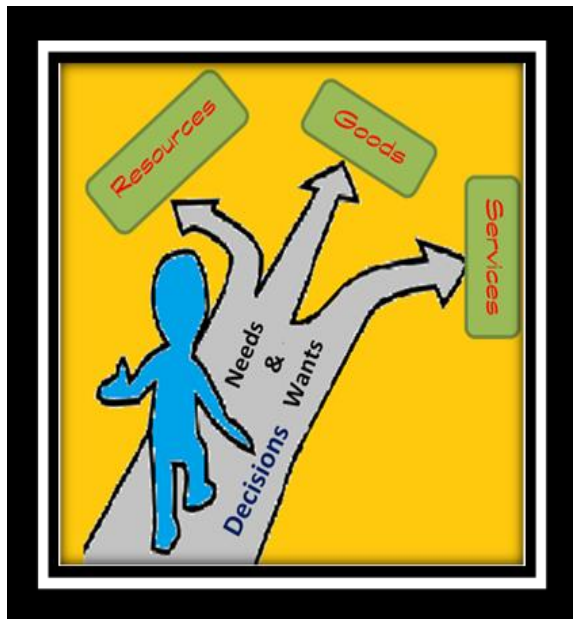


Why Study Economics? Needs vs Wants



We all want to make wise choices in life. The older you become the more important choices you will have to make. Many of these choices will deal with economics. Economics is all about making choices. It is the study of how people, which includes countries and companies, make choices on buying, selling, using, and distributing things.



Economic decisions begin with fulfilling our basic **needs** and **wants**. People need and want goods or services. When we **need** something, it means that it is necessary to have it in order to remain alive. To survive, we need water, food, clothing, and a place to live. **Wants** are things that we would like have. A new cell phone, a vacation, or the latest video game are a few examples of wants people may have.

The things that people need and want are classified into goods or services. A **service** refers to work done for other people. A doctor, a house painter, and a lawyer are people that provide a service. **Goods** are things

that are produced or manufactured, which means man-made. A car, a video game, cheese, and a donut are all considered goods. Goods are made with and from resources. A **resource** is anything that it used to make a good or service.

The better we understand how and why people make choices with the use of resources, goods, and services, the better we will understand the world around use. This valuable knowledge will enable you to make wiser economic decisions throughout your life.

Answer each question with a complete sentence on a separate piece of paper.

1. What is economics?
2. When we talk about people making economic decisions, whom else does this include?
3. What does economics decisions begin with?
4. What is a need?
5. What is a want?
6. The things people want and need are classified in what two area?
7. What is a service?
8. What is a good?
9. What is a resource?
10. Why is it important to study economics?

Name _____

Per. _____ Date: _____

Comprehension Challenge
Why Study Economics?
Needs vs Wants

Select the best answer for each.

1. Economics is all about

- a. making money
- b. making decisions
- c. government controlling resources
- d. None of the Above

2. The knowledge gained for studying economics will enable you to

- a. Achieve all of your goals in life
- b. become rich
- c. make wiser economic decisions throughout your life
- d. None of the Above

3. The things that people need and want are classified into

- a. Goods and services
- b. Wealth and Services
- c. Services and choices
- d. All of the Above

4. What is a need?

- a. anything that it used to make a good or service.
- b. things that are made.
- c. things we need to survive.
- d. None of the Above

Select the correct term for 5-8.

Services Goods	Resource Wants
---------------------------	---------------------------

5. _____ things that are made.
6. _____ is anything that it used to make a good or service.
7. _____ work performed for another person.
8. _____ things people may desire to have but are not necessary for survival.

9. List four examples of needs and wants below.

Needs	Wants
1.	1.
2.	2.
3.	3.
4.	4.

10. List four examples of goods and services.

Goods	Services
1.	1.
2.	2.
3.	3.
4.	4.

