<u>Economics</u>
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Students will know…
Unit 1 - Economics - Basic Economic Concepts & Our American Economic System
1. People exchange voluntarily because of the perceived benefits.
2. Scarcity causes people to make choices about how to allocate their resources.
3. The factors of production are land, labor, capital, and management.
4. Land (natural resources) is considered the natural resources used in production.
5. Labor is the human inputs used in the production process.
6. Capital is considered to be the tools used in the production process.
7. Entrepreneurship involves taking risks and combing the factors in production in the most efficient manner.
8. Management decides how to use land, labor, and capital in the production process.
9. Opportunity cost looks at decisions by analyzing costs and benefits of alternatives.
10. The basic economic question looks at the allocation of scarce resources (What should be produced? How should it be produced? How much should be produced, and Who should receive it?).
11. The three types of market systems are traditional, command, and market.
12. Traditional markets answer the basic economic question based on customs and history.
13. Command economies answer the basic economic question through a central authority.
14. Market economies are where the buyers and sellers answer the basic economic question by themselves.
15. The United States economic system is a mixed system, but is based on free market concepts.
16. The pillars of our economic system revolve around private property, limited government, market competition, and entrepreneurship.
17. Private property is the principle that individuals own the means of production.
18. Limited government refers to the ability of the individuals to make their own decisions in the market place.
19. Market competition is the belief that through competition we can get better quality products at better prices, greater selection of available goods.
20. Entrepreneurship refers to opportunity for individuals to pursue their own interests in an attempt to be successful.
21. Adam Smith, the father of capitalism, believed society benefited from the pursuit of self-interest and his beliefs influenced the United States and other economic systems.
22. Karl Marx, the father of socialism, believed the group's needs should be put ahead of the individual and his beliefs influenced the United States and other economic systems.
23. A public good is a shared good or service for which it would be inefficient to make people pay for, or try to exclude them from.

24. The government finances public sector goods.
25. Businesses, groups, or individuals finance private sector goods.
26. An externality is an economic side effect of a good or service that generates benefits or costs to someone.
27. The profit motive states that individuals have the incentive to succeed because they receive trhe benefits of their work.
Unit 2: Marginal Thinking - Demand, Supply, and Markets

28. The law of demand tells us people want more when prices go down and want less when prices go up.
29. Substitute goods and complementary goods both affect markets and the decision consumers make.
30. Marginal analysis is when individuals compare the marginal cost and marginal benefit of a decision before the act upon it
31. The law of diminishing marginal utility helps explain consumer behavior by telling us there comes a point when satisfaction decreases with increased consumption.
32. The law of supply tells us businesses produce more when prices are higher and produce less when prices fall.
33. Supply and demand curves can graphically explain market conditions.
34. Market prices tend to be efficient; they minimize shortages and surpluses.
35. When shortages exist, prices will rise and when surpluses exist, prices will fall.
36. Subsidies, price floors, and price ceilings are all forms of market interference, which make markets less efficient.
Unit 3: Market Structures & Role of Business
37. A monopoly is a market where only one seller exists with a unique product and no other sellers can enter the market.
38. Purely competitive markets exist when the products are identical or, nearly identical, and it is easy for new sellers to enter the market.
39. Larger businesses experience economies of scale, they buy at discounts and can afford machinery that increases productivity that smaller businesses cannot afford.
40. Diminishing returns occurs when increased inputs do not lead to increased productivity.
41. The majority of businesses can be categorized as forms of proprietorships, partnerships, or corporations.
42. Proprietorships are businesses with one owner.
43. Partnerships are businesses with a few owners, usually sharing responsibilities to match their individual strengths.
44. Corporations are businesses that have several owners, stockholders, and are its own legal entity.
45. A merger is when two companies become one for their percieved mutual benefit.
46. Labor unions can lead to better working conditions and higher wages through collective bargaining.
47. Variable costs change based upon the amount produced, while fixed costs remain constant regardless of amount produced.
48. Entrepreneurs have many characteristics, but their most valuable trait is that they know when to take a risk.
49. Dr. Deming has influenced American industry and society by emphasizing quality, the customer, and that it is possible to have win-win situations (Total Quality Management).
50. Companies issue stock as a means to raise additional capital.

