

<p>Essential Question:</p>	<p>What are the important broad economic concepts?</p>
<p>4. People create economic systems to influence choices and incentives.</p>	
	<p>Economic Systems are a means of a society answering the <u>three basic economic questions</u>:</p> <p>1) _____</p> <p>2) _____</p> <p>3) _____</p> <ul style="list-style-type: none"> • 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 <p>Command Economy</p> <ul style="list-style-type: none"> • The _____ answers the three basic economic questions for everybody. <p>Traditional Economy</p> <ul style="list-style-type: none"> • The three basic economic questions are answered _____. <p>Market Economy</p> <ul style="list-style-type: none"> • The _____ determines the answers to the three basic economic questions
<p>5. People gain from trade voluntarily.</p>	
	<ul style="list-style-type: none"> • People will trade when they believe the trade will _____ • Like any Rational Choice, trade is another _____ • Economic Systems are about trade, and therefore about _____
<p>6. People’s Choices Have Consequences for the Future.</p>	
	<p>Every decision has side effects both direct and indirect (these are called _____ or _____)</p> <ul style="list-style-type: none"> • These secondary effects, where predictable, are _____ • When these secondary effects are not predicted the will result in _____ <p>In a Market economy, whenever any information is unknown or unavailable in the decision making process, it is considered a “_____.”</p> <ul style="list-style-type: none"> • A Market Failure occurs whenever any of the requirements for a competitive market (such as, adequate competition, knowledge of prices and opportunities) are _____.
<p>What was one time when you made a choice and afterwards realized that there was an extra benefit you hadn’t thought of? If you knew about the extra benefit ahead of time, what would you have done differently?</p>	

What was one time when you made a choice and afterwards realized that there was an extra cost you hadn't thought of? If you knew about the extra cost ahead of time, what would you have done differently?

- 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