Define economics: __________________________________________________________________________
_____________________________________________________________________________________

What are the four factors of production? Give an example of each: ____________________________
_____________________________________________________________________________________
_____________________________________________________________________________________
_____________________________________________________________________________________

What does the expression “There is no such thing as a free lunch” mean? ______________________
________________________________
_____________________________________________________________________________________

Draw the Circular-Flow Model:

How is marginal analysis important in making economic decisions? Explain using an example: _____________
_____________________________________________________________________________________
_____________________________________________________________________________________
_____________________________________________________________________________________

Define Microeconomics: ___________________________________________________________________

Define Macroeconomics: __________________________________________________________________
Define opportunity cost. What is your opportunity cost of working in this assignment? ___________________

______________________________________________________________________________________
______________________________________________________________________________________

What are sunk costs? Are they important? Give an example when you incurred sunk costs: ________________

________________________________________________________________________________________
________________________________________________________________________________________

Define the Law of Comparative Advantage: ______________________________________________________

________________________________________________________________________________________
________________________________________________________________________________________

Why does it make logical sense to engage in trade? _____________________________________________

________________________________________________________________________________________
________________________________________________________________________________________

Give an example of specialization and division of labor that increases total output. Explain. __________

________________________________________________________________________________________
________________________________________________________________________________________

What are the three questions every economic system must answer? ________________________________

________________________________________________________________________________________
________________________________________________________________________________________

Why does the PPF (Production Possibilities Frontier) have a bowed-out shape? _____________________

________________________________________________________________________________________
How is opportunity cost illustrated on the PPF?

Draw a PPF curve (without numbers) for an economy that produces iPods and apples. Label axes, a point that is inefficient, a point that is efficient, and a point that is unattainable.

Draw a PPF curve (without numbers) for an economy that produces iPods and apples. Label axes. Assume that a new irrigation system has been developed that increases the amount of apples harvested. Show this change on the diagram.

Draw a PPF curve (without numbers) for an economy that produces iPods and apples. Label axes. Assume the economy experiences an increase in immigrants and the new workers are equally capable working in apple orchards or assembly lines putting together iPods. Show this change on the diagram.

Draw a PPF curve (without numbers) for an economy that produces iPods and apples. Label axes. Assume the economy experiences a poor harvest decreasing the amount of apples harvested. Show this change on the diagram.
List the four economic decision makers: __________________________________________________________

________________________________________________________________________________________

What type of decisions to households make? _____________________________________________________

____________________________________________________________________________________

Define utility: ______________________________________________________________________________

What are the three categories of consumption? Give examples of each. ______________________________

________________________________________________________________________________________

________________________________________________________________________________________

Define firm: ________________________________________________________________________________

________________________________________________________________________________________

What are the three main types of firms? Define each type. __________________________________________

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________________________________________________________________________________________

________________________________________________________________________________________

What is the role of Government?   _____________________________________________________________

________________________________________________________________________________________

________________________________________________________________________________________

________________________________________________________________________________________

Why does international trade occur? _____________________________________________________________

________________________________________________________________________________________

________________________________________________________________________________________

________________________________________________________________________________________

What are exchange rates? ____________________________________________________________________
What is the Law of Demand? _________________________________________________________________

____________________________________________

____________________________________________

What are the five non-price demand shifters? __________________________________________________
_________________________________________________________________________________________

What is the Law of Supply? _________________________________________________________________
_________________________________________________________________________________________

What are the four non-price supply shifters? _____________________________________________________
_________________________________________________________________________________________

What is equilibrium? ________________________________________________________________________

What is a shortage? _______________________________________

What is a surplus? __________________________________________________________________________

Draw a demand curve and illustrate a change in quantity demanded. Be sure to label axes and curve.

Draw a demand curve (label it D₁). Illustrate a decrease in demand (label it D₂) AND illustrate an increase in demand (label it D₃). Be sure to label axes.
Draw a supply curve and illustrate a change in quantity supplied. Be sure to label axes and curve.

Draw a supply curve (label it $S_1$). Illustrate a decrease in supply (label it $S_2$) AND illustrate an increase in supply (label it $S_3$). Be sure to label axes.

Draw demand and supply equilibrium. Be sure to label axes and curves.

Draw a shortage. Be sure to label axes and curves: Draw a surplus. Be sure to label axes and curves: