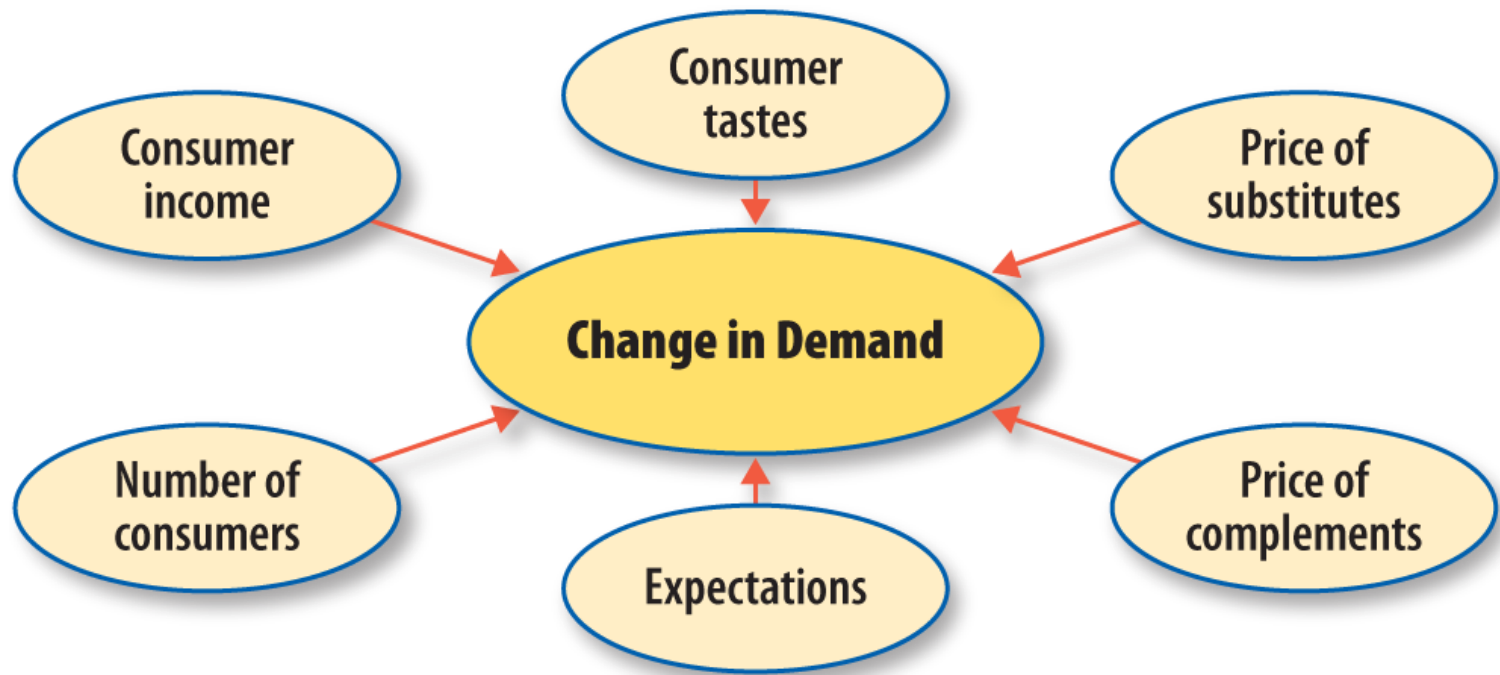
## Change in Demand

**A DEMAND SCHEDULE**

Price	D	D'
\$30	0	1
25	1	3
20	3	6
15	6	10
10	10	15
5	15	20



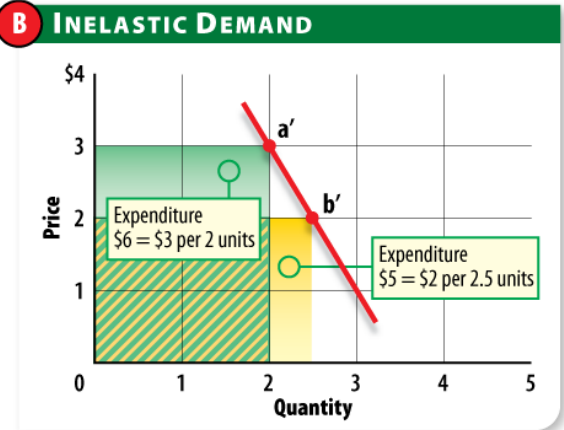
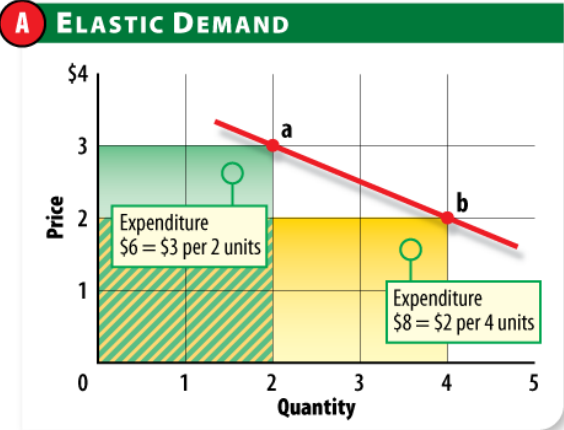
- **Compliments & Substitutes**



- **Elastic/Inelastic**

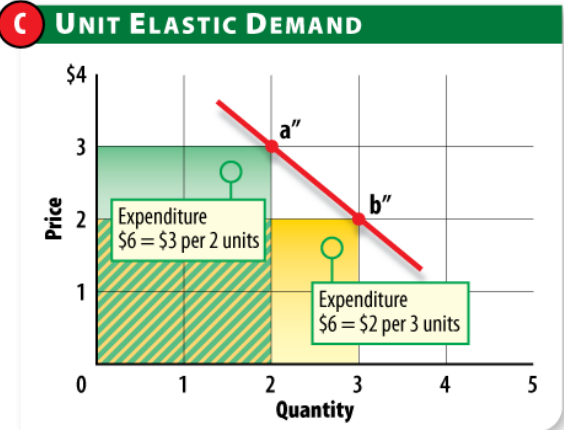
**Figure 4.5** ▶

**Demand Elasticity and the Total Expenditures Test**



**Figure 4.5** ▶

**Demand Elasticity and the Total Expenditures Test**



**D DETERMINING ELASTICITY**

Type of demand	Elastic	Inelastic	Unit Elastic
Change in price	↓	↓	↓
Change in expenditure	↑	↓	No change

Type of Demand	Change in Price	Change in Expenditure	Movement of Price and Expenditure
Elastic	↓	↑	Opposite
Inelastic	↓	↓	Same
Unit elastic	↓	No change	

## Chapter 5 - Supply

Explain the law of supply and analyze the likely change in supply when there are changes in prices of the productive resources or the profit opportunities available to producers by selling other goods or services, or the number of sellers in a market. P.139

- Law of Supply

What happens at high prices? Low prices?



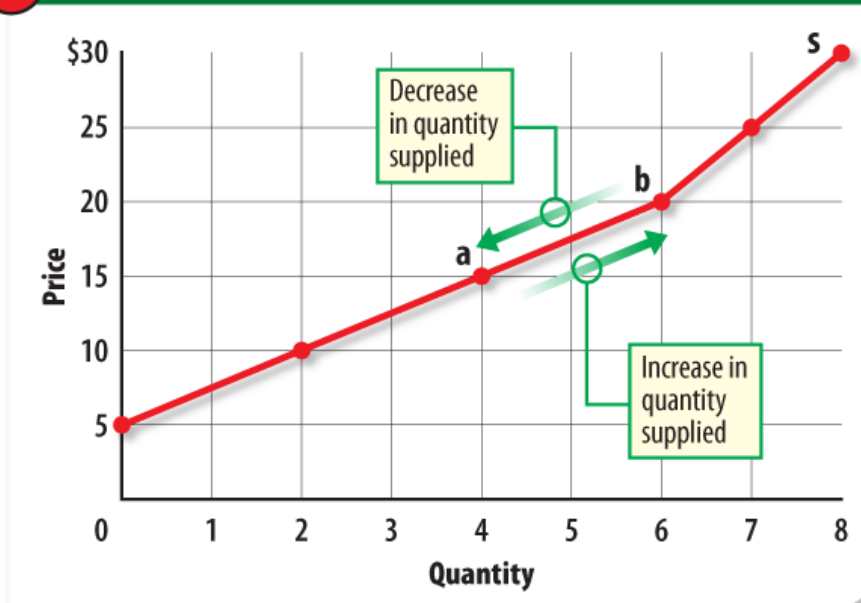
- Changes in quantity Supply pg 119

**Figure 5.1** ▶ **Supply of Compact Discs**

**A SUPPLY SCHEDULE**

Price	Quantity supplied
\$30	8
25	7
20	6
15	4
10	2
5	0

**B SUPPLY CURVE**



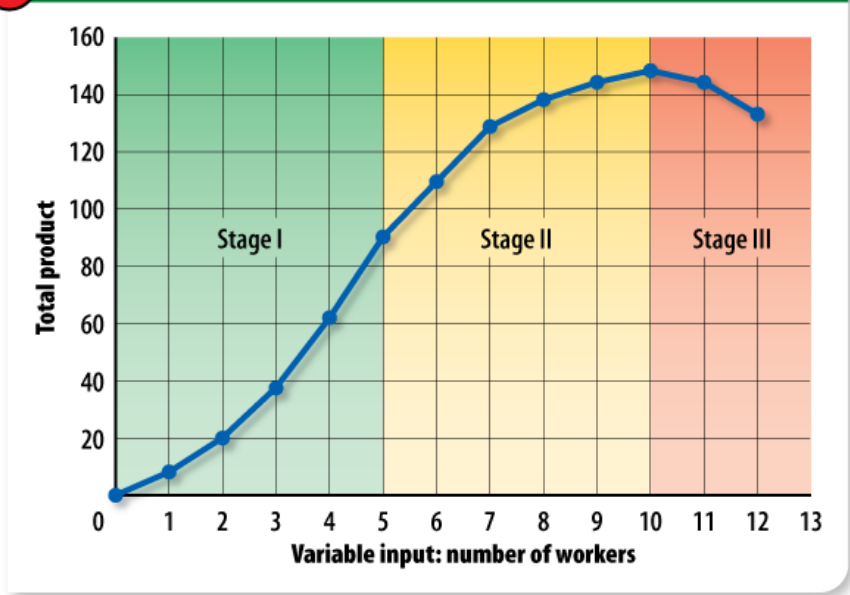
**Figure 5.5** ▶

## Short-Run Production

### A THE PRODUCTION SCHEDULE

Number of workers	Total product	Marginal product*	Regions of production
0	0	0	Stage I
1	7	7	
2	20	13	
3	38	18	
4	62	24	
5	90	28	
6	110	20	Stage II
7	129	19	
8	138	9	
9	144	6	
10	148	4	
11	145	-3	Stage III
12	135	-10	

### B THE PRODUCTION FUNCTION



\* All figures in terms of output per day

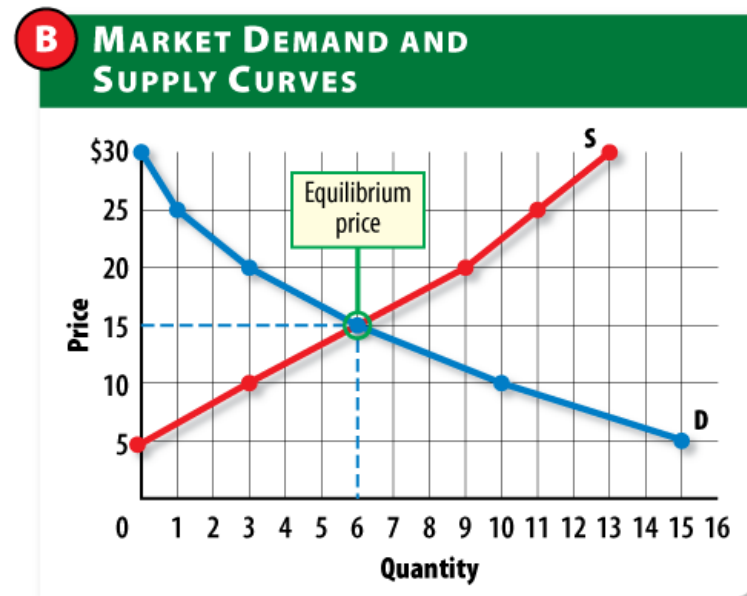
## Chapter 6 – Prices and Decision Making

