

**Econ EOC Study Session**



# Join Quizlet

<https://quizlet.com/join/4xtcGtnWt>



# Description of the Test

The background of the slide is a close-up photograph of a multiple-choice test paper. The paper is white with orange markings, including numbers (12, 17, 18, 19, 21) and letters (A, B, C, D) arranged in a grid. A green pencil is positioned diagonally across the right side of the image, pointing towards the bottom left. The pencil has a green body and a sharpened wooden tip with a black eraser. The overall scene suggests a test-taking environment.

- 2 Sections
- First Section  
Wednesday 11/15
- Second Section  
Thursday 11/16
- Make-up day 11/17

- 76 Total Items
- About 38 items per day
- Last section will not be related to econ, But will NOT count.



# Reasons to do Well

- 20% of your grade
- Score a “meets” (81-90), I will replace your lowest test grade.
- Score an “exceeds” (91-99), I will replace your two lowest test grades
- Get a perfect score, you earn a 100 in the class.



# UNIT 2: FUNDAMENTALS

- KEY IDEAS
- Scarcity, tradeoffs and opportunity cost (SSEF1a, c)
- Response to incentives (SSEF2c)
- Examples of productive resources (SSEF1b)
- Choices made with resources (SSEF1b)
- Resource allocation (SSEF4c)
- Rational decision making—cost/benefit analysis (SSEF2b)
- Economic systems—command, market, traditional, mixed (SSEF4a)
- Ways the various economic systems answer the 3 basic economic questions about the use of productive resources (SSEF4b)
- Role of government (SSEF5a)
- Production possibilities curve—tradeoffs, opportunity cost and economic growth (SSEF6d)
- Division of labor and specialization (SSEF3a)



- What is Economics

- Economics: a social science studying the allocation of scarce resources and goods .




