

Econ: Unit 1 Study Guide

Name: _____
Date: _____
Period: _____

Directions: *You should be able to identify and explain all of the following vocabulary/concepts. Write your responses to the vocabulary/concepts on a separate sheet of paper but complete the back of this sheet on this sheet. A completed sheet is worth 5 bonus points on the test AFTER test corrections. Is the opportunity cost worth it?*

Chapter 1 Vocabulary/Concepts:

- Needs v. Wants
- Good
- Service
- Factors of Production
- Human Capital
- Physical Capital
- PPF → what does it tell us, how to make one, what the various points on and off the curve mean
- Trade-off
- Opportunity Cost
- Thinking at the Margin
- Law of Increasing Costs
- Cost v. Benefit Analysis

Chapter 2 Vocabulary/Concepts:

- Four Types of Economic Systems
- Market
- Specialization → how does it cause economic growth
- Product Market
- Factor Market
- Invisible Hand
- Three Economists and Their Theories
- Laissez-Faire
- Free-Enterprise System

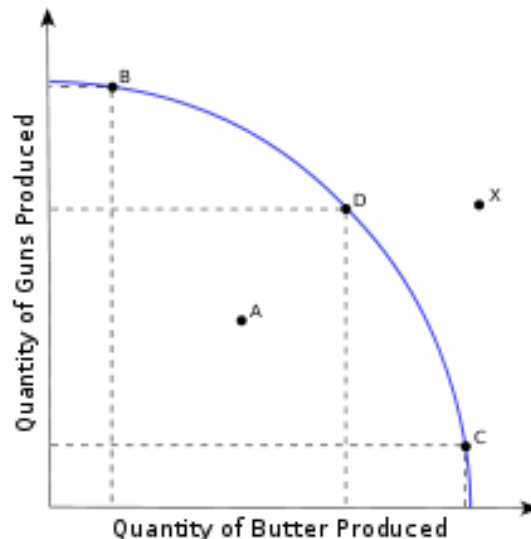
Chapter 3 Vocabulary/Concepts:

- Profit Motive → how does this increase economic growth
- Private Property Rights
- Constitution
- Voluntary Exchange
- Macroeconomics
- Microeconomics
- Gross Domestic Product (GDP) → How is this related to a PPF and a business cycle
- Business Cycle
- Technology → how does this impact economic growth
- Public Sector
- Private Sector
- Public Goods
- Externality
- Market Failure
- Welfare → purpose of

Economic Models to Know:

PPF:

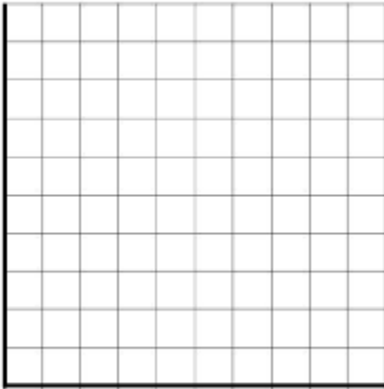
- What does the curve represent?
- Points inside/outside the curve?
- Guns v. Butter?



Other Important Information to Know

Use the following chart to graph a PPF and answer the questions.

	Guns (Y)	Butter (X)
Jimmy	5	9
Becky	8	7



Who has the absolute advantage in:

Guns:

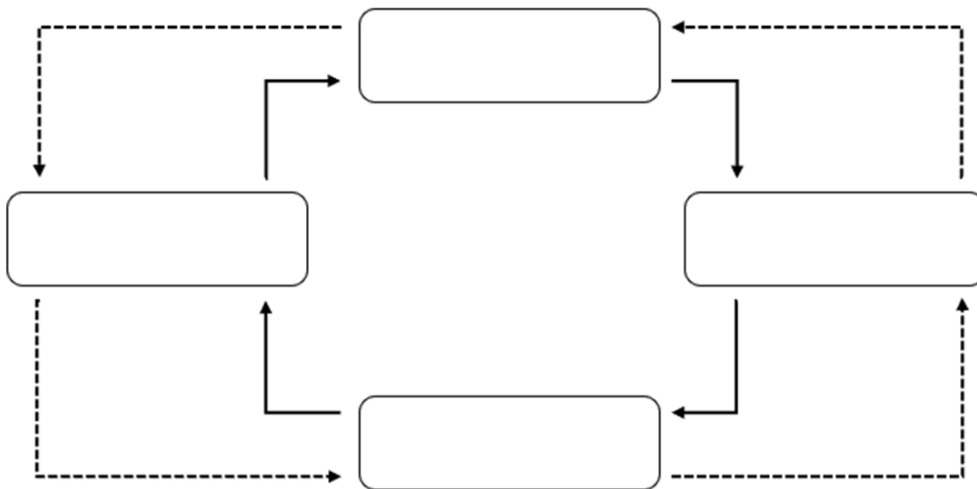
Butter:

Who has the comparative advantage in:

Guns:

Butter:

Explain how these two should trade with each other to grow their economies.



What are the following components to GDP?

- C:
- I:
- G:
- X_n :

What is not counted in GDP?

Be able to fill out the Circular-Flow Model for a Free-Market

Business Cycle:

- Fully label the business cycle below.
- What are the four parts of the cycle?
- What does the straight line represent?
- How does the cycle relate to GDP?

