Unit 1 Study Guide

Vocabulary Terms: be able to identify and explain each of the following terms.

- capital
- factors of production
- marginal benefit
- positive economics
- services
- consumer
- goods
- marginal cost
- Producer
- specialization
- cost-benefit analysis
- incentives
- microeconomics
- product market
- trade-off
- economize
- labor
- needs
- profit
- utility
- entrepreneurship
- land
- normative economics
- revenue
- wants
- factor market
- macroeconomics
- opportunity cost
- scarcity
- Guiding Questions

1. What makes something “scarce” from an economic perspective, and what is an example of a good that is not scarce?
2. What are the three fundamental economic questions and how do different types of societies answer them differently?
3. Be able to categorize resources by their economic function as either land, labor, capital, or entrepreneurship.
4. Explain the relationship between the terms incentive, utility, and economize.
5. What is the difference between a trade-off and an opportunity cost?
6. Be able to explain the underlying assumptions of the production possibility frontier (PPF), and interpret data displayed in this form (identify efficiency, underutilization, production impossibility, show economic growth, etc.)
7. What areas of study fall under microeconomics? Macroeconomics? Be able to categorize examples as either micro- or macro-level.
8. Be able to identify positive and normative economic statements, and come up with examples of each.
9. Why is Adam Smith referred to as the “Founder of Modern Economics?” Explain his philosophy and how it has grown into modern economics.
10. What does the Freakonomics experiment with school incentives teach us about economic incentives? Social incentives? What is the philosophy of the authors of Freakonomics?