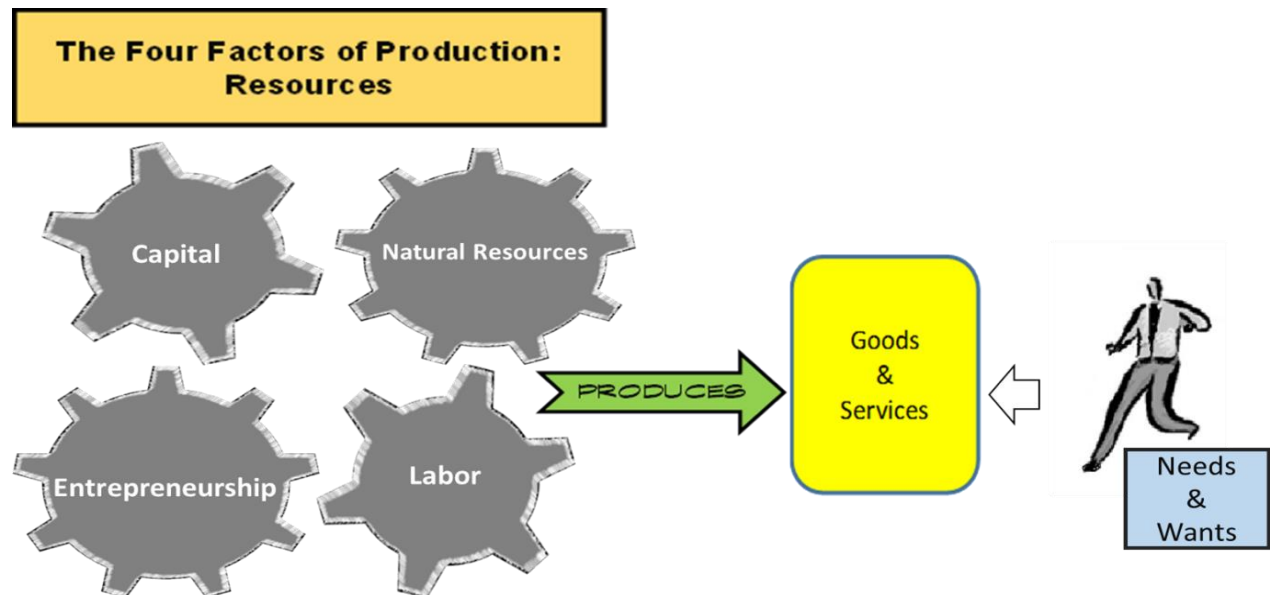
Fill in the blank with what you believe would be the correct words.

11. Economics is the _____ of how people, which includes countries and companies, make _____ on buying, selling, using, and distributing things.

The Four Factors of Productions

Goods and Services

There is no shortage of goods and services available in the U.S. What is the formula that leads to the creation of all of these goods and services? The creation of all goods and services are made from different resources. We call these resources that are used to make goods and services, factors of production. It takes four factors to produce a good or service. The four factors of production are natural resources, labor, capital, and entrepreneurship.



The first factor that is needed to produce a good or service is natural resources. Natural resources are things found on Earth. They occur naturally and are not man-made. Humans use these natural resources to make other things. Animals, trees, and coal are natural resources. We use animals to make food like cheese, milk, and many other goods.

Labor is the second factor of production. To produce a good or service, people are needed. The people that perform the work to produce something is called labor.

The third factor of production needed is capital. Capital is money and all things that are needed to produce a good or service. A building, tools, equipment, supplies are all considered to be capital resources if they are needed to make a good or service.

The last factor of production is entrepreneurship. To produce a good or service, you need someone to start the business or improve it. The person that takes the risk to start a business is called an entrepreneur. The entrepreneur combines natural resources, labor, and capital to produce a good or service.

Answer each question with a complete sentence on a separate piece of paper.

