

# Final Study Guide

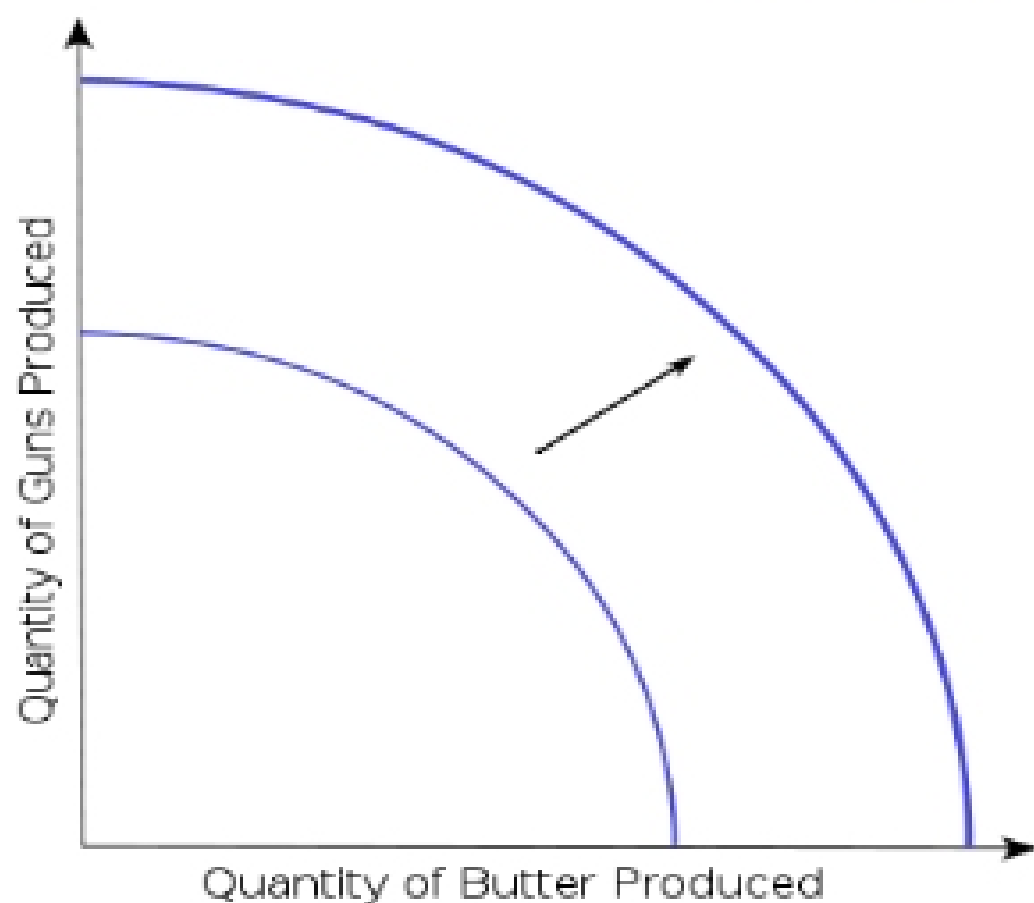
## Chapter 1 Definitions

1. Tradeoffs- producing one good causes you to produce less of the other
2. Opportunity Cost- the high valued alternative given up to make something
3. Centrally planned economy- government decides how resources are allocated
4. Market economy- decisions about the resources are made from the interaction of households and markets
5. Mixed economy- buyers and sells in markets make decision with government playing significant role
6. Productivity efficiency- a situation in which a good is produced at lowest cost
7. Allocative efficiency- marginal benefit and cost are equal in society
8. Equity- the fair distributions of economic benefits

## Chapter 2 Definitions

1. Scarcity- unlimited wants exceed the limited resources available to fulfill those wants
2. PPF- shows the maximum attainable combinations of two products

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3. Absolute advantage- the ability to produce more using the same resources
4. Comparative advantage- ability to produce more at a lower opportunity cost than competitors
5. Factors Of Production - land, labor, capital, entrepreneurship
6. Property rights- the rights to the exclusive use of property including the right to buy or sell it

### Chapter 3

1. Quantity demanded- amount of good wanted at a certain price
2. Demand curve- relationship between price of a product and the quantity demanded
3. Law of demand- price goes down demand goes up
4. Shifts in Demand
  - a. Income

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- b. Prices of related goods (substitution effect)
  - c. Tastes
  - d. Population
  - e. Expected future prices
5. Quantity supplied- the amount of a good a firm will produce at a particular price
  6. Supply curve- a curve that shows relationship between the price and quantity supplied
  7. Law of supply- increases in price causes increases in quantity supplied
  8. Shifts in supply
    - a. Price of inputs
    - b. Technological change
    - c. Number of firms in the market

### Chapter 4

1. Price ceiling- a legally determined maximum price that sellers may charge
2. Price floor- a legally determined minimum price that sellers receive