Analyze how prices change through the interaction of buyers and sellers in a market including the role of supply, demand, equilibrium, elasticity, and explain how incentives (monetary and non-monetary) affect choices of households and economic organizations. P.163

**Figure 6.1** ▶

### Market Equilibrium

A MARKET DEMAND AND SUPPLY SCHEDULES			
Price	Quantity demanded	Quantity supplied	Surplus/shortage
\$30	0	13	13
25	1	11	10
20	3	9	6
15	6	6	0
10	10	3	-7
5	15	0	-15



Equilibrium and shifts causing a

- Surplus
- Shortage



**Figure 6.2** ▶

## Surpluses and Shortages

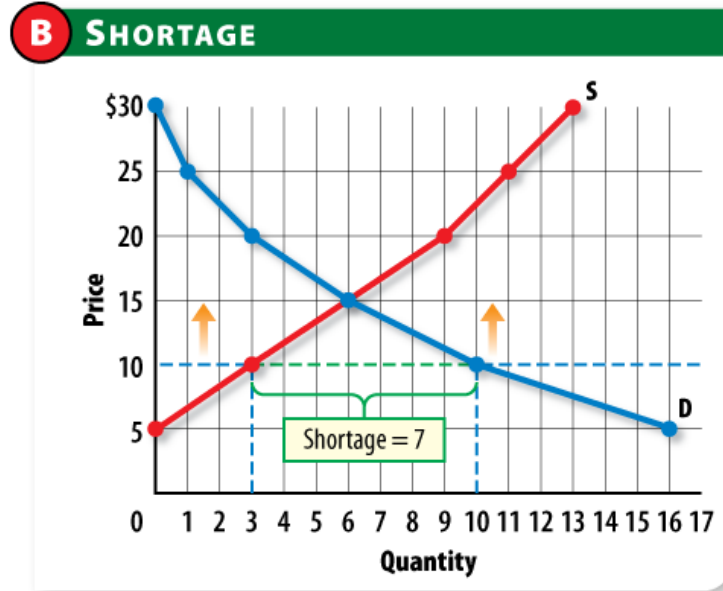
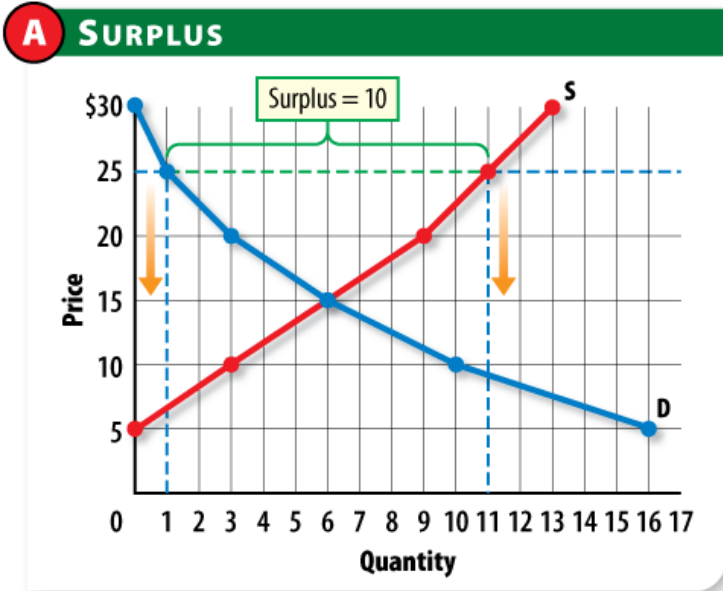


