**Economics**

**Unit 1-Fundamental Concepts Test Review - Key**

1. What are the payments for Land? **Rent**
2. What are the payments for Labor? **Wages**
3. What are the payments for Capital? **Interest**
4. What are the payments for Entrepreneurialism? **Profit**
5. What is a Command Economy? (know benefits) **A central authority/government makes most of the what, how, and for whom decisions.**
6. What is a Market Economy? (know benefits) **People and firms acting in their own best interests answer the what, how, and for whom questions.**
7. What is a Mixed Economy? (know benefits) **This is an economy where people carry on their economic affairs freely, but with some government intervention and regulation.**
8. What does a point on the Production Possibilities Frontier Curve represent? **Are efficient & possible**
9. What does a point inside the PPF curve represent? **Possible but Inefficient**
10. What does a point outside the PPF curve represent? **Impossible, due to not enough resources**
11. What is the incentive for an entrepreneur? **Profit**
12. What is an example for each of the four factors of production - land, labor, capital and entrepreneur? **Land – sun, wind, animals, plants; Labor – teacher, police officers, dentist; Capital – Tools, oven, bull dozer, cash register; Entrepreneur – Bill Gates, Walt Disney, Jay-Z, Oprah Winfrey**
13. Using your resources so benefits exceed costs is a rational or irrational benefit? **Rational**
14. What is opportunity cost? (be able to read it on a graph) – **What you gave up in making your decision.**
15. What is human capital? **The knowledge, skill and abilities or workers**
16. What is the definition of economics? **The study of scarcity (unlimited wants & needs and limited resources)**
17. What is the fundamental problem with economics? **Scarcity**
18. What is Division of Labor? **When work is divided into smaller jobs**
19. What is specialization? **When workers become efficient or experts in a particular job/task**
20. Why does the government issue patents? **To protect peoples intellectual property**
21. What are the 3 basic economic questions? **What to produce, How to produce & Who to produce for**
22. What is productivity? **A measure of output produced by a given amount of inputs in a given period of time (The ability to produce a significant in a given time)**
23. What is the Gross Domestic Product? **The dollar value of all final goods and services produced within a nation’s borders in 1 year. It helps determines the strength or weakness of an economy.**
24. What is inflation? **An l increase in prices and fall in the purchasing value of money.**
25. What is voluntary exchange? **Buyers and sellers freely and willingly engage in market transactions and both parties expect to benefit from the transaction.**
26. What is economic security? **Protection against unforeseen events such as layoffs, illness or injury.**
27. What is economic equity? **Stresses justice, impartiality, and fairness (equal pay for equal work)**
28. What is economic growth? (Be able to show it on a graph) **An increase in the amount of goods and services produced over a period of time.**
29. What is a decision making grid? **A tool used to evaluate various alternatives.**
30. What is economic interdependence? **When decisions of one entity affect decisions made by another entity**
31. What are the roles of the government? **Protector, provider, regulator, promoter**
32. What is competition and why is it important? **The struggle among firms to attract consumers while lowering costs. Competition is important to a market economy because consumers get lower prices and better quality products.**
33. What is the idea that nothing in life is really free? **Everything has a cost**