# What types of Resources are Scarce?


- What is the fundamental problem that economics deals with? **SCARCITY**








Land



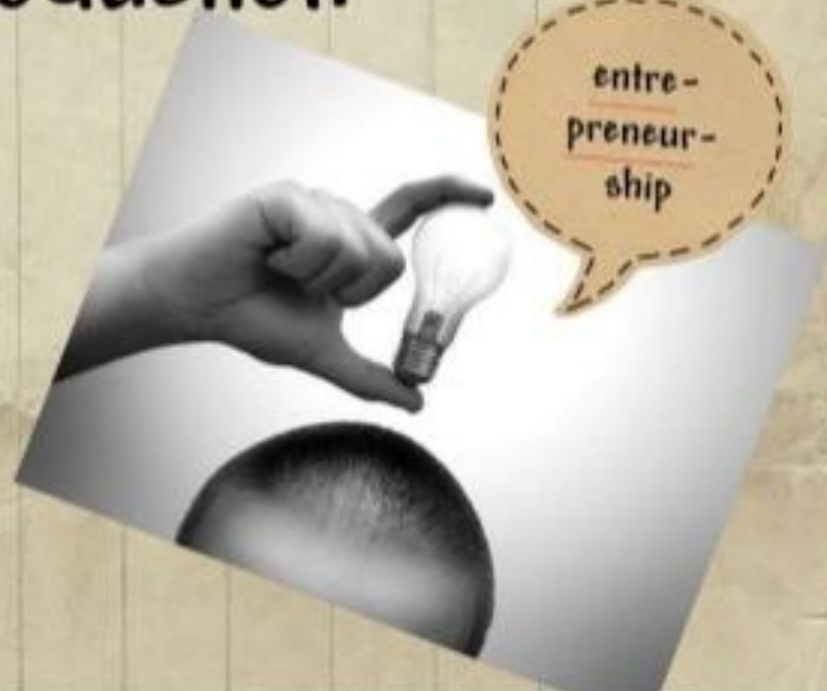
Labor



# Factors of Production



Capital



entre-  
preneur-  
ship



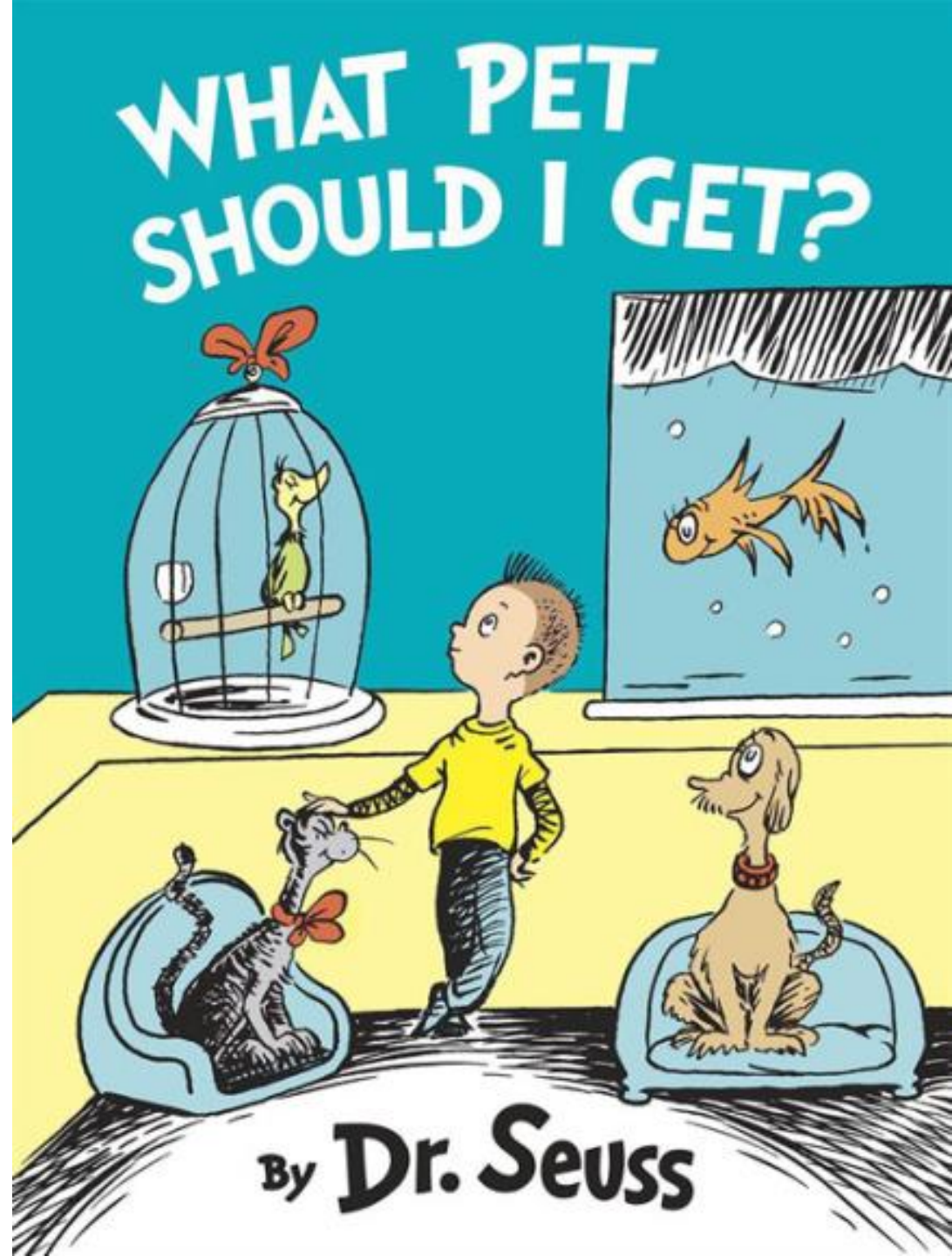
*c. Explain the motivations that influence entrepreneurs to take risks (e.g., profit, job creation, innovation, and improving society).*

**Profit comes from risk.**

[blumercpas.com](http://blumercpas.com)