Figure 6.4 ▶

Price Ceilings

# PRICE CEILING

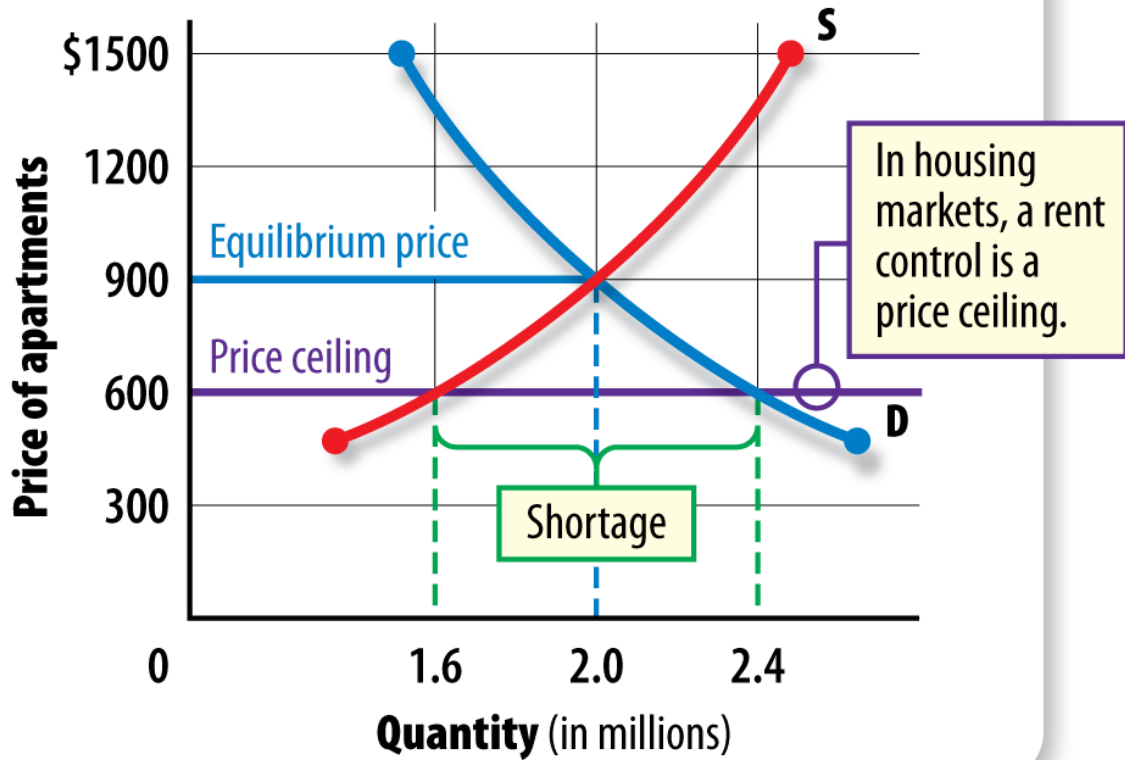
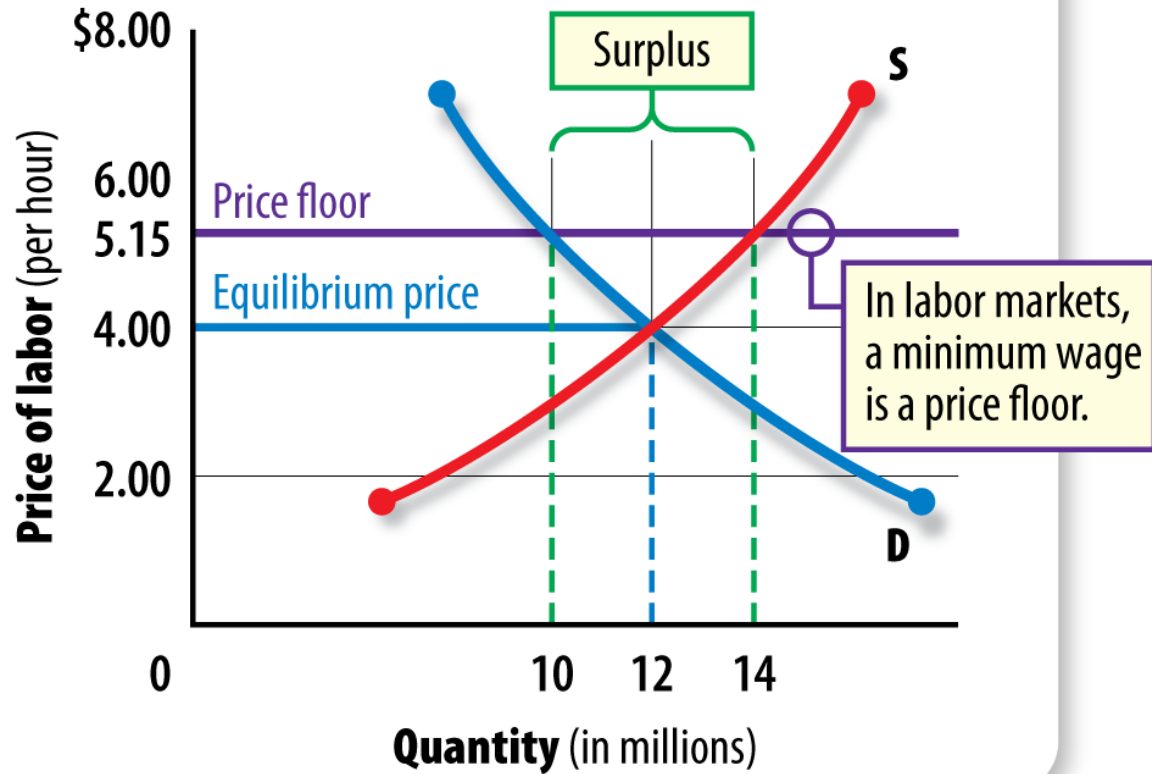


