

Name: _____

Team: _____

Unit 1: Basic Economics Concepts

Key Terms (Define the following)

1. Scarcity
2. Positive vs. Normative Economics
3. Trade-offs
4. Opportunity Cost

3 Economic Systems

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

Production Possibilities Curve (Frontier)*

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

Hats

Calculate the Opportunity Cost:

A → B: _____

B → C: _____

E → D: _____

C → A: _____

Constant Opportunity Cost*

Why does this occur?

Draw the graph below

Bicycles

Tricycles

Increasing Opportunity Cost*

Why does this occur?

Draw the graph below

Bikes

iPhones

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Efficiency	Shifting the PPC
Difference between allocative and productive efficiency:	Identify the four shifters of the PPC 1. _____ 4. _____ 2. _____ 3. _____

Shifting and Changes Practice (draw 3 PPCs with pizza and cars)

Scenario: Better resources for both products	Scenario: Increase in consumer demand for pizza	Scenario: Improvements in technology for only cars
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Trade: Absolute and Comparative Advantage*

	Sugar (tons)	Cars
Cuba	40	10
Mexico	50	100

1. Which country has an absolute advantage in sugar?
2. Which country has an absolute advantage in cars?
3. What is Cuba's opportunity cost for producing one car?
4. Which country has a comparative advantage in cars?
5. Which country has a comparative advantage in sugar?
6. For both countries to benefit from trade, how much sugar can be traded for each car? 1 Car for _____ Sugar

Circular Flow Model*

Resource Market

Businesses

Government

Individuals

Product Market