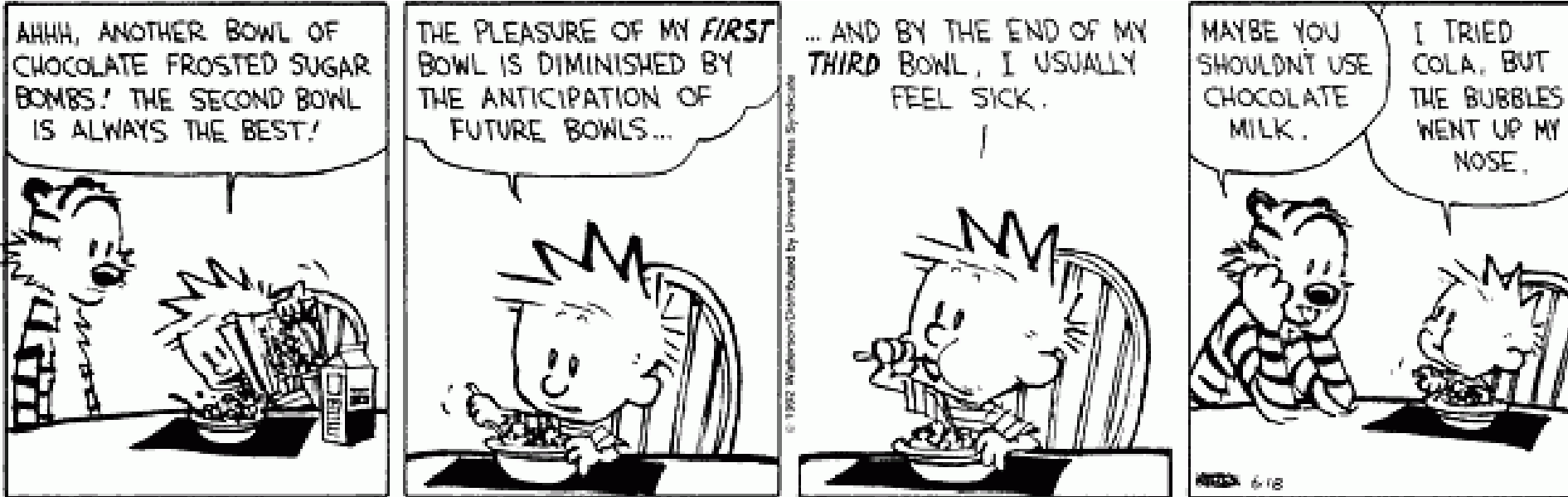
d. Define opportunity cost





# *SSEF2 Give examples of how rational decision making entails comparing the marginal benefits and the marginal costs of an action.*

*a. Define marginal cost and marginal benefit.*



**\*Law of diminishing marginal utility:** decreasing satisfaction or usefulness as additional units of a product are acquired.

- *b. Explain that rational decisions occur when the marginal benefits of an action equal or exceed the marginal costs.*
- *c. Explain that people, businesses, and governments respond to positive and negative incentives in predictable ways.*
- **\*Incentives**: positive and negative rewards that encourage economic behavior such as making purchases or working to increase productivity.
- What are some ways that our school provides incentives?



# SSEF3 Explain how specialization and voluntary exchange influence buyers and sellers.

*a. Explain how and why individuals and businesses specialize, including division of labor.*

**\*Productivity:** the measure of the amount of output produced by a given amount of inputs in a specific period of time.

**\*Specialization:** individuals do specific tasks in the production of goods and services.

**\*Division of labor:** breaking productive tasks into smaller and more specialized acts.



*b. Explain that both parties gain as a result of voluntary, non-fraudulent exchange.*

**\*Voluntary exchange:** is when individuals and businesses freely choose to exchange goods, services, and resource for something else of value.



Search ID: kdin18

“We have a deal---she catches the food and I do the dishes...”



*SSEF4 Compare and contrast different economic systems and explain how they answer the three basic economic questions of what to produce, how to produce, and for whom to produce.*





