Unit 1: Fundamental Economic Concepts

Topics of Study

- I. What is Economics? (Chapter 1)
- II. Economic Systems and Decision Making (Chapter 2)
- III. Business Organizations (Chapter 3)



ID's

Economics Scarcity Opportunity Costs

Resources Wants Needs

Entrepreneurship Division of Labor Productivity

Capital Land Labor

GoodServiceEconomic ModelUtilityFactor MarketProduct MarketEconomic GrowthTrade offIdle resources

Specialization Division of Labor Economic Interdependence

Capitalism Free Enterprise Freedom of Choice Private Property Mixed economy Market Economy Socialism Invisible Hand Wealth of Nations

Profit Economic Efficiency Equity
Security Economic Growth Stability
Economic Freedom Standard of Living Laissez Faire

Voluntary ExchangeConsumer SovereigntySole ProprietorshipPartnershipCorporationCommon StockPreferred StockHorizontal MergerVertical Merger

Conglomerate Multinational Dividend

Essential Questions

- 1. What is the fundamental economic problem? Because of this problem what 3 basic questions must each society ask?
- 2. What are the 4 factors of production?
- 3. How do wants differ from needs? What are the 3 fundamental needs?
- 4. What is the paradox of value? How do water and diamonds illustrate this paradox?
- 5. What does the circular flow of economic activity illustrate?
- 6. How are opportunity costs and trade-offs illustrated in the production possibilities curve (frontier)?
- 7. What are the advantages and disadvantages of traditional, market and command economies?
- 8. What were the general philosophies of Adam Smith, Karl Mark and John Maynard Keynes?
- 9. What are the 7 economic and social goals? What are some government policies that promote these goals? Which goals conflict each other?
- 10. What are the characteristics of free enterprise capitalism? What is the role of the consumer, entrepreneur and government?
- 11. What are the 3 basic forms of business organization? What are the advantages and disadvantages of each?