- 1. What are the resources called that are needed to produce a good or service?**
- 2. What are the four factors of production?**
- 3. What are natural resources?**
- 4. What is labor?**
- 5. What is capital?**
- 6. What is entrepreneurship?**
- 7. What does the entrepreneur combine in order to produce goods and service?**

Name _____

Per. _____ Date: _____

Comprehension Challenge
The Four Factors of Productions
Goods and Services

1. What are the resources called that are needed to produce a good or service?

- a. Good and services
- b. Needs and wants
- c. Factors of productions
- d. All of the Above

2. How many factors of production are needed to produce a good or service?

- a. 2
- b. 4
- c. 6
- d. 10

3. What are natural resources?

- a. Animals
- b. Things from nature, not man-made
- c. Trees
- d. All of the above

4. What is labor?

- a. Hard work
- b. People that only do the physical work
- c. People that do the work to produce something.
- d. None of the Above

5. What could be an example of capital if used to make something?

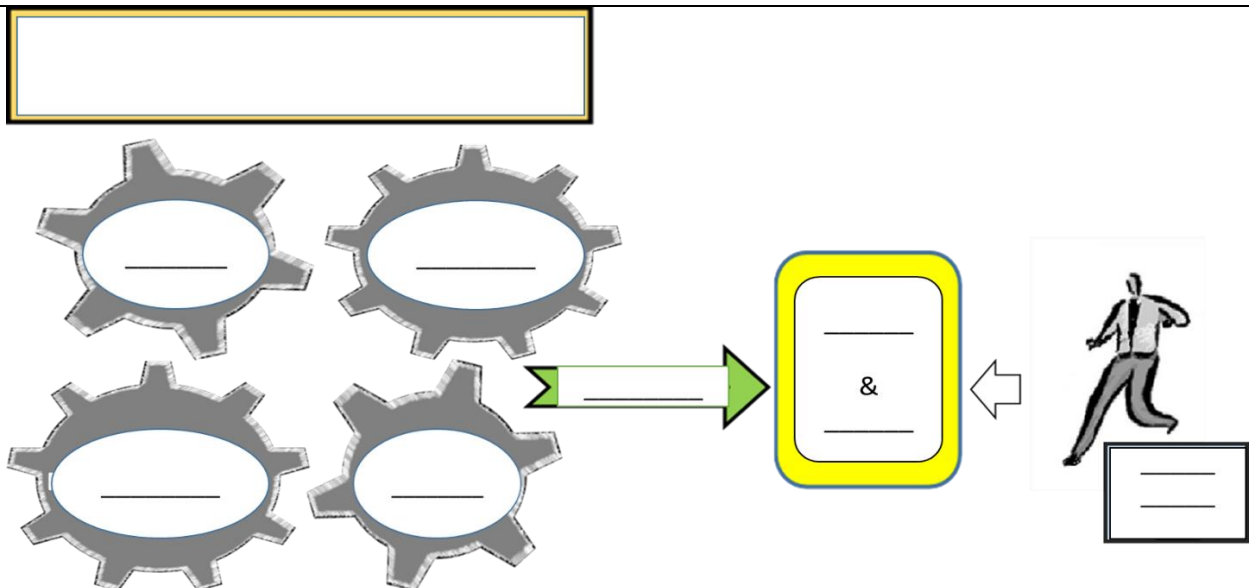
- a. Buildings
- b. Machines
- c. Tools
- d. All of the Above

6. What is entrepreneurship?

- a. Shipping products and services
- b. Starting or improving a business
- c. Improving needs and want
- d. All of the Above