Unit 4 - Banks, Money, and Consumers
51. The three uses of money are medium of exchange, unit of account, and store of value.
52. Medium of exchange tells us that money can be used as trade for goods and services.
53. Unit of account means money provides us with a means of comparing values of goods and services.
54. Store of value explains that money is worth a similar amount later if you choose to save it instead of spending it.
55. The six characteristics of money are durability, portability, divisibility, uniformity, limited supply, and acceptability.
56. Fiat money has value because governments declare it is acceptable to pay debts.

57. Representative money has value because it can be exchanged for something of value.
58. Banks offer services such as storing money, saving money, loans, mortgages, and credit cards.
59. Financial institutions include commercial banks, savings and loans, credit unions, and finance companies.
60. Stocks, mutual funds, commodities, and currency are all items people invest in to gain profits
61. When investing, consumers need to compare the risk of the investment to the anticipated return.
62. Rate of return explains what type of return you are getting on your investment.
63. Educated consumers compare similar products before making decisions on purchases.
64. Budgets are tools to help consumers better manage their resources.
65. There are a variety of resources available to help consumers make educated choices, such as Consumer Reports, Better Business Bureau and the state attorney general's office.
66. Consumers can write letters to companies, private organizations, and government agencies when they feel they have been cheated in the marketplace.
67. The three C's of credit are collateral, character, and capacity. They are used when determining whether or not you qualify for a loan.
68. Collateral refers to the individual's ability to put property up to secure credit.
69. Character is the payment history of the individual.
70. Capacity is the earnings and current debt the individual has and his or her ability to take on new debt.
71. Interest is the cost incurred when borrowing money.
72. Credit is when you borrow money, with the expectation of of repayment overtime at additional cost, to acquire a good or service now that you could not otherwise obtain.
73. An advantage to having credit is that is allows you to acquire a good or service now that you would not otherwise be able to obtain.
74. Disadvantages, or dangers, of credit are impulse buying, spending beyond your means, and the time commitment required to pay off debts.
Unit 5 – The National Economy
75. Gross Domestic Product is one indicator of the health of our economy by looking at the amount of good purchased.
76. The government's role in the economy is to promote growth (Employment Act of 1946) while minimizing inflation and unemployment.
77. Unemployment can be categorized as frictional, structural, seasonal, or cyclical
78. Inflation is a period of rising prices and affects consumers as well as producers.
79. Cost-push inflation occurs when the expenses of production increase and are passed on to the consumer.
80. The circular flow diagram illustrates the interaction between money, goods and services, and the parties involved.
81.There are three categories of taxes: progressive, proportional, and regressive.
82.Taxes are based on two principles: ability to pay and benefits-received.
83. When filing a tax returns, taxpayers must understand what is taxable income, personal exemptions, and deductions

84.There are a variety of taxes such as individual, corporate, social security, Medicare, unemployment, excise, estate, gift, and import taxes.
85. The government’s economic priorities can be seen by analyzing the budget.
86. Fiscal policy is Congress and the President’s way of managing the economy through expenditures and taxation.
87. John Maynard Keynes theories focusing on the taxes and spending for the whole economy as opposed to the individual argued demand-side economics is more effective in managing the
88. Banks affect the money supply through their lending practices.
89. A budget deficit occurs in a year when expenditures exceed revenues.
90. A national debt is the sum total of all budget deficits.
91. The Federal Reserve is the nation's central bank and manages the money supply.
92. The Federal Reserve is the government’s bank, sells securities, and issues paper currency.
93. The Federal Reserve serves banks through check clearing services, supervising lending practices, and as the lender of last resort.
94.Monetary policy is the Federal Reserves’ way of managing the economy through the changes in interest rates, reserve requirements, or open market operations.
95. A recession is two consecutive economic quarters where GDP decreases.
96. A depression is a very severe recession where there are large numbers of people out of work, acute shortages, and excess capacity in manufacturing plants.
Unit 6 - International Trade
97. A comparative advantage is when a country can produce something at a lower opportunity cost than another country.
98. An absolute advantage is when it takes a country fewer resources to produce something than another country.
99. Governments use trade quotas, embargoes, and tariffs to influence other countries economic and political decisions.
100. NAFTA, EU, and the WTO are trade arrangements designed to benefit both individuals and countries.
101. A trade deficit is when you import more than you export and a trade surplus is when you export more than you import.
102. Exchange rates determine the value at which foreign currency can be traded.
103. Protectionism favors domestic industry over free trade while free trade favors absence of trade barriers.
104. Free trade is mutually beneficial to trade partners.
105. Imports are goods and services brought into the country, whereas exports are goods and services sent out of the country.
106. Trade barriers impact welfare.

