

Ch 2 Scarcity and the World of Trade-offs

1. How is the economic concept of scarcity different from a shortage?
2. List the factors of production listed in your text.
3. What is the distinction that your book makes between labor and human capital?
4. Your text says that entrepreneurship is actually a subdivision of which factor of production?
5. What distinction does your text make between goods and economic goods?
6. What are services?
7. What is the key distinction that economists make between wants and needs?
8. What is a synonym for opportunity cost?
9. What is a production possibilities curve (PPC)?
10. According to your text, why would a PPC curve be a straight line in the example of studying for two subjects, but be curved in the societal tradeoff between M-16 Rifles and CD ROM players?
11. What are the four assumptions of a PPC?

12. How does your text define technology?
13. What occurs when a point on falls beneath the PPC? Why might cause this?
14. What occurs when a point is beyond the PPC?
15. How is efficiency defined?
16. What is the law of increasing relative costs?
17. What generalization can you make about PPC curves that are more bowed?
18. What causes the PPC to move to the right (or out) from an original PPC curve?
19. How can a society assure more consumer goods in the future?
20. What is specialization, and what impact does it have on productivity?
21. How is absolute advantage defined?
22. How is comparative advantage defined?
23. Who first wrote about the importance of the division of labor? What example did he give?
24. What is the implication of comparative advantage when it comes to trade between nations?