**Economics**

**Chapter 2 and 3**

# **Study Guide**

1. Circular Flow Diagram
   1. Draw the circular flow diagram
   2. What is the product market? Explain who demands and who supplies in the product market
   3. What is the resource market? Explain who demands and who supplies in the resource market
2. List and explain the three goals of an economic system.
3. List and explain the economic and social goals from pg 44-45 in the text.

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| **Econ Unit 1: Basic Economics Concepts Summary Sheet** | | |
| **Key Terms (Define the following)** | |  |
| 1. Merger  2.Sole Proprietorship  3. Partnership  4. Shareholder | | 5. Stock  6. Non-Profit  7. Horizontal/Vertical Merger  8. Conglomerate |
| **Section One Add In Production Possibilities Curve (Frontier)** | | |
| Use the chart to create a PPC to the right.   |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | |  | **A** | **B** | **C** | **D** | **E** | | Hats | 0 | 1 | 2 | 3 | 4 | | Shoes | 30 | 29 | 25 | 15 | 0 |     Label the following three points on the graph:  X= Unemployment/Inefficiency  Y= Efficient  Z= Impossible given current resource | Shoes  Calculate the Opportunity Cost:  A→B:\_\_\_\_\_\_\_  B→C:\_\_\_\_\_\_\_  E→D:\_\_\_\_\_\_\_  C→A:\_\_\_\_\_\_\_      Hats | |
| **Free Market System** | | **Centrally Planned System** |
| Key Characteristics -  Pros:  Cons: | | Key Characteristics -  Pros:  Cons: |

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| **Circular Flow Model** | | | |
| Individuals \_\_\_\_\_\_\_\_\_\_ in the **product market** and \_\_\_\_\_\_\_\_\_ in the **resource market**  Businesses \_\_\_\_\_\_\_\_\_\_ in the **product market** and \_\_\_\_\_\_\_\_\_\_ in the **resource market**  Define the **Product Market** -  Define the **Resource Market** - | | | |
| **Circular Flow Model** | | | |
| Resource Market  Businesses Government Individuals    Product Market | | | |