Figure 6.5

Price Floors

# PRICE FLOOR



## Chapters 9-1, 9-2, 10-1, 10-2, 10-3

Analyze the ways in which local, state, and federal governments generate revenue (e.g., income, sales, and property taxes) and use that revenue for public services (e.g., parks, social security, Medicaid, Medicare and highways)

Pork Projects

User fee	Federal Government Spending
Excise tax	State Government Spending
Sales tax	Local Government Spending
Sin Tax	
FICA Tax	
Estate tax	
Property tax	
Income tax	

Incidence of a tax  
Crowding Out  
discretionary spending

## Chapter 13-2

Explain the relationships between money supply, inflation, and recessions.

### **Inflation**

Types of Inflation

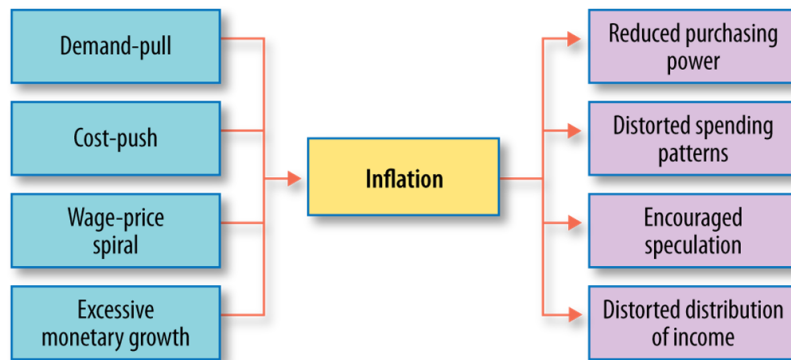
**Creeping Inflation**

**Hyperinflation**

**Stagflation**

Causes of Inflation

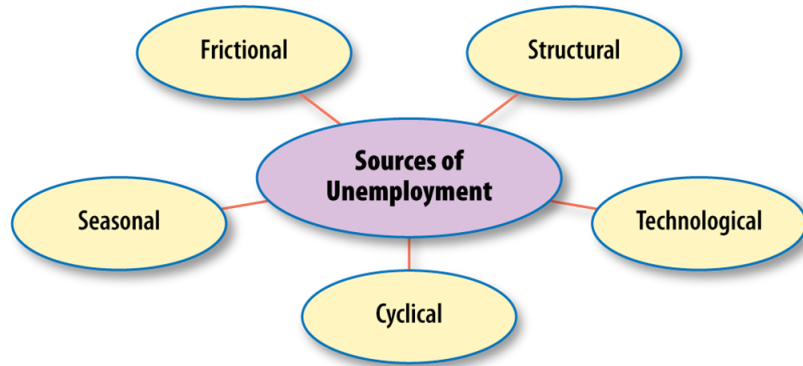
**Inflation** The economy faces inflation when the general level of prices increases. If excessive, inflation can have a disruptive effect on the economy.



### Chapter 13-3

Analyze the character of different types of unemployment including **frictional, structural, seasonal, technological, and cyclical**.

**Unemployment** The unemployment rate includes those individuals who are actively looking for a job but work less than one hour a week for pay or profit. It does not include people who are underemployed, working part-time, or have given up the job search.