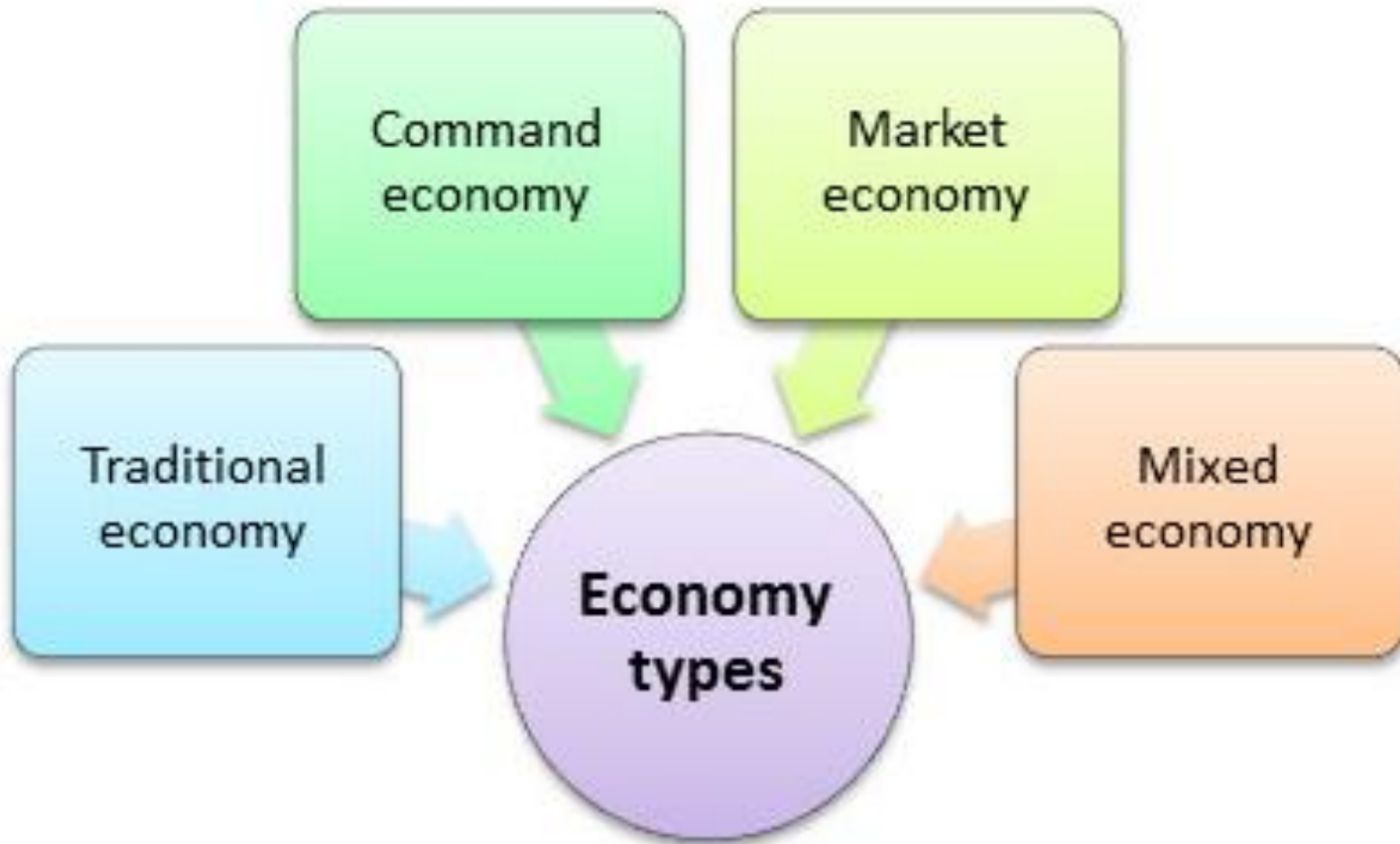
• Or, Should it be an Orange?

• How will it be grown?

• Who gets the tomato?



a. Compare traditional, command, market, and mixed economic systems with regard to private ownership, profit motive, consumer sovereignty, competition, and government regulation.



\***Consumer Sovereignty:** the idea that individuals are the best judge of their needs and what is in their best interest and that they indicate their choices by their spending decisions

\***Voluntary Exchange:** buyers and sellers may engage freely in the market to sell what they want, invest their money to sell what they want, invest their money how they want, etc.

\***Private Property:** people have the right to control their possessions as they wish.

\***Profit Motive:** people are free to invest in business ventures with the hope of making a profit or being better off at the end of a period than they were at the beginning.



## Pure Command Economies

A system in which economic decisions about production and consumption are made by a central authority such as the government

Who decides?



What?



How?



For whom?

Central authority or government

## Pure Market Economies

A system in which economic decisions about production and price are made by producers and consumers, involving little government intervention

Who decides?



What?

Consumers



How?

Producers



For whom?

Price

# Economic Goals

-**Economic freedom**: the right to make your own economic decisions about where to work, what to buy, etc.

