# Review for Economics Test
## Chapter 1

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

**B. Vocabulary**
Define the following words:

1. Scarcity

2. Want

3. Need

4. Good

5. Service

6. Capital good

7. Productivity

8. Consumer

9. Opportunity cost

**C. The Paradox of Value**
Explain the Paradox of Value

**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

20. Specialization

19. Division of Labor

21. What is an example of division of labor and specialization in real life?
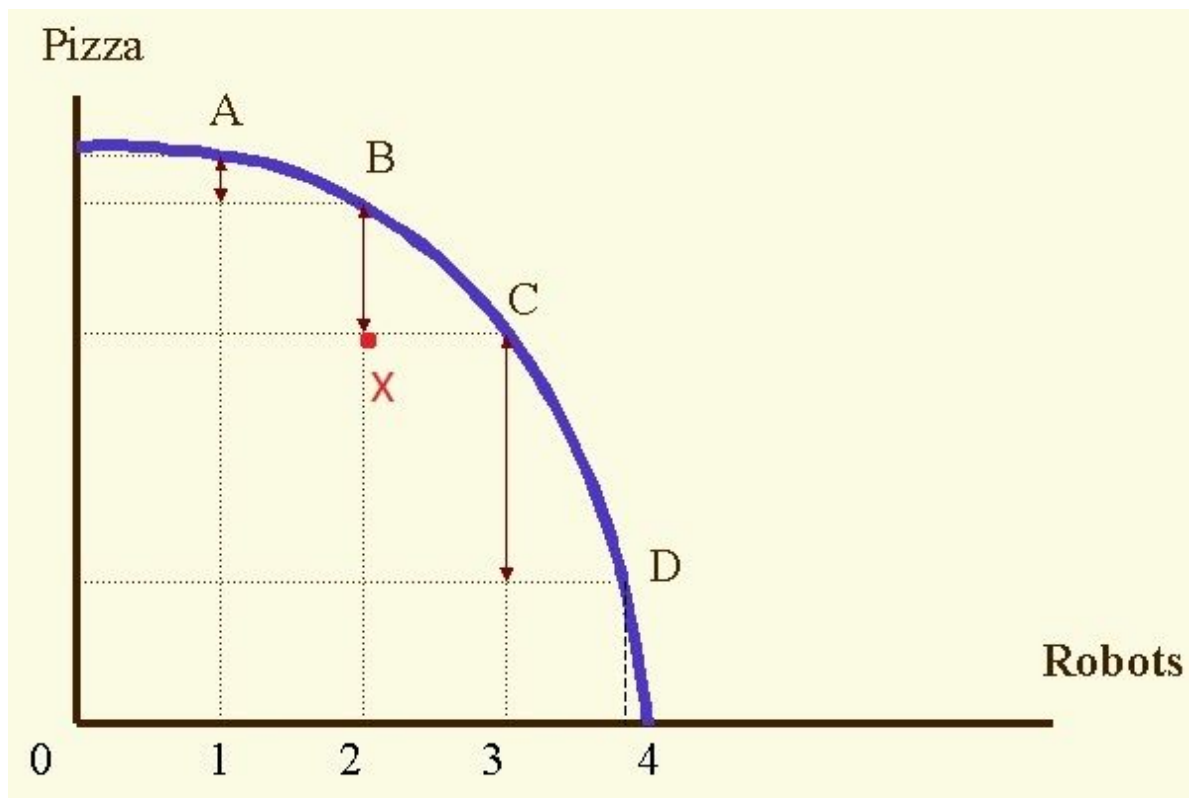
22. How do we should calculate the wealth of nations?

23. What do we call that measurement?
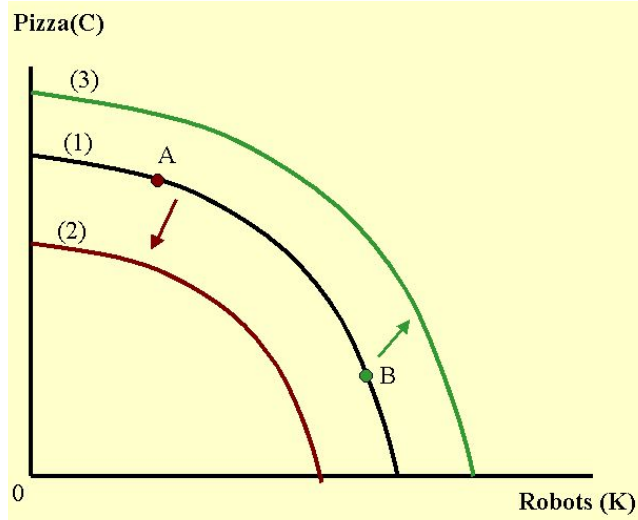
## F. Production Possibilities Frontiers

24. Why do we use them?

25. What do they illustrate well?



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

27. Can you name causes of this difference?

Pizza(C)

(3)

(1)    A

(2)

0                                              Robots (K)

28. Can you explain what causes arrow B?

29. What type of production is at point 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 much corn does the farmer give up?

Quantity of Corn

90   A                           B
80
70
60                              C
50
40                                   D        PPF
30
20
10                          E
0                                F
     0    5    10   15   20   25
         Quantity of Wheat