

Name: _____

Economics – R

Date: _____

Ms. Weiss

Chapter 1 Homework Questions.

Directions: Read each section of Chapter 1. Answer the questions that correspond to each section.

Chapter 1: Section 1 – Scarcity and the Factors of Production

1. Why must people make choices to satisfy their needs and wants?
2. Why does scarcity always exist?
3. Explain the difference between scarcity and a shortage:
4. Identify and explain the types of capital:
5. Why is physical capital an important factor of production?
6. Why are all goods and services scarce?
7. What is the function of an entrepreneur?

Fill in the blank:

8. The study of how people seek to meet their needs and wants by making choices is _____.
9. Persons who perform such actions as cutting hair or teaching school are providing _____.
10. Land, labor and capital make up the _____.
11. The term _____ refers to water, forests, and all other natural resources used to produce goods and services.
12. Factories, machinery, and pencils are all examples of _____.
13. Leaders who take risks to develop original ideas and start new industries are called _____.

Chapter 1: Section 2 – Opportunity Cost

1. In your own words explain trade-offs:
2. Who makes trade-offs? Why?
3. What is an opportunity cost?
4. Define- Thinking at the margin
5. What does thinking at the margin help us to compare?
6. What are “guns or butter decisions”?

Chapter 1: Section 3 – Production Possibilities Curve

Use the graph on page 15 to help answer questions 1 & 2.

1. Draw a production possibilities curve for Guns and Butter.
2. On the curve label the points at which you are underutilizing, being efficient, and can't achieve without growth.

Define:

3. Production possibilities curve- _____
4. Production possibilities frontier - _____
5. efficiency- _____
6. underutilization - _____
7. cost - _____
8. law of increasing costs - _____