-**Economic Efficiency**: using resources wisely because they are scarce so that more wants and needs can be satisfied in the long run.

-**Economic Equity**: justice and fairness for all. (example: no job discrimination)

-**Economic Security**: protection from bad economic situations such as unemployment. The Social Security program was set up to help meet this goal for those people who are retired and/or disabled.

-**Full Employment**: to provide as many jobs as possible so that everyone has the opportunity to work.

-**Price Stability**: to have stable prices overall with no major inflation (a rise in the general level of prices) because many people have fixed incomes. See Federal Reserve/Monetary Policy.

-**Economic Growth**: to have better things in the future such as more money, better jobs, etc.



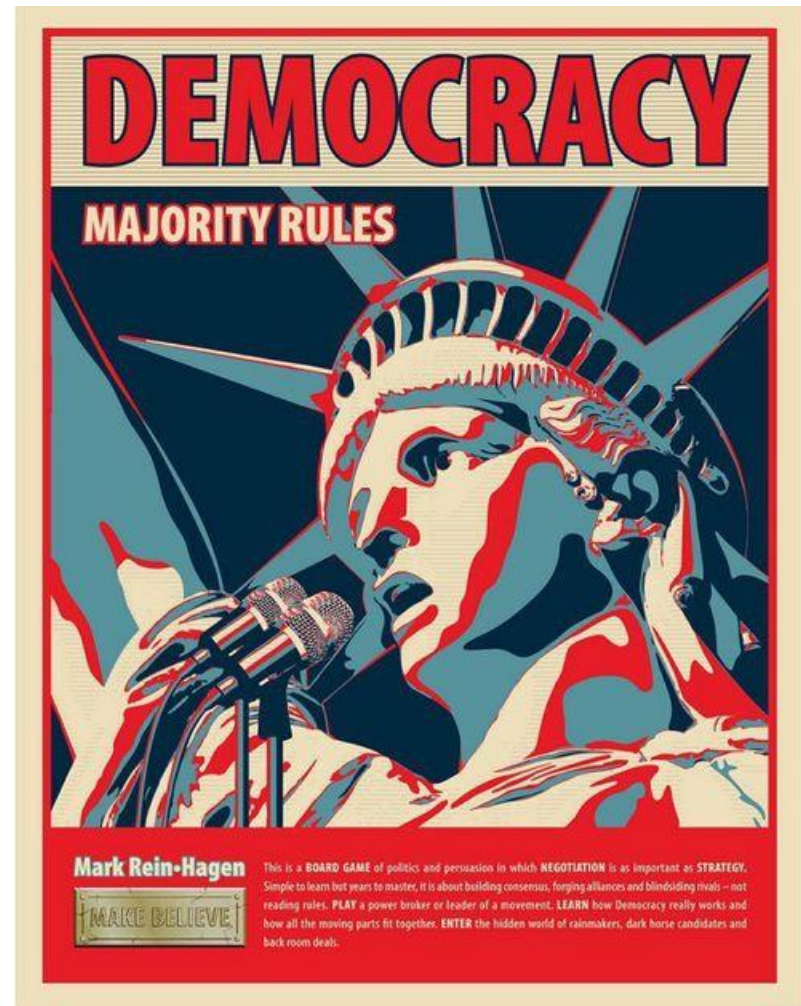
c. Compare and contrast strategies for allocating scarce resources, such as by price, majority rule, contests, force, sharing, lottery, authority, first-come-first-served, and personal characteristics

**\*price:** resource goes to those who use market mechanisms such as trade, barter, or price; great for those who have money or a job with income; not good for those who have little or no income



c. Compare and contrast strategies for allocating scarce resources, such as by price, majority rule, contests, force, sharing, lottery, authority, first-come-first-served, and personal characteristics

**\*majority rule:**  
resource goes to those who win an election; voting; consensus; largest number of people are satisfied; great for those who are popular and those who have many members; not good for the unpopular; those who don't have the skills to form alliances





c. Compare and contrast strategies for allocating scarce resources, such as by price, majority rule, contests, force, sharing, lottery, authority, first-come-first-served, and personal characteristics

**\*contests:** resource goes to the most competitive – winner of a race or arm wrestle; survival of the fittest; great for those who are talented and skillful; not good for those who aren't competitive; unskilled



c. Compare and contrast strategies for allocating scarce resources, such as by price, majority rule, contests, force, sharing, lottery, authority, first-come-first-served, and personal characteristics

