



Chapter Summary

You and other consumers carry out economic activities every day. These activities range from spending money to participating in the economic life of your community and government.

Needs and wants are unlimited, while the resources used to satisfy them are limited or scarce. Economists have defined four types of economic systems. Most economies, including that of the U.S., are mixed.

People, families, and governments make choices involving trade-offs and opportunity costs. These two concepts refer to what you give up when you choose one item over another.

In the economy of the U.S., the laws of supply and demand serve to answer the problem of scarcity. In the act of balancing supply and demand, the system determines what to produce, how, and for whom. Consumers play an important role in creating demand. Producers strive to meet demand and earn a profit doing it. The competition for profits in this system leads to the development of new and improved products.

Review

1. What are the four types of economic systems?
2. Why is the economic system of the U.S. a mixed economy?
3. Describe the concept of scarcity and how it applies to individuals, families, and government.
4. Why are human needs and wants unlimited?
5. What is the difference between human resources and nonhuman resources?
6. What three challenges caused by scarcity must all societies face?
7. What are the four basic concepts that drive the economy of the U.S.?
8. Why is innovation important in encouraging competition?
9. What is the relationship of trade-offs and opportunity cost?
10. Why would the U.S. economy falter if there was no opportunity to make a profit?
11. How do the laws of supply and demand relate to the prices of goods and services in the marketplace?

Critical Thinking

12. What can you gain by learning more about the economic system?
13. How do you and your family decide what needs and wants to satisfy? What trade-offs have you made in the marketplace? What were the opportunity costs of your trade-offs?
14. Suppose you started a service business such as babysitting or dog walking. Describe how you would assess the demand for your service.

15. Demonstrate the concept of scarcity in your own life. Make a list of items you want and need over the next five years of your life. What resources will you use to get what you want and need? Will you be able to satisfy all your wants? What compromises or trade-offs will you have to make? What will be some of the opportunity costs of your choices?
16. Interpret the following quote: "One person's wage increase is another person's price increase."

Academic Connections

17. **Social studies.** Invite an economist or another qualified authority to speak on the role of profits and competition in the U.S. economy.
18. **Reading, research.** Create a bulletin board of newspaper and magazine articles and advertisements illustrating different economic concepts in action.
19. **Research, writing, social studies.** Research a country that has a command economy to discover how industries develop and grow. Write a report of your findings.
20. **Writing.** Search the Internet for information on entrepreneurship at sites such as the U.S. Small Business Administration Teen Business Link (www.sba.gov/teens), National Foundation for Teaching Entrepreneurship (www.nfte.com), or Junior Achievement (<http://studentcenter.ja.org>). Gather information and write a "Do's and Don'ts" manual for a startup business.

MATH CHALLENGE

21. Justin graduates from high school in one month. He already has an offer for a full-time job that would pay \$25,000 a year. He is also considering going to college for the next four years. Tuition is \$8,000 a year. Room and board is \$10,000 annually. If he works, he will not be able to make more than \$3,000 a year doing part-time and summer work.
- A. What is the opportunity cost of attending college?
- B. What is the total cost of college?
- C. How many years would it take for college graduate Justin to catch up with the earnings of high school graduate Justin? On average, college graduates earn double what high school graduates earn.

Tech Smart

22. Use the Internet to research the economic system of each of the following countries. Write a report, including footnotes to the bibliography of your sources.
- China
 - Cuba
 - Brazil
 - Congo