

Economics Study Outline

1. Explain why scarcity and choice are basic problems of economics
ID the three factors of production and ID the two types of capital
Explain the role of entrepreneurs

Vocabulary

Need & Want

Economics

Scarcity

Factors of production

Physical and Human capital

Entrepreneur

2. Describe why every decision involves trade-offs
Explain the concept of opportunity costs
Explain how people make decisions by thinking at the margin

Vocabulary

Trade-off

Guns or butter

Opportunity costs

Thinking at the margin

3. Interpret a production possibility curve
Demonstrate how production possibility curves show efficiency, growth, and cost
Understand that a country's production possibilities depend on its available resources and technology.

Vocabulary

Production possibility curve

Law of increasing costs

4. ID the three key economic questions...
Analyze the societal values that determine how a country answers the three economic questions
Explain the characteristics of traditional, command, and market economies and describe the societal values that influence them.

Vocabulary

Economic systems

Factor payments

Safety net

Standard of living

Traditional economy

Market economy

Centrally planned economy

Command economy

Mixed economy

5. Explain why markets exist
Analyze a circular flow model of a free market economy
Understand the self-regulating nature of the marketplace
ID the advantages of a free market

Vocabulary

Market
Specialization
Factor market
Profit
Self interest
Invisible hand
Consumer sovereignty

6. Describe a centrally planned economy is organized
ID the problems of a centrally planned economy.

Vocabulary
Socialism
Communism
Authoritarian

7. Explain the rise of mixed economies systems

Compare the mixed economies of various nations along a continuum between centrally planned and free market systems
Understand the role of free enterprise in the economy of the United States

Vocabulary

Laissez faire
Private property
Free enterprise

8. Describe the tradition of free enterprise in the United States and the constitutional protections that underlie it.

Explain the basic principle of the U.S. free enterprise system
ID the role of the consumer in the U.S. free enterprise system
Describe the role of government in the U.S. free enterprise system

Vocabulary
Profit motive
Open opportunity
Free contract
Voluntary exchange

9. Explain how the government tracks and seeks to influence business cycles

Analyze how the government promotes economic strength
Analyze the effect of technology on productivity

Vocabulary
Macroeconomics
Microeconomics
GDP
Business cycle

10. ID examples of public goods

Analyze market failures
Evaluate how the government allocates some resources by managing externalities

Vocabulary

Public good
Private good
Private sector
Free rider
Market failure
Externality

11. Summarize the U.S. political debate on ways to fight poverty
Describe the main programs through which the government redistributes income

Vocabulary

Poverty threshold
Welfare
Cash transfers
In-kind benefits

12. Explain the law of demand
Understand the substitution effect and the income effect and how they influence decisions
Create a demand schedule for an individual market
Interpret a demand graph using demand schedules

Vocabulary

Demand
Law of demand
Substitution effect
Income effect
Demand schedule
Market demand schedule
Demand curve

13. Understand the difference between a change in quantity demanded and a shift in the demand curve
Identify the determinants that create changes in demand and that can cause a shift in the demand curve
Explain how the change in price of one good can affect demand for a related good.

Vocabulary

Ceteris paribus
Normal good
Inferior good
Complements
Substitutes

14. Explain how to calculate elasticity of demand
Identify factors that affect elasticity
Explain how firms use elasticity and revenue to make decisions

Vocabulary

Elasticity of demand
Inelastic
Elastic
Unitary elastic
Total revenues

15. Explain the law of supply.

Interpret a supply graph using a supply schedule

Explain the relationship between elasticity of supply and time.

Vocabulary

Supply

Law of Supply

Quantity supplied

Supply schedule

Variables

Market supply schedule

Supply curve

Elasticity of Supply

16. Explain how firms decide how much labor to hire produce a certain level of output

Analyze the production costs of a firm

Understand how a firm chooses to set output

Explain how a firm decides to shut down a unprofitable business.

Vocabulary

Marginal product of labor

Increasing marginal return

Diminishing marginal return

Fixed cost

Variable cost

Total cost

Marginal cost

Marginal revenue

Operating cost

17. ID the determinants such as input costs create changes in supply

ID three ways the government can influence the supply of a good

Understand supply and demand in the global economy

Analyze the effects of other factors that affect supply

Vocabulary

Subsidy

Excise tax

Regulation

18. Explain how supply and demand create balance in the marketplace

Compare a market in equilibrium with market disequilibrium

ID how the government sometimes intervenes in the markets to control prices

Analyze the effects of price ceilings and price floors

Vocabulary

Equilibrium

Disequilibrium

Excess demand

Excess supply

Price ceiling

Price floor

19. ID the determinants that create changes in price

Explain how a market reacts to a fall in supply by moving to a new equilibrium.

Explain how a market reacts to shifts in demand by moving to a new equilibrium

Vocabulary

Surplus

Shortage

Search costs

20. Analyze the role of prices in a free market

List the advantage of a price-based system

Explain how a price-based system leads to a wider choice of goods and more efficient allocation of resources.

Describe the relationship between prices and the profit incentive.

Vocabulary

Supply shock

Rationing

Black market

Spillover costs

21. Market Structures- Just tested....

Perfect competition

Monopoly

Monopolistic competition

Oligopoly