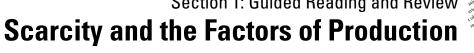
## Section 1: Guided Reading and Review





#### A. As You Read

As you read Section 1, supply in the space provided an explanation an economist might give showing why each statement is true.

Statement	Explanation
1. People must make choices to satisfy their needs and wants.	s 1.
2. Scarcity always exists.	2
<b>3.</b> Physical capital is an important factor of production.	
4. All goods and services are scarce.	3
5. Entrepreneurs are important to the production of goods and services.	4
	5
<ul><li>B. Reviewing Key Terms</li><li>Complete each sentence by writing the correct ter</li><li>6. A CD player is a rath survival.</li></ul>	
7. The study of how people seek to meet their n	needs and wants by making choices is
8. Persons who perform such actions as cutting	hair or teaching school are providing
9. When producers will not or cannot offer goo occurs.	ods and services at current prices, a
10. Land, labor, and capital make up the	
11. When people make resources for producing o	other goods and services they are creating
12. The term refers to was used to produce goods and services.	ater, forests, and all other natural resources
13. The two categories of capital are physical and	d
14. Factories, machinery, and pencils are all examples ar	mples of capital.
15. Leaders who take risks to develop original id	leas and start new industries are called



#### Section 2: Guided Reading and Review

# **Opportunity Cost**

#### A. As You Read

As you read Section 2, fill in two supporting facts or details under each main idea by answering

each question. Main Idea: Trade-offs are alternatives that people give up when they choose one course of action over another. 1. Who makes trade-offs? \_\_\_\_\_ 2. Why do decisions involve trade-offs? \_\_\_\_\_ Main Idea: Opportunity cost is the most desirable alternative given up as the result of a decision. 3. How does opportunity cost vary? 4. Why does opportunity cost vary? Main Idea: Deciding whether to do or use one more or one less unit of some resource is thinking at the margin. 5. What does thinking at the margin help with? 6. What does thinking at the margin help compare? \_\_\_\_\_ **B. Reviewing Key Terms** Answer each of the following questions. 7. In what way are trade-offs and opportunity costs alike? 8. How does an opportunity cost differ from a trade-off? 9. What are "guns or butter" decisions?

10. How does thinking at the margin change the decision-making process?

# Section 3: Guided Reading and Review **Production Possibilities Curves**

#### A. As You Read

As you read Section 3, complete the chart by indicating where on a production possibilities curve the following information is shown.

### **Reading a Production Possibilities Curve**

Categories or specific goods or services to be compared
2. Range of choices in the combination of goods or services produced
3. Production possibilities frontier
4. An economy working at its most efficient production levels
5. An economy working below its most efficient production levels
6. Future production possibilities frontier if more land, labor, or capital resources become available
B. Reviewing Key Terms Define the following terms.
7. production possibilities curve
8. production possibilities frontier
9. efficiency
10. underutilization
11. cost

12. law of increasing costs \_