**ECONOMICS REVIEW**

1. It is the realization that **resources are limited** but our **wants are unlimited**.
2. We always **want more than we have**.
3. It is the reason that Economics exist. Ultimately, **Economics** is the study of **how people satisfy their needs and wants by making choices**.

1)

**Scarcity**

**&**

**Basic Economic Assumptions**

2)

**The Factors of Production**

1. **Land**, **labor**, and **capital** are the factors or production.

In order **to make a good or service**, it is necessary to have the factors of production.

* 1. **Land** refers to **natural resources**.
  2. **Labor** refers to **paid workers**.
  3. **Capital** is **any human-made resource** that is used **to create other goods and services**. Capital can be **physical** or **human**.

3)

1. A traditional economy relies on **habit, custom, or ritual** to decide what to produce, how to produce, and for whom to produce.
2. In a traditional economy, **sons learn the same jobs as their fathers**.
3. Traditional economies **do not encourage innovation or change**.
4. Modern economies are not traditional economies.

### A Traditional Economy

4)

**A Free Market Economy**

1. In a Free Market Economy, economic decisions are made by individuals. **Individuals are free to buy and sell**.
2. The **government does not regulate or intervene in the market**. This concept is best summarized by the French term **“Laissez-faire”** or **“Let them do as they please”**.
3. In a centrally planned economy, the **government answers the three key economic questions**.
4. A centrally planned economy is found in **Communist** societies.
5. **Government officials decide what to produce, how to produce, and for whom to produce.**

### COMMAND

### (Centrally Planned) Economy

5)

1. **LABOR FORCE:** All people 16 years old and older who are working or looking for
2. **LABOR UNION:** An organization of workers that tries to improve working conditions, wages, and benefits.
3. Labor unions can organize **strikes or organized work stoppages to pressure employers or labor unions can negotiate for improved conditions**.

6)

**Labor Force &**

**Labor Union**

7)

**Collective Bargaining**

1- It is the **process whereby union and company representatives meet to negotiate a new labor contract**.

1. A **bank** is an institution for **receiving, keeping, and lending money**.
2. In American history, **Federalists** wanted a **centralized banking system** to ensure stability in banking. Antifederalists wanted a **decentralized banking system**.
3. Eventually, **a centralized banking system was established**.
4. A **central bank can lend to other banks in time of need**.

8)

### Bank

1. The Federal Reserve System is the **nation’s central banking system**.
2. Uses **MONETARY policy to stimulate or expand** the economy.
3. It has the **power to lend to other banks in times of need**.
4. The Federal Reserve System is frequently referred to as the **“Fed”**.
5. It has the power to **raise the prime rate or the interest rate**.

**Federal Reserve System**

9)

1. **Bankruptcy:** To **default** on a loan means that an **individual has failed to pay back a loan**. This leads to a **bad credit report**. A **mortgage** is a **loan on real estate**.
2. **Interest** is the **price paid for the use of borrowed money**.
3. **Principal** is the **amount of money a person borrows**. It is important to remember that **a loan consists of principal and interest**.
4. **PROGRESSIVE TAX**: Tax where **lower income pays less % in taxes than rich. Based on person’s ABILITY to pay.**

10)

**Additional Banking Terms**

11)

1. Bonds are **certificates issued by a company or government to finance projects or expansion**.
2. Basically, **bonds are loans** that represent debt that the government or corporation must repay an investor.
3. When an investor buys a bond, he is loaning money **to a corporation or the government**.

4. Junk bonds are **issued by failing companies**. **If a failing company turns around, the investor profits greatly. If not, the investor loses his investment**.

**Bonds**

1. A corporation is a **legal entity owned by individual stockholders**.
2. **Publicly held corporations** **sell** their **stocks on open markets**. This is a way to **raise needed capital** for corporations.

12)

**Corporation**

1. A monopoly is **a market dominated by a single seller.**
2. **Most monopolistic practices are illegal** in the United States.
3. However, **natural monopolies are permitted**. A **natural monopoly is a monopoly that runs most efficiently when one firm supplies all of the output. ELECTRICITY is an example**.

13)

**Monopoly**

1. Monopolistic competition is a market structure in which **many companies** sell products that are **similar but not identical.**
2. **Products** are **slightly different**. Ice cream is an example. Turkey Hill Ice Cream is slightly different from Ben and Jerry’s Ice Cream.
3. Firms enjoy **a slight control over price**.

### Monopolistic Competition

14)

1. An oligopoly is **a market structure in which a few large firms dominate a market**.
2. Economists usually call an industry an oligopoly if the **four largest firms produce at least 70 to 80 percent of the output**.

15)

### Oligopoly

16)

**Perfect Competition**

1. Perfect competition is **a market structure in which a large number of firms all produce the same product.**
2. **Demand:** is the amount of a good that buyers are willing and able to purchase.
3. **The law of demand** is quantity demanded decreases as price increases.
4. **Consumers buy more at lower prices**.
5. **Consumers buy less at higher prices**.

17)

### Law of Demand

1. **SUPPLY:** The amount of a good that sellers are willing and able to sell
2. The law of supply **is the tendency of suppliers to offer more of a good at higher prices**.
3. Conversely, **suppliers will offer less of a good at lower prices**.
4. A **supply schedule is a chart that lists how much of a good or service a supplier will offer at different prices**.
5. A **supply curve is a graph of the quantity supplied of a good at different prices**.

### The Law of Supply

18)

19)

1. The **Gross Domestic Product** or **GDP** is the **dollar value of all final goods and services produced within a country’s borders in a given year**.
2. **SURPLUS**: Condition that occurs when government revenues are greater than government expenditures.

**Gross Domestic Product**

**&**

**Surplus**

1. NORTH AMERICAN FREE TRADE AGREEMENT

2. Created to make trade between member nations easier

3. Lifts trade restrictions between member nations

### NAFTA

21)