Taylor Economics 1

1. What is economics?
2. Explain scarcity.
3. Give an example of a situation where a person or business firm faces scarcity.
4. What does scarcity force people or firms to do?
5. Give an example of economic interaction not listed in the textbook.
6. What is a market in economics?
7. What does it mean if a person or firm has a budget constraint?
8. How does this reinforce the idea of scarcity?
9. Define opportunity cost.
10. Give an example of opportunity cost that you have recently experienced.
11. What is the opportunity cost of studying for your economics test if you give up texting a friend, eating chocolate cake, playing basketball and seeing a movie, if your favorite thing in the world is consuming calories?
12. What is a "gain from trade?"
13. What does it mean to reallocate something?
14. Why do Marie and Adam make the trade?
15. What does "mutually advantageous" mean?
16. What is voluntary exchange?
17. What conditions are necessary for trade to take place?
18. What is Emily's opportunity cost of printing a greeting card?
19. Describe the word market as it relates to Emily and Johann.
20. Assuming a 50-50 split, what would Johann's gain be from exchanging services with Emily?
21. Define specialization.
22. How does specialization relate to division of labor?
23. What is comparative advantage?
24. Describe a situation where a country would have a comparative advantage over another country?
25. How can both countries improve their overall standing if both countries want as much as they can get of each product?
26. Define production possibilities.
27. How many movies can be made in Table 1.1 if 13,000 computers are produced?
28. What is the opportunity cost of increasing movie output from 300 to 400 computers?
29. What is the opportunity cost of reallocating resources so that we produce 24,000 computers instead of 18,000?
30. In a Production Possibilities Curve (PPC) why are points inside the curve inefficient?
31. In Figure 1.2 how much production does Point D represent?
32. What is a PPC?
33. Why is Point J unachievable?
34. What has to happen for Point J to be reached?
35. Compare and contrast an inefficient allocation of resources and efficient allocation of resources as shown by the PPC.
36. What could cause a PPC to shift outward?
37. Draw a new PPC that reflects a contraction in output capability. Be sure to label the original and new PPCs appropriately.
38. What does an outward shifting PPC indicate about the economy?
39. What are the three basic economic questions?
40. What is a market economy?
41. What is a command economy?
42. How are the two different in the decision making process?
43. How are both similarly situated as it relates to the central dilemma of economics?
44. Why have command economies not worked very well?
45. What is the term used to describe China's hybrid between a command and a market economy?
46. Unlike a command economy, what determines prices in a market economy?
47. How does the answer in 46 reinforce the idea of voluntary exchange?
48. Why are property rights central to a market economy?
49. How do incentives result in higher economic output?
50. Describe market failure through the use of a PPC.
51. What is government failure?
52. What is a transaction cost?
53. Give an example of a market transaction taking place within a firm that leads to a lower transaction cost that isn't already in the book.
54. What does it mean when prices are described as a signal?
55. What would a falling price indicate to producers?
56. How does a rising price provide an incentive to producers?
57. Explain how prices help redistribute income.