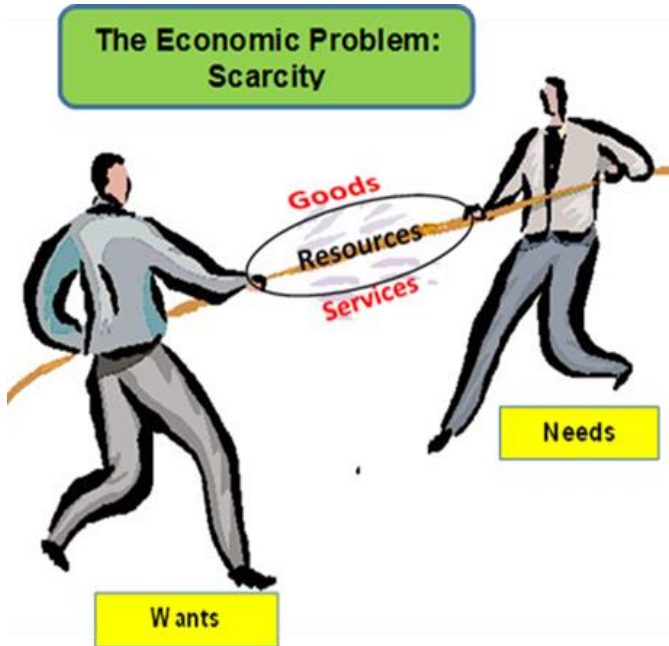
Using the following terms, complete the chart below.

Labor	Capital	Goods
Produces	Services	Natural Resources
Needs	Four Factors of Production	Wants



Scarcity and Opportunity Cost

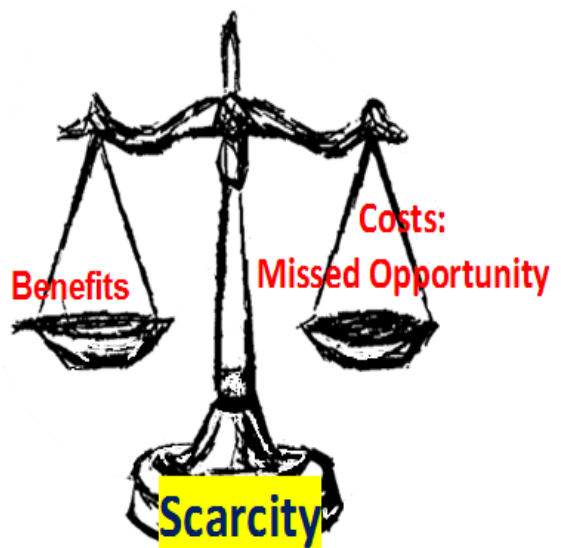
The Economic Problem



Economics is focused on dealing with a main problem called scarcity. Scarcity means there is not enough of something that people want. In society, people have a lot of wants and needs; these wants and needs are considered unlimited. Because people's needs and wants are unlimited, there is not enough resources to satisfy them. Therefore, an economic problem exists; the problem is there are not enough resources, goods, and services to meet everyone's needs and wants.

Due to the scarcity of resources, we have to make a lot of choices. When we buy or use something, we have to make choices. We can't have everything we want because there is a limited (scarce) amount things available. Every time we make a choice to buy something we receive a benefit, but there is also a cost in making the choice. This cost is not just monetary (money). The cost is economic. It comes from giving something up that you could have had instead. For instance, if you want to buy a piece of fruit and have the choice of an orange or apple but only enough money for one and decide on the apple, then by choosing the apple, you gave up a chance or missed the opportunity

Each Choice You Make Has...



of having the orange. Giving the chance or opportunity of having the orange, would be the opportunity cost. Therefore, every choice we make has a value. In economics, the value is determined by looking at what was given for each choice made. In short, an opportunity cost is the cost of the missed opportunity.

Answer each question with a complete sentence on a separate piece of paper.

- 1. What is the main economic problem?**
- 2. What does scarcity mean?**
- 3. What is unlimited or endless?**
- 4. What is limited?**
- 5. Why can't all of people's needs and wants be satisfied?**
- 6. Because of the scarcity of things, what do we have to make?**
- 7. Every time we make a choice, what two things occur?**
- 8. When we make a choice, where does the economic cost come from?**
- 9. What does every choice have?**
- 10. How is the value of each choice we make decided?**
- 11. What does opportunity cost mean?**

Name_____

Per._____ Date:_____

Comprehension Challenge
Scarcity and Opportunity Cost
The Economic Problem

1. What is the main economic problem?

- a. To many resources
- b. Not enough needs
- c. Scarcity
- d. All of the Above

2. What does scarcity mean?

- a. People are scared
- b. There is not enough of something
- c. Too much of something
- d. None of the Above

