

Economic Decision Making

Why can't you always get what you want?

Speaking of Economics

As you complete the Reading Notes, use these terms in your answers:

- | | |
|-----------------------|--------------------------|
| goods | productivity |
| services | opportunity cost |
| factors of production | production possibilities |
| entrepreneurship | frontier (PPF) |
| capital | |

PREVIEW

It is Friday night. Your only chunk of free time all weekend is tonight from 6:00 to 11:00. Before deciding how you will spend this time, consider these factors:

- You have \$40 to spend.
- You have an economics test on Monday.
- This is the last football game of the season.
- It is your mother's birthday.
- Someone you like has asked you out on a date.
- Your favorite band is in town tonight.

Fill in a table like the one below showing how you plan to spend your time. Create your own activities or choose from the list of possible activities. If you choose an activity from the list, use the given time and price.

Time	Activity	Price
6 P.M.		
7 P.M.		
8 P.M.		
9 P.M.		
10 P.M.		

Possible Activities

- Football game:* 3 hours, \$5
- Dinner:* 2 hours, \$20
- Movie:* 2 hours, \$10
- Rock concert:* 4 hours, \$40
- Study for test:* variable time, \$0
- Hang out at friend's house:* variable time, \$0
- Work at job:* variable time, earn \$10 per hour
- Family time:* variable time, \$0

Now answer these questions.

1. What decisions did you have to make in this exercise?
2. What constraints did you face when making these decisions?
3. For each decision you made about how to spend your time, what did you have to give up?

READING NOTES

Section 2

1. A pictoword is a symbolic representation of a word that shows its meaning. Write a definition and create a pictoword for each of these terms: *wants*, *goods*, *services*, *scarcity*, *shortage*. Two examples are given.



- Why is what we want scarce?
- List three goods that you see in your classroom and two services that exist in your school. Explain why these goods and services are scarce.

Section 3

- Write a definition and create a pictoword for each of these terms: *land resources, labor resources, human capital, capital resources, entrepreneurship*.
- Gary Becker, winner of the Nobel Prize, says that “human capital is by far the most important form of capital in creating wealth and growth.” Why does he say this?
- What are three roles that entrepreneurs perform in the production process?
- Create a flowchart, with simple illustrations, highlighting some of the factors of production that go into creating a good such as a pencil or a car.

Section 4

- Write a definition and create a pictoword for each of these terms: *utility, opportunity cost, diminishing marginal utility*.
- Identify one decision that you made in the Preview (for example, to attend the football game). List all the tradeoffs of that decision. In your list, circle your opportunity cost of that decision. Then explain why this is your opportunity cost.
- Using the decision matrix in Section 4, make a decision about where you would buy the video game. List the tradeoffs of that decision, as well as the opportunity cost.
- Describe or draw an example of a time in your life when you encountered diminishing marginal utility.

Section 5

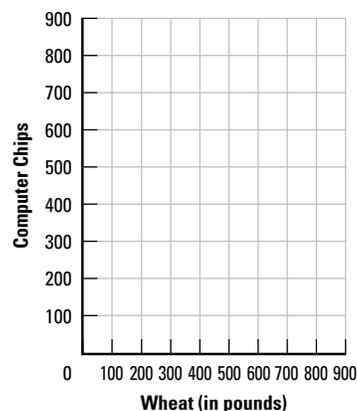
- Why do economists use the production possibilities frontier (PPF)?

- Copy the table of data and PPF below. Plot Points A to E on your graph and connect them.

Wheat vs. Computer Chip Production

Point	Wheat (pounds)	Chips
A	0	800
B	300	750
C	500	700
D	700	500
E	800	0

Wheat and Computer Chips PPF



- Answer these questions.
 - What is the opportunity cost of increasing wheat production by 200 pounds by moving production from Point B to Point C?
 - What is the opportunity cost of increasing wheat production by 200 pounds by moving production from Point C to Point D?
 - Why might the opportunity cost vary so greatly?
 - Plot Point F at 800 pounds of wheat and 800 computer chips. How could this economy move production to Point F?

PROCESSING

Find a photograph of yourself that also shows examples of goods and services and factors of production. Tape it into your notebook.

- Identify three to five *goods or services* in the photograph. Draw a line from each one to a caption that tells why it is a good or a service.
- Identify two or three *factors of production* in the photograph. Draw a line from each one to a caption that tells how it is an example of land, labor, or capital.
- Finally, describe where you are and why you are there. Then identify your opportunity cost for being there.