Economic Basics

Notes: CC 5.1

9/26/16

Bell Ringer: Page 55

Think about the last time you made a major purchase.

1. What role did price, supply and demand play?
2. If there were only a few of the item available, how much more would you be willing to pay for it?

Learning Objectives: I will be able to…

list the three economic questions people must answer.

explain supply, demand, and the actions consumers and producers take to meet them.

Vocabulary: Due Friday 9/30

1. Scarcity
2. Demand
3. Supply
4. Producer
5. Consumer
6. Incentive
7. Recession
8. Inflation
9. Revenue
10. Profit

Notes: Page 55

Read Page 58-59 Of Text

What do the three economic questions have in common?

Economics

- The ***study*** of how peoples needs and wants are met.

1. What goods and services should be produced?
2. How should goods and services be produced?
3. Who uses or consumes the goods and services?

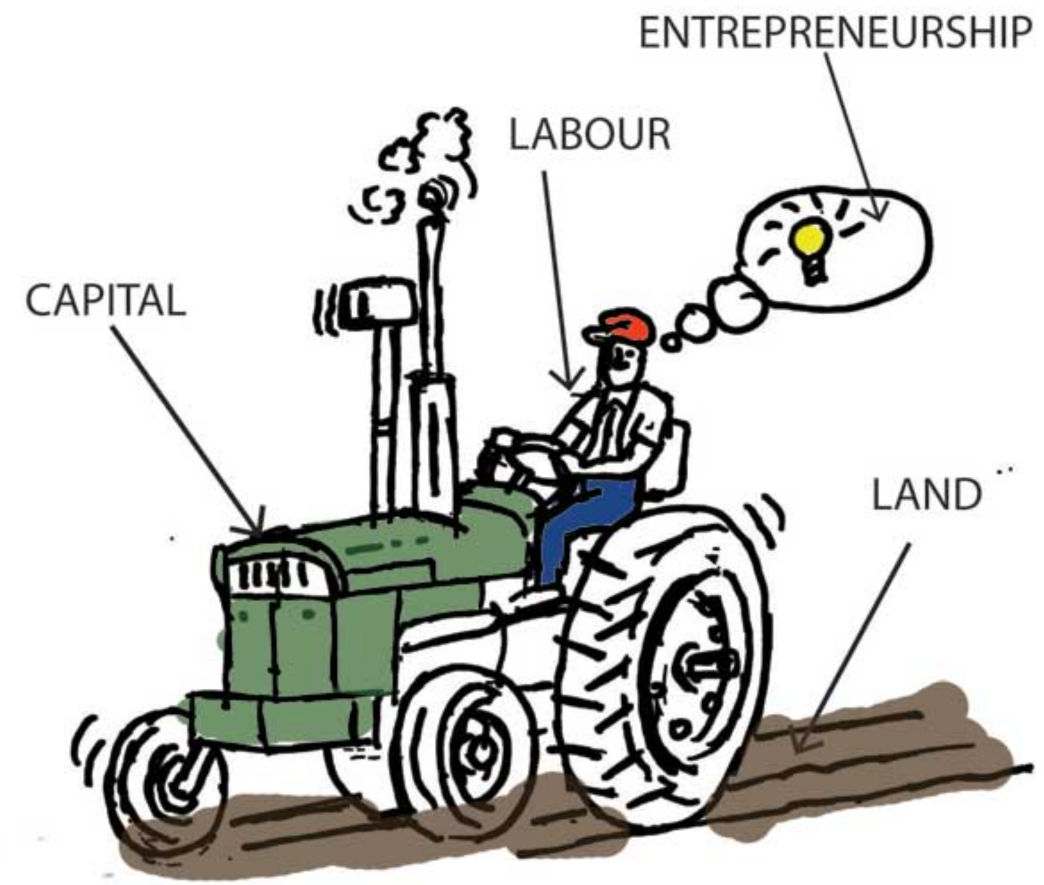
Factors of Production

The resources people (entrepreneurs) use to make goods and services

1. **Land**
2. **Labor**
3. **Capital**

Entrepreneur: one who organizes, manages and assumes risk of a modern business.