**\*force:** resource goes to the one who is strongest (physical, mental, political); most forceful; great for those who are strong, powerful, bullish; not good for those who are weak, small, easily intimidated



c. Compare and contrast strategies for allocating scarce resources, such as by price, majority rule, contests, force, sharing, lottery, authority, first-come-first-served, and personal characteristics

**\*sharing:** resource goes to multiple parties by dividing the resource; great in that everyone gets an equal part; no one is left out; not good in that some resources can't be divided; no party may get enough; not everyone wants some of every resource





c. Compare and contrast strategies for allocating scarce resources, such as by price, majority rule, contests, force, sharing, lottery, authority, first-come-first-served, and personal characteristics

**\*lottery:** resource goes to the luckiest; random; fair; great for those who are lucky and win things; everyone has an equal chance; random winners; not good for those who are unlucky or who “never win anything”



c. Compare and contrast strategies for allocating scarce resources, such as by price, majority rule, contests, force, sharing, lottery, authority, first-come-first-served, and personal characteristics

\***command**: resource goes where directed, ordered, told by another person; great for those who are liked by the commander or if the planner is always fair; not good if the planner isn't fair

\***first-come, first-served**: resource goes to the early bird; first in line; great for those who are quick, willing to get ahead of the crowd; not good for the procrastinator; those who are late in planning/ preparing

\***personal characteristics**: resource goes to the one with the greatest tenure, the longest hair, the oldest, the youngest, the bluest eyes, etc.; great for those who are able to set the personal characteristic to be awarded the resource; not good for those unable to influence the selection of the characteristic category

# *SSEF5 Describe the roles of government in the United States economy.*

*a. Explain why government provides public goods and services, redistributes income, protects property rights, and resolves market failures.*

**\*Public goods and services:** items such as schools, defense, police and fire protection, parks roads and street lighting provided by government.

**\*Regulation:** adding rules or laws established by the government such as taxes, tariff, and subsidies.

**\*Deregulation:** taking away rules or laws on an industry such as deregulation of transportation.



*b. Explain the effects on consumers and producers caused by government regulation and deregulation.*



*SSEF6 Explain how productivity, economic growth, and future standards of living are influenced by investment in factories, machinery, new technology, and the health, education, and training of people.*

*a. Define productivity as the relationship of inputs to outputs*

**\*Inputs**: resources used in production

**\*Output**: the quantity of goods or services produced

*b. Explain how investment in equipment and technology can lead to economic growth.*

**\*Investment**: money paid into a business with the expectation, but not the guarantee, of future rewards such as the earning of profits.

