


Essential Question:	What are the important broad economic concepts?
What Is Economics?	
If economics is allegedly about money, why is it taught as a social science? <hr/> <hr/>	
Define Needs <hr/> <hr/>	
<ul style="list-style-type: none"> • Examples: _____, _____, _____ 	
Define Wants <hr/> <hr/>	
List all the foods you can think of in the circle below. 	
What are Trade-Offs ? <hr/>	
When deciding which food to eat, all the different options are _____.	
It's All About the Choices	
What is Scarcity ? <hr/>	
Something is Scarce if it is _____ and _____.	
What are Opportunity Costs ? <hr/>	
Life is about choices and the choices we make impact us now and in the future.	
Basic Principles of Economic Reasoning	
1. People Choose (Everything has a cost)	
TINSTAAFL "There is no such thing as a free lunch."	
<ul style="list-style-type: none"> • Every action costs someone _____, _____, or _____ • Remember: <i>Opportunity Cost is the value of the next best choice you did not make.</i> • Not all costs are measured in _____ and _____. 	

2. People choose for good reasons.

People make decisions based on _____

While this may vary from person to person, it is usually _____

_____ involve weighing the benefits against the costs - “_____”

Production Possibilities Curves

3. Incentives matter.

When people make their _____ and weighing the benefits against the costs, they are comparing the _____ involved in making the decision

- When incentives change, _____
- Incentives can be _____, such as a reward or added benefit, or a _____ or additional cost

4. People create economic systems to influence choices and incentives.

Economic Systems are a means of a society answering the three basic economic questions:

1) _____

2) _____

3) _____

- Coordinating the needs of the people in a society takes the cooperation of many people involved
- There are _____, written and unwritten that guide people’s behavior by adding _____ to trade in certain ways

5. People gain from trade voluntarily.

- People will trade when they believe the trade will _____
- Like any Rational Choice, trade is another _____
- Economic Systems are about trade, and therefore about _____

6. People’s Choices Have Consequences for the Future.

Every decision has side effects both direct and indirect (these are called _____ or _____)

- These secondary effects, where predictable, are _____
- When these secondary effects are not predicted the will result in _____

In a Market economy, whenever any information is unknown or unavailable in the decision making process, it is considered a “_____.”

- A **Market Failure** occurs whenever any of the requirements for a competitive market (such as, adequate competition, knowledge of prices and opportunities) are _____.
- Because people behave _____, the institutions such as government and businesses will make choices expecting secondary effects that will _____
- In this way, creating these secondary effects amounts to changing the incentive as per rule #3

7. Economic thinking is marginal thinking.

Marginal is the economists' term for “_____”

- In economics, decisions are made “_____” - “How much benefit will I gain from one more of <the item I am considering>?”
- Remember, as long as Marginal Benefit \geq Marginal Cost ($MB \geq MC$), we _____

(See the example of Park Hopper passes to Disney World)

8. The value of a good or service is affected by people's choices.

Value is _____; it is determined by the preferences of the _____ and _____

- Keeping in mind rule #2, people seek to _____ while _____
- Therefore, the value of any given _____ is based on any individual person's evaluation of the _____
- This includes the decision to _____ AND the decision to _____

9. The test of a theory is its ability to predict.

Theories differ from laws in that theories have not been tested on every single possibility

- In economics, most of what is dealt with is theory since only MOST people behave in predictable ways
- Theories and models are the basis for _____ and is what makes economics _____

Summary