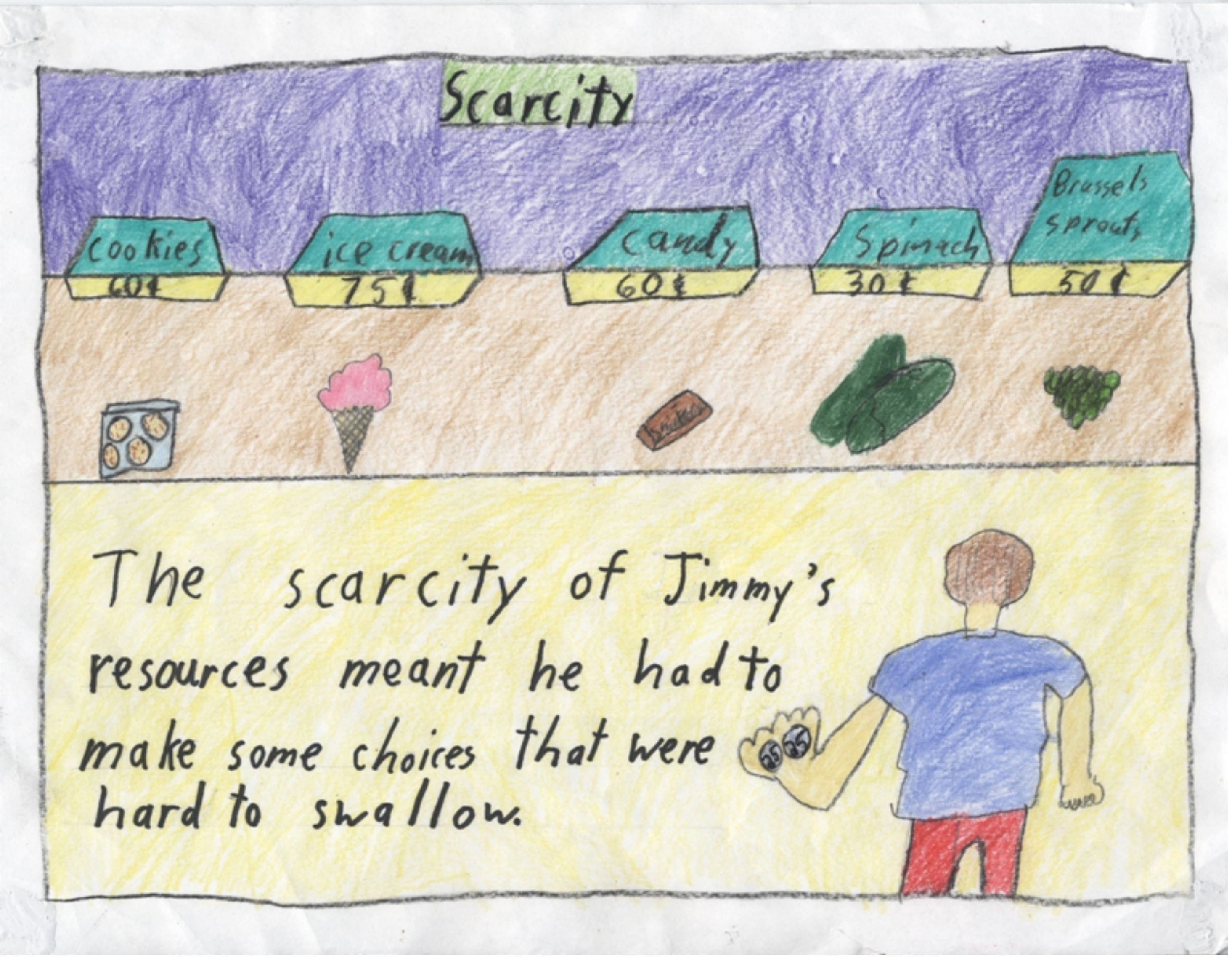
Geographers study where these factors of production are located.



