

Name: _____

Unit: _____ Introduction to Economics _____

Lesson: _____ 1. What is Economics _____

Vocabulary Terms

Wants- what people would like to have (desires)

Resource- a thing that can be used to make something else

Scarcity- not having enough resources to satisfy everyone's needs and wants

Economic System- a country's way of producing the things that people need or want

Traditional Economy- decisions made based upon custom and habit (tradition)

Market Economy- individuals and businesses control the resources and make decisions

Command Economy- the government controls the resources and makes decisions

Guiding Questions

What is the basic economic problem faced by everyone?

Notes

Everyone **wants** certain things: to make more money, to eat a nice meal, to buy a new set of clothes, to see the next Star Wars, etc.

Different types of **resources** are used to provide those things to people: Trees provide wood for furniture, people provide labor (work) to run the restaurant, tools and machines build things.

Unfortunately, there are not enough resources to satisfy everyone's wants. This creates a problem that everyone (individuals, companies, and governments) must deal with called **scarcity**.

We are all forced to make economic decisions because of this.

Guiding Questions

What determines how countries make economic choices?

Notes

All countries have to answer three basic economic questions:

What goods and services will be produced (made)?

How will they be produced?

Who will consume (have access to or buy) them?

To answer these questions, countries set up economic systems

There are three types of economic systems to know:

traditional economy, market economy, and command economy

Examples:

Traditional economy: In the mountains of Eastern Kentucky, there are not a lot of jobs available. Many boys work in the coal mines, like their fathers did and their grandfathers before them.

Market economy: Think of this like democracy, everyone has choices and the opportunity to decide. Where you want to work, where you want to shop, what you want to buy, etc.

Command economy: The government decides what the minimum wage should be for employees. It is illegal for companies to pay you below this amount.

The USA has a combination (or mix) of all of these three economic systems so we call ours a **mixed market economy**.

Section Summary – in your own words and using complete sentences