3. What is unlimited and endless in economics?

- a. Resources
- b. Raw materials and labor
- c. Needs and wants
- d. Goods and services

4. What is limited in economics?

- a. Needs
- b. Resources
- c. Wants
- d. All of the Above

5. Because of the scarcity, what do we have to make?

- a. Choices
- b. Money
- c. Products
- d. None of the Above

6. Every time we make an economic choice, what two things occur?

- a. A profit and a lose
- b. A benefit and profit
- c. A benefit and a cost
- d. None of the Above

7. How is the value of each choice we make decided?

- a. By looking at the benefit.
- b. By looking at the missed opportunity
- c. By looking only at the monetary cost
- d. None of the Above

8. What does opportunity cost mean?

- a. It is what a person gives up when they make a choice.
- b. It is idea that scarcity is an economic problem.
- c. It is that choices have benefits.
- d. None of the Above.

Comprehension Challenge
Scarcity and Opportunity Cost
The Economic Problem

True or False

9. _____ We have a limited amount resources but there is an endless amount of needs and wants

10. _____ Because of the economic problem, people and governments don't have to make many decisions in how best to deal with the scarcity.

11. _____ Every economic choice we make has a value.

12. List two resources that you think are very scarce in the world?

1.

2.

13. Give an example of an opportunity cost for something you recently bought.

a. What did you buy?

b. What was the benefit (how did it make you feel good) you received from buying the good?

c. What was the economic cost of the good? Meaning what else could you have bought instead and what did you miss out on?

Name _____

Per. _____ Date: _____

Comprehension Challenge

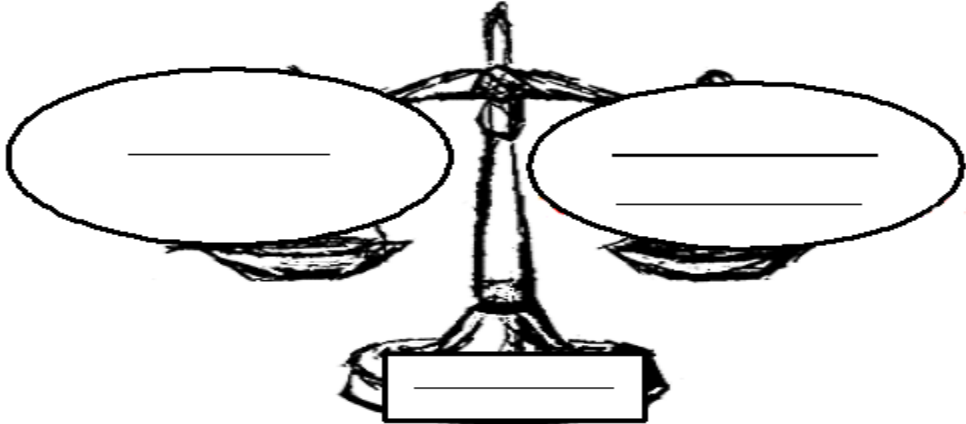
Scarcity and Opportunity Cost

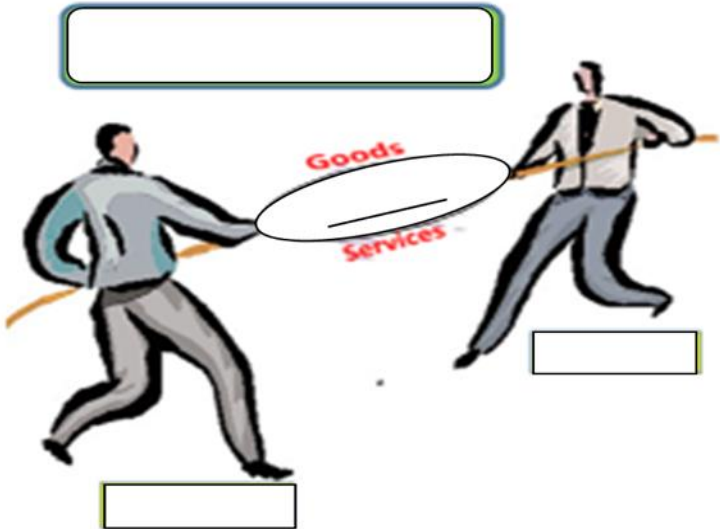
The Economic Problem

Costs Wants The Economic Problem Scarcity Choice	Needs Benefits Resources Scarcity Missed Opportunity
--	--

Complete the two chart below using the appropriate terms above.