Scarcity

Having a limited quantity of resources to meet what is wanted.

1. How might a situation involving scarcity and the I-Phone 7 develop?


Scarcity
cookies
60¢
ice cream
75¢
candy
60¢
Spinach
30¢
Brussels sprouts
50¢
The scarcity of Jimmy's resources meant he had to make some choices that were hard to swallow.

Opportunity Cost

People have limited money and time so much choose what they want the most by making an *opportunity cost.*

Opportunity cost is what you have to give up.

2. Noneconomic choices also have *opportunity cost*. What might be the *opportunity cost* of electing one candidate instead of another?

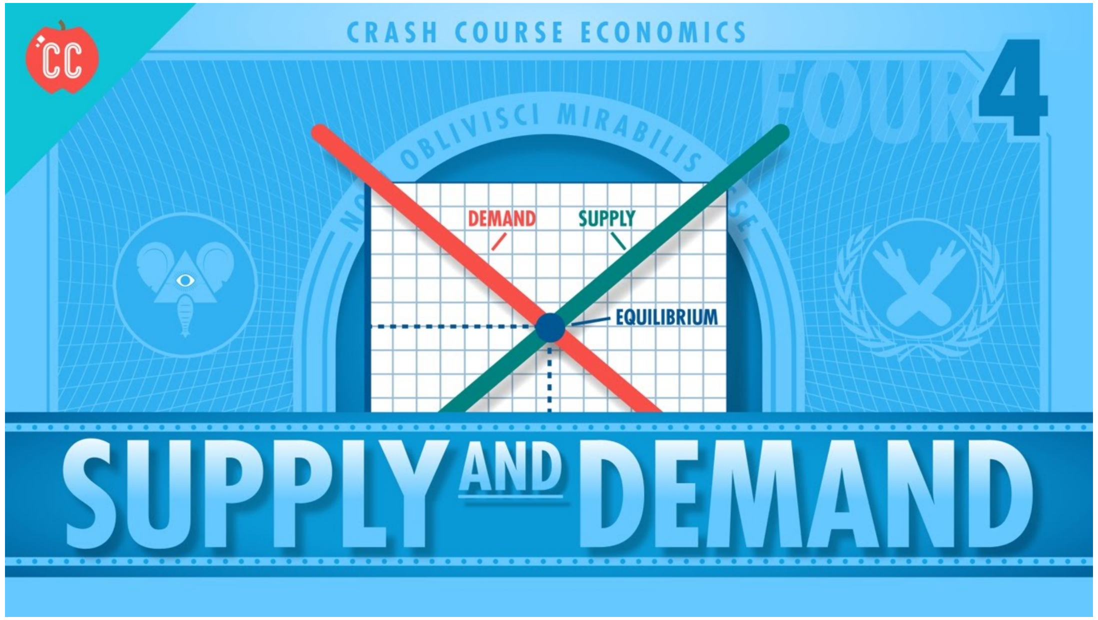
Supply and Demand

Demand: desire for a good or service.
Supply: amount of a good or service available for use.

Supply and demand are connected to *price.*

- The higher the price, the less demand, and visa versa.
- The higher the price, the more a company will supply.

Supply=Demand: **Market Price**



Economic choices have influenced world events such as exploration and colonization.

i.e. Demand for gold and oil

Making Goods and Services

Economies bring together producers and consumers.

Producer: People or businesses that make and sell products.
Consumer: People or businesses that buy or consume products.

Marginal Cost

Cost of making one more unit of the product.

Businesses will not make more products if the sale price is less than the marginal cost.

Economic Incentive:

Something that encourages people to act in a certain way
i.e. money

Money is an incentive for businesses to make and sell a product.
Saving money is an incentive for consumers to look for lower prices.

3. What risks might cause a business to decide to stop making a product?

4. Can you think of any disadvantages of incentives?

Output Activity: Opportunity Cost Illustration Page 54 of ISN

On page 54 of your ISN, create an illustration demonstrating the term “opportunity cost”.