

Unit 2 Problem Set: Basic Economics Concepts

Key Terms (Define the following) 5 points

1. Scarcity
2. Consumer Goods vs. Capital Goods
3. Trade-offs
4. Opportunity Cost
5. Resource Market vs. Product Market
6. List and explain Four Factors of Production

3 Economic Systems 6 points

1. Centrally Planned Economies (Communism)
2. Free-Market Economies (Capitalism)
3. Mixed Economies

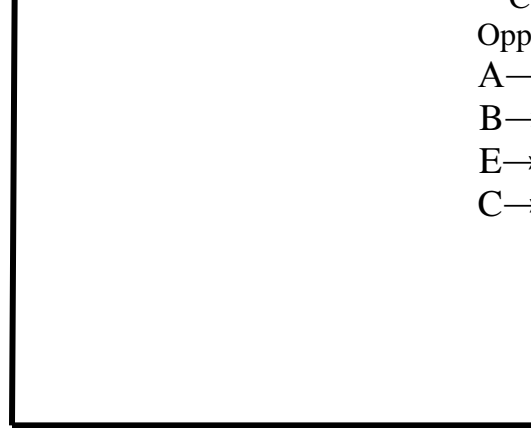
Production Possibilities Curve (Frontier)* 5 points

Use the chart to create a PPC to the right.

	A	B	C	D	E
Hats	0	1	2	3	4
Shoes	30	29	25	15	0

Label the following three points on the graph:
 X= Unemployment/Inefficiency
 Y= Efficient
 Z= Impossible given current resource

Shoes



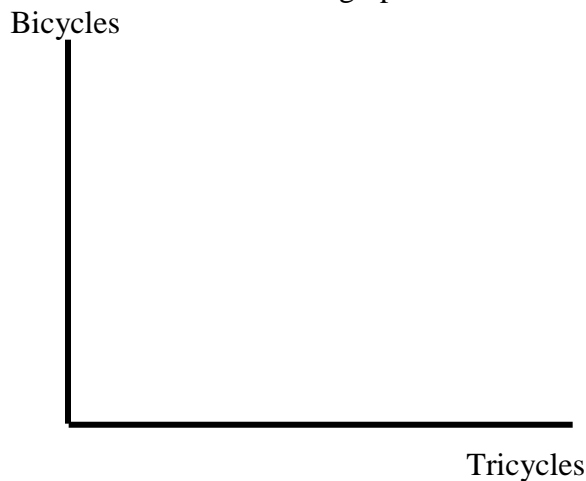
Calculate the Opportunity Cost:
 A→B: _____
 B→C: _____
 E→D: _____
 C→A: _____

Hats

Constant Opportunity Cost 5 points

Why does this occur?

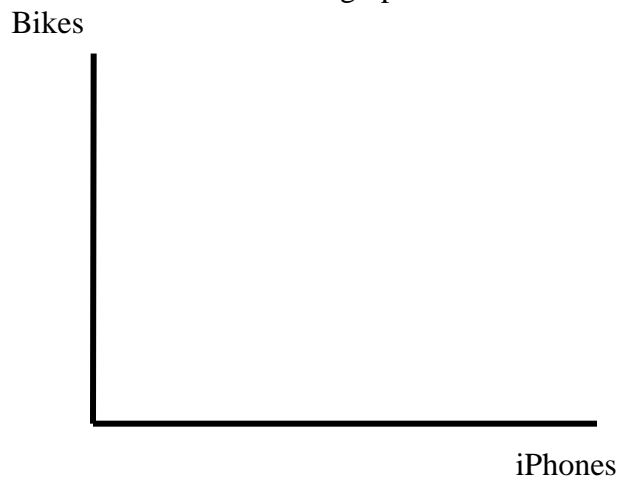
Draw the graph below



Increasing Opportunity Cost 5 points

Why does this occur?

Draw the graph below



Efficiency 2 points		Shifting the PPC 3 points	
Difference between allocative and productive efficiency:		Identify the three shifters of the PPC 1. 2. 3.	
Shifting and Changes Practice (draw 3 PPCs with pizza and cars) 1 point each			
Scenario: Better resources for both products	Scenario: Increase in consumer demand for pizza	Scenario: Improvements in technology for only cars	
Circular Flow Model 10 points			
<i>Resource Market</i>			
<i>Businesses</i>	<i>Government</i>	<i>Individuals</i>	
<i>Product Market</i>			