

Economics Chapter 1 Study Guide

Vocab—be able to define and distinguish between these terms:

Need
Want
Economics
Goods
Services
Scarcity
Shortage
Factors of Production: Land, Labor, and Capital
Physical capital
Human capital
Entrepreneurs
Trade-offs
“Guns or Butter”
Opportunity cost
“Thinking at the margin”
Efficiency
Underutilization
Cost
Law of Increasing Costs

Tasks that you should know how to perform:

Understand and interpret a production possibilities curve

Make and defend a decision based on the concept of trade-offs, opportunity cost, and thinking at the margins

Explain how a production possibilities curve can be used to identify and discuss efficiency, growth, and cost

Explain trade-offs using the law of increasing costs