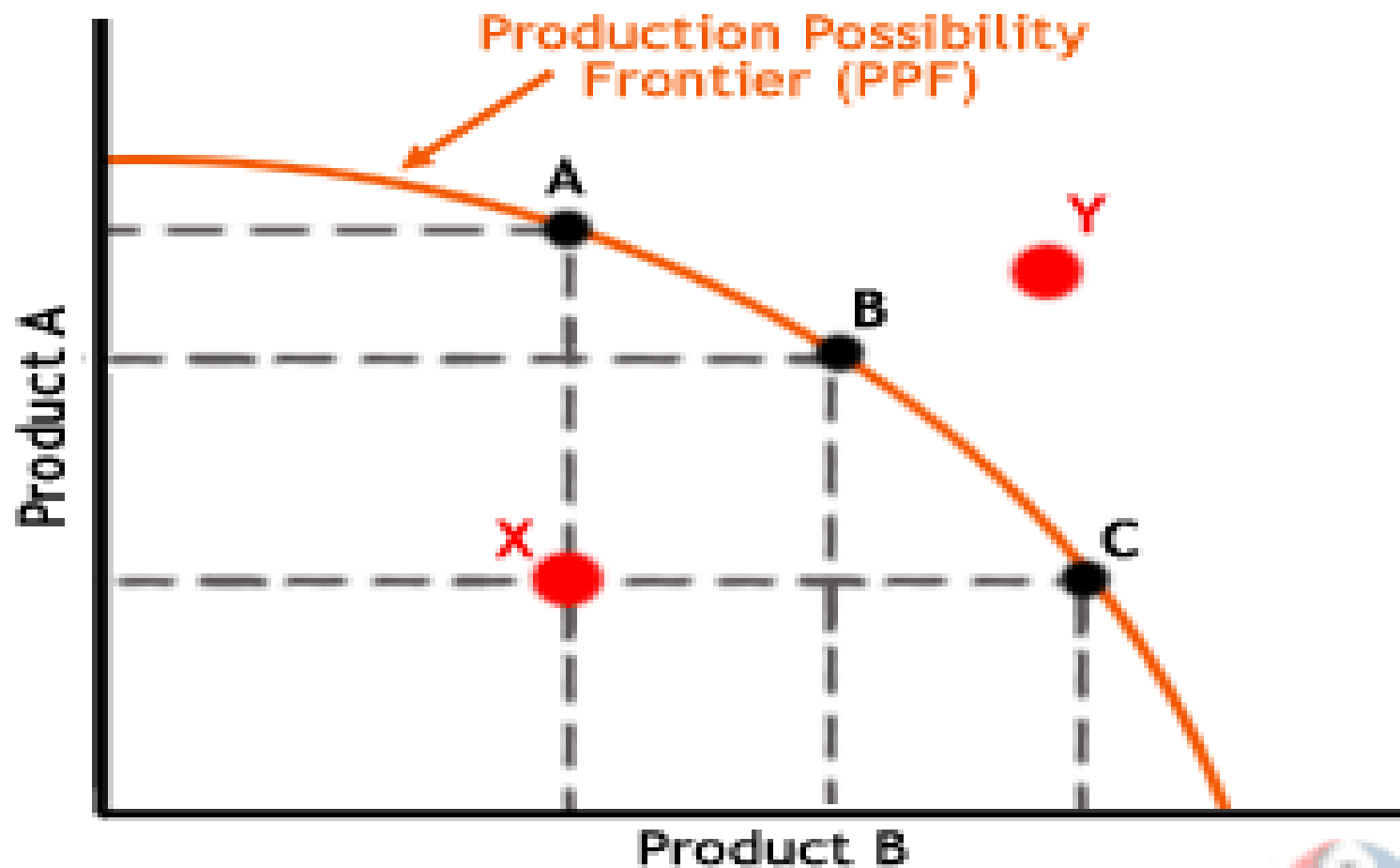


*c. Explain how investments in human capital (e.g., education, job training, and healthcare) can lead to a higher standard of living.*

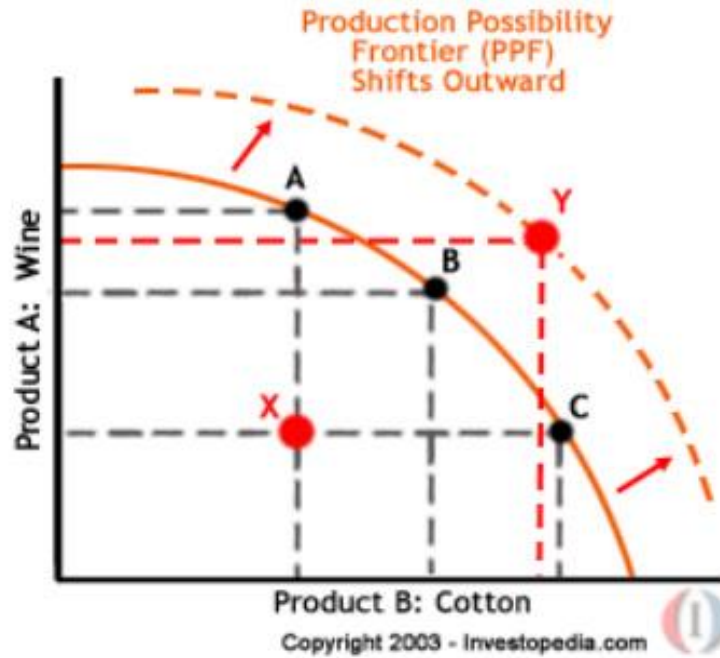
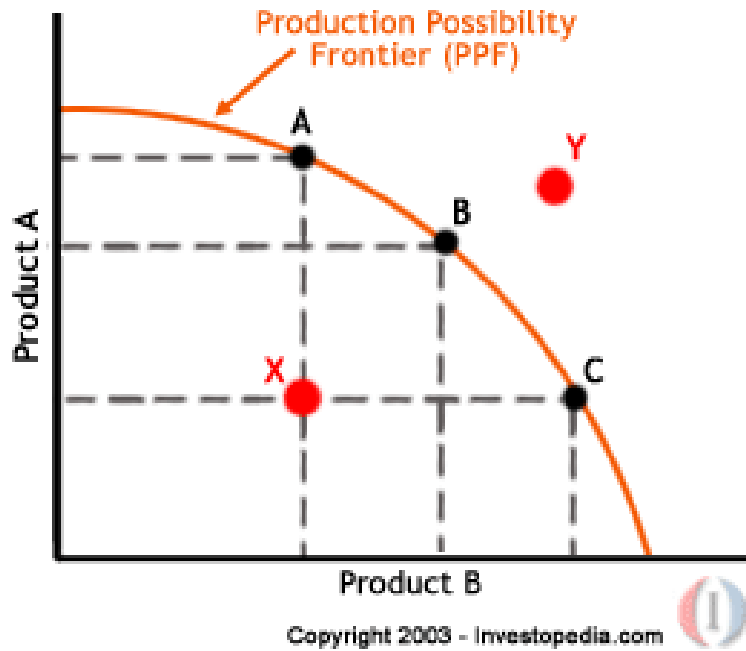
**\*Human capital**: the skills and knowledge of workers

