**Reading Guide CHAPTER 18 – What is Economics**

*Complete on your own paper – typed answers will not be accepted*

*4 Acceptable Submission Options (10% deduction if not followed):*

*1. Staple this sheet to your answers*

*2. Write answers using complete sentences where the question can be inferred*

*3. Write out the question and the answer*

*4. Reformat this page to leave ADEQUATE space for each answer to print as a worksheet, write answers by hand*

**Section 1: How Economic Systems Work**

1. What is the difference between ***needs*** and ***wants***?
2. Define: ***economics***.
3. What is the focus of ***macroeconomics****?*
4. Define: ***economic model***.
5. What type of economic system does the United States have?
6. Define: ***resources.***
7. What are the two main types of resources?
8. Define: ***scarcity***.
9. When does ***scarcity*** occur?
10. Because of scarcity, what three economic choices must a society make?

**Section 2: Making Economic Decisions**

1. What is a ***trade-off***?
2. What term describes the cost of the next best use of time when you choose to do one thing rather than another?
3. What two types of costs make up ***total costs***? Define each of the two types of costs.
4. What is a ***marginal cost***?
5. What is the difference between ***total revenue*** and ***marginal revenue***?
6. Define: ***marginal benefit***.
7. In a **cost-benefit analysis**, when should a chosen option be rejected?

**Reading Guide CHAPTER 19 – The American Economy**

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**Section 1: Economic Resources**

1. Explain the difference between a ***good*** and a ***service***.
2. What are the ***four factors of production***?
3. What is the difference between ***consumer goods*** and ***capital goods***?
4. How do entrepreneurs contribute to the economy?
5. What is the **Gross Domestic Product (GDP)**?
6. The GDP is an important measure of what?
7. What is the net domestic product?

**Section 2: Economic Activity**

1. What does the term ***market*** mean to an economist?
2. What are the four economic sectors?
3. What is the difference between ***factor markets*** and ***product markets***?
4. In which market do workers earn a living?
5. How does the government sector take part in the factor markets?
6. What does ***productivity*** measure? When does ***productivity*** go up?
7. How are ***specialization*** and ***division of labor*** related?
8. Define: ***economic interdependence***.
9. Why do events in other nations affect the U.S. economy?

**Section 3: Capitalism and Free Enterprise**

1. Define: ***capitalism***.
2. Define: ***free enterprise***.
3. What six unique features make capitalism successful?
4. Why do private property rights create an incentive?
5. What are two results of competition?
6. Define: ***profit motive***.
7. What is ***voluntary exchange***?
8. Who wrote *The Wealth of Nations*, and when was it published? Why is it so important?
9. According to ***laissez-faire economics***, what should be the government’s role in the marketplace?

**Reading Guide CHAPTER 21 – Demand & Supply**

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**Section 1: Demand**

1. Define: ***demand***.
2. What information does a ***demand schedule*** show?
3. In a ***demand curve***, quantities are shown on which axis?
4. What is the ***law of demand***?
5. What is ***market demand***?
6. What are three methods that someone could use to measure demand for his goods or services?
7. Define: ***utility***.
8. How does ***diminishing marginal utility*** explain a downward-sloping demand curve?

**Section 2: Factors Affecting Demand**

1. What are four consumer-related changes that affect demand? (shift the demand curve)
2. How do consumers’ tastes affect demand?
3. How may the expectation of a product ***shortage*** increase demand?
4. What are two product-related changes that affect demand?
5. In economic terms, what are ***substitutes***?
6. What is one example of products that are ***complements***?
7. Define: ***demand elasticity***.
8. Give example of one ***elastic good*** and one ***inelastic good***.

**Section 3: Supply and Supply Curve**

1. Define: ***supply***.
2. What is the ***law of supply***?
3. What is the primary motive in business?
4. What is the **market supply**?
5. What is the most significant influence on the quantity of goods supplied?
6. What are four of the eight factors that affect supply? (shift the supply curve).
7. Define: ***subsidy***.
8. Why do costs go up when subsidies are repealed?
9. What does it mean when a product is ***supply*** ***elastic***?

**Section 4: Demand and Supply at Work**

1. What does a ***surplus*** signal?
2. In a competitive market, what must happen if a ***shortage*** occurs?
3. What is the ***equilibrium price***?
4. What are a ***price ceiling*** and a ***price floor***?
5. Define: ***minimum wage***. Is this an example of a price ceiling or price floor?
6. What three questions do prices help businesses answer?
7. How is price flexibility one of the strengths of a market economy?