## Chapter 14-2

How does the **Federal Reserve use monetary policy** as a means to achieve macroeconomic goals?

- The Federal Reserve contracts the economy by:
- The Federal Reserve expands the economy by:

**Monetary Policy** The Federal Reserve System has three main policy tools at its disposal. It uses these tools to affect the money supply and interest rates.

SUMMARY OF MONETARY POLICY TOOLS			
Tool	Fed Action	Effect on Excess Reserves	Money Supply
Reserve requirement	Lower	Frees excess reserves because fewer are needed to back existing deposits in the system.	Expands
	Raise	More reserves are required to back existing deposits. Excess reserves contract.	Contracts
Open market operations	Buy securities	Checks written by the Fed add to reserves in the banking system.	Expands
	Sell securities	Checks written by buyers are subtracted from bank reserves. Excess reserves in the system contract.	Contracts
Discount rate	Lower	Additional reserves can be obtained at lower cost. Excess reserves expand.	Expands
	Raise	Additional reserves through borrowing are now more expensive. Excess reserves are not added.	Contracts

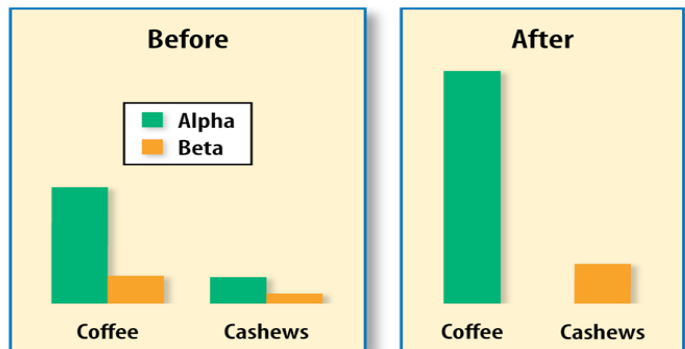
\*The three macroeconomic goals of any economy are **stable prices**, **high employment**, and **economic growth**.

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## Chapter 16

Use the concepts of **absolute** and **comparative** advantage to explain why goods and services are produced in one nation or locale versus another.

**Absolute and Comparative Advantage** A country has absolute advantage when it can produce more of a product than can another country. It has comparative advantage when it can produce a product at a lower opportunity cost than another country. When countries focus on those products for which they have comparative advantage, world production increases.



SEE Bellwork for 1/18/11

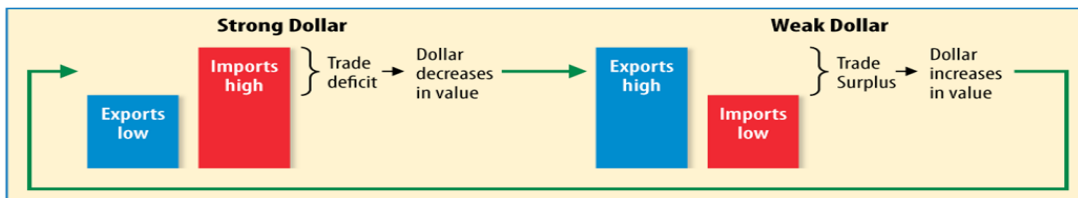
Assess the impact of trade policies (i.e. **tariffs**, **quotas**, export subsidies, product standards and other barriers), monetary policy, exchange rates, and interest rates on domestic activity and world trade.



- Restrictions to trade
  - **Tariff**
    - **Protective tariff**
    - **Revenue tariff**
  - **Quota**
  - Imported foods subjected to rigorous health inspections

Analyze how the decisions made by a country's central bank (or the Federal Reserve) impact a nation's international trade. – **strong & weak dollar**

**Trade Deficits and Surpluses** The strength of the dollar affects the balance of trade of the United States.



**Analyze the role of government in protecting consumers and enforcing contracts, (including property rights), and explain how this role influences the incentives (or disincentives) for people to produce and exchange goods and services.**

Explain the various functions of government in a market economy

Explain what each accomplished:

Sherman Anti Trust Act

Fair labor Standards Act

National Labor Relations Act

Smoot-Hawley Tariff Act

---

What impact is globalization having on the U.S. economy?

Outsourcing, multi-national corporations, trade agreements, specialization, more goods and services, economic interdependency, etc.

Competition for resources and raw materials.