EACH _____ YOU MAKE HAS..



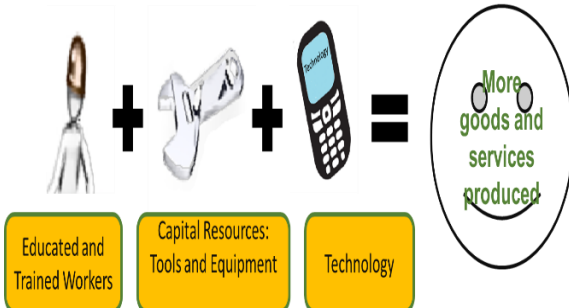


Productivity and Specialization



Productivity and specialization are two important concepts in economics. When producing goods and services, businesses desire to use limited resources in the best way they can. The better businesses are able to use these resources, the more likely they will make money (profit).

Ways to Increase
Productivity



Making a profit is the main goal of a business. Therefore, businesses are very concerned about productivity. **Productivity** is the amount of goods or services workers can produce in a period of time. The more goods and the quicker that workers are able to make them, the better it is for the business. This is because the final good will cost less to produce. The cheaper it becomes for a business to produce a good, the more profit they will likely make. The consumer also benefits from improved productivity because the final good or service cost less.

There are several ways businesses can improve productivity. First, having educated and trained workers can be helpful. Educated and trained workers often are able to do their job quicker and more efficiently. Secondly, the investment in capital resources such as tools, equipment, and buildings can contribute to an increase in productivity. With the right tools, equipment, and work area, workers are able to get their job done quicker. Lastly, the use of technology can also improve productivity. The computer is perhaps one of the best examples of how technology can improve productivity. Computer devices are used in almost all businesses today to make many tasks easier and more efficient for workers.

Answer each question with a complete sentence on a separate piece of paper.

1. When producing goods and services, what do businesses desire to do?
2. What is the main goal of business?
3. What is productivity?
4. Why is productivity important to businesses?
5. How do consumers benefit from companies being more productive?
6. List three ways businesses can improve productivity?
7. Why are educated and trained workers often more productive?

Productivity and Specialization

Businesses are also aware of the importance specialization. **Specialization** is when a business focuses on producing a specific type of goods or services. For instance, Coca Cola focus on sodas, Ford makes cars, and Apple makes computer devices. Businesses decide to specialize on one type of product because there are several advantages in doing so. First, the business can build a reputation and create a recognizable brand. Secondly, specialization allows a business to focus its attention on what is does best.



Thirdly, by specializing, the company is able to break down the production process into steps and assign workers a specific task. When workers are assigned a specific job, they become more skilled at it and are able do their job quicker. We call the idea of workers being assigned a specialized task or job **the division of labor**. These advantages from specialization encourage the more efficient use of resources and leads to an increase in productivity. And an increase in productivity is good for business. It means more profit. Since there are many advantages to specializing, people and nations often specialize as well.

8. What is specialization?
9. What does Coca Cola specialize in?
10. Why do business specialize?
11. By specializing what does a business build and create?
12. BY specializing what can a business focus on?
13. What is a division of labor?
14. What does specialization encourage?
15. What does specialization lead to?

Critical Thinking

1. Give two examples of people specialization at work?
2. What might be a disadvantage with specializing in a career or type of good?