**\*Standard of living**: Standard of living generally refers to the level of wealth, comfort, material goods and necessities available to a certain socioeconomic class, in a certain geographic area.

*d. Analyze, by means of a production possibilities curve: trade-offs, opportunity cost, growth, and efficiency.*



# Economic Growth





- Opportunity cost means individuals
- A . pay sales taxes to make a purchase .
- B . replace land and labor with capital resources .
- C . make purchases that require them to consider the environmental impact .
- D . make decisions that require them to give up the next best alternative .

Consumers make rational decisions about what they purchase every day. For example, Esther went to the supermarket to buy apples to make two pies. She needed at least five apples for each pie. Golden Delicious apples cost 25 cents each; a bag of 16 Golden Delicious apples costs \$3.25. She bought the bag of Golden Delicious apples, even though she would have six apples left after making the pies.

**Which statement BEST describes Esther's choice?**

- A. Esther decided the marginal benefit of having six more apples exceeded the marginal cost of paying 75 cents extra.
- B. Esther decided the marginal benefit of having six more Golden Delicious apples did not exceed the marginal cost of paying 75 cents extra.
- C. Esther compared the price per apple and decided the most expensive apples would be the best to buy, so she bought the bag.
- D. Esther compared the prices of the individual apples and the bag of apples and bought exactly the number of apples she needed to make two pies.

## Multi-Select Technology-Enhanced

A local grocery store has decided to charge customers for bags. Which TWO statements describe how customers will MOST LIKELY respond to this change?

- A. Customers will buy more goods in bulk.
- B. Customers will purchase more goods.
- C. Customers will visit the store more often.
- D. Customers will shop at other grocery stores.
- E. Customers will bring reusable bags to the store.
- F. Customers will exclusively use grocery delivery services.



- Step 1: Plot the data for the graph . This data represents the maximum combinations of goods and services that can be produced from a fixed amount of resources at a specific time . The number of rings should be represented by the y-axis and the number of bracelets will be represented by the x-axis . Each point should be labeled . This curve should be labeled P1 .

Point	Number of Rings	Number of Bracelets
A	25	0
B	20	5
C	15	10
D	10	15
E	0	20

Step 2: Use your production possibilities curve to do the following .

a . Identify the number of rings and bracelets that would be an unattainable production combination for this company . Label this point F .

b . Identify the number of rings and bracelets that represent inefficient production . Label this point G

c . Identify the trade-off of producing 15 bracelets .

d . Identify the opportunity cost of moving from Point D to Point E .

- e . The company has added some human resources and capital resources which will increase production . Plot the new points on your graph and label it P2 . Describe what this new curve represents .

Point	Number of Rings	Number of Bracelets
H	30	5
I	25	10
J	20	15
K	15	20
L	5	25