

Name \_\_\_\_\_ Date \_\_\_\_\_ Period \_\_\_\_\_

## Review for Economics Test

### Chapters 1 & 2

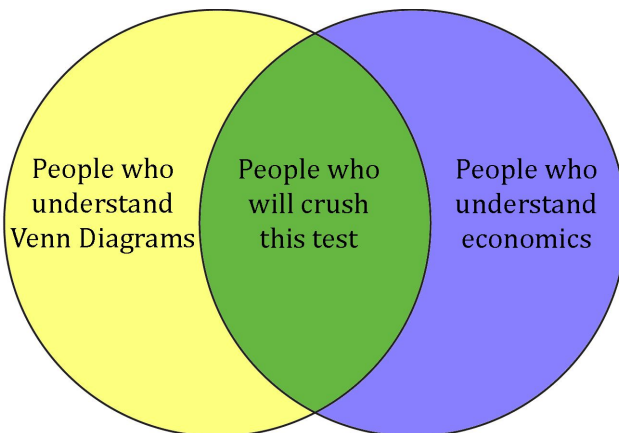
#### A. Why do we study economics?

#### B. Vocabulary

Define the following words:

- |                 |                        |
|-----------------|------------------------|
| 1. Scarcity     | 7. Durable good        |
| 2. Want         | 8. Productivity        |
| 3. Need         | 9. Consumer            |
| 4. Good         | 10. Opportunity cost   |
| 5. Service      | 11. Standard of living |
| 6. Capital good |                        |

#### C. Venn Diagrams



12. Do you remember Venn Diagrams from math class? What is represented by the green section in the middle?

#### **D. Factors of Production**

Define each of these:

13. Land

15. Labor

14. Capital

16. Entrepreneurs

#### **E. Adam Smith and the Wealth of Nations**

Explain:

17. The Invisible Hand

19. Division of Labor

18. The Paradox of Value

20. Specialization

21. What is an example of division of labor and specialization in real life?

22. How did Adam Smith think we should calculate the wealth of nations?

23. What do we call that measurement?

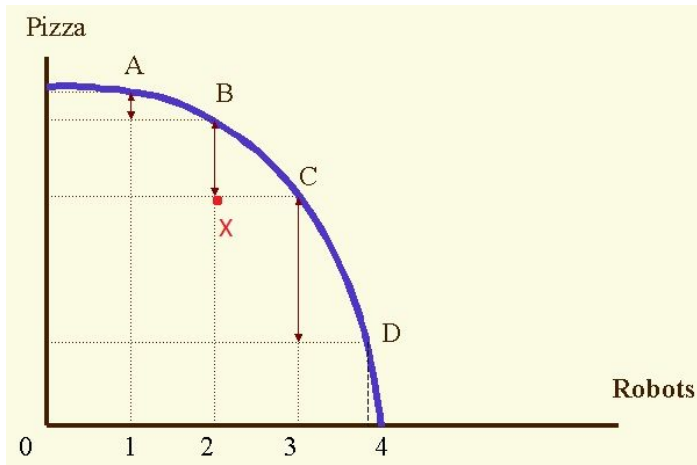
24. Exactly how is that calculated?



## F. Production Possibilities Frontiers

25. Why do we use them?

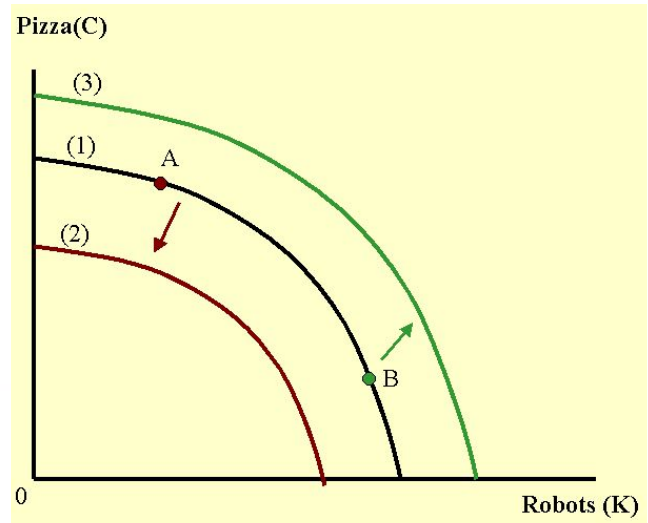
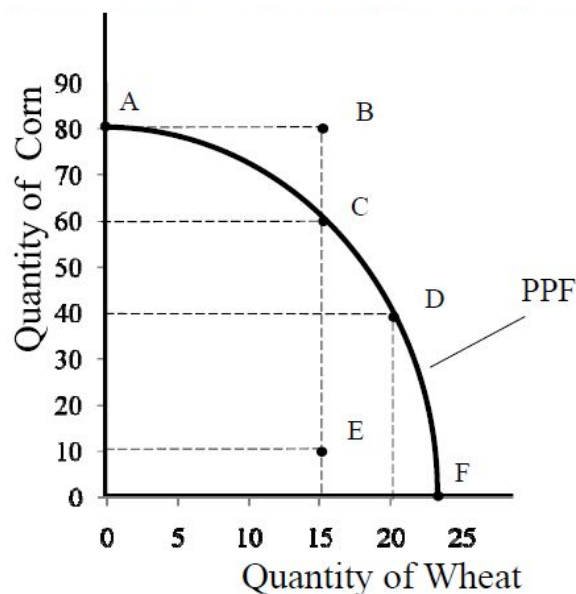
26. What do they illustrate well?



27. Can you explain the difference between points B and X?

28. Can you name causes of this difference?

29. Can you explain what causes arrow B?



30. If this farmer grows 40 bushels of corn, how much wheat can he grow?

31. This farmer starts by growing nothing but corn, then decides to grow 15 bushels of wheat. How do we measure the amount of corn the farmer gives up?

### G. Types of Economic Systems

	Traditional Economy	Command Economy	Market Economy
32. Who makes the decisions?			
33. Most important goals			
34. Least important goals			
35. Examples			

36. What is a mixed economy?

37. What five elements make up a free enterprise capitalist economy?

1.	2.	3.	4.	5.

### H. Goals of Economic Systems

Can you define these?

Can you find an example of each of these in our society?

38. Economic Freedom

41. Economic Security

39. Economic Efficiency

42. Full Employment

40. Economic Equity

43. Price Stability

44. Economic Growth