Name_____

Per._____Date:_____

Comprehension Challenge Productivity and Specialization

1. When producing goods and services, what do business desire to do?

- a. Exploit workers
- b. Use limited resources in the best way they can.
- c. Save resources for later
- d. Take their time

2. What is the main goal of business?

- a. Save the planet
- b. Lose money
- c. Make a profit
- d. None of the above

3. What is productivity?

- a. The amount of goods a worker can produce in a period of time.
- b. The amount of money paid to workers.
- c. The goods workers are unable to produce.
- d. None of the Above

4. Why is productivity important to businesses?

- a. In order to make goods/services more expensive and increase profits.
- b. In order to make goods/services cheaper and decrease profits.
- c. In order to make goods/services cheaper and increase profits.
- d. None of the Above

5. How do consumers benefit from companies being more productive?

- a. More expensive goods
- b. Less expensive goods
- c. Fewer goods
- d. No benefit

6. How can a business improve productivity?

- a. Educated and trained workers
- b. Tools and equipment
- c. Technology
- d. All of the Above

7. The a key benefit of specialization is

- a. Increased competition
- b. Increased productivity
- c. Increased losses
- d. All of the Above

Comprehension Challenge
Productivity and Specialization

True and False

8. _____ Specialization allows a business to focus its attention on what it does best.
9. _____ Businesses specialize because they have no choice.
10. _____ Specialization encourages the efficient use of resources and leads to an increase in productivity.
11. _____ The more goods and the quicker that workers are able to make them, the better it is for the business.
12. _____ Only businesses specialize, not people or nations.

Capital resources Productivity Profit	The division of labor Specialization
13. _____ money a business ends up making after expenses.	14. _____ anything a business buys in order to make goods such as tools and equipment.
15. _____ is when a business focuses on producing a specific type of goods or services.	16. _____ when workers are assigned a specialized task or job.
17. _____ the amount of goods or services workers can produce in a period of time.	

Name _____

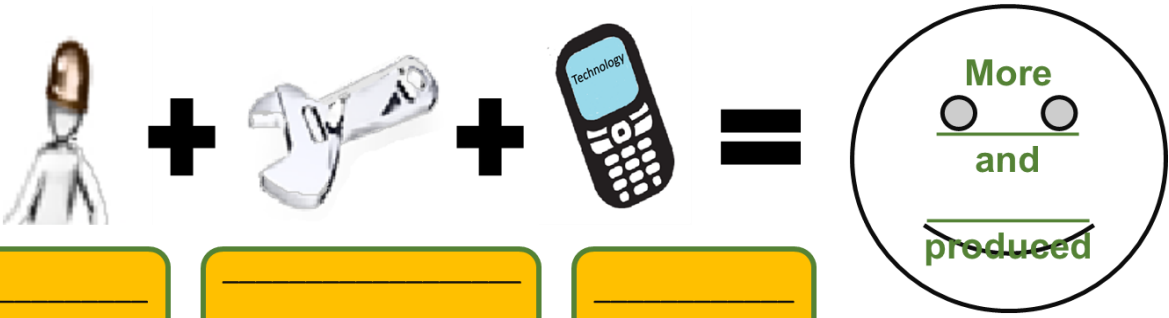
Per. _____ Date: _____

Comprehension Challenge Productivity and Specialization

Technology	Equipment and tools
Goods	Educated and trained workers
Services	Productivity
Capital resources	

Complete the chart below using the terms above.

Ways to Increase



_____ _____ _____

Using complete sentences, explain how a business can improve productivity, and why productivity is so important to businesses?

Answer Keys

Comprehension Challenge Why Study Economics? Needs vs Wants	1. a 2. c 3. a 4.c 5. goods 6. resource 7. service 8. wants 11. study, decisions or choices
Comprehension Challenge The Four Factors of Productions Goods and Services	1. c 2. b. 3. d 4.c 5. d 6. b
Comprehension Challenge Scarcity and Opportunity Cost The Economic Problem	1. c 2. b 3. c 4. b 5. a 6.c 7. b 8. A 9. T 10. F 11. T
Comprehension Challenge Productivity and Specialization	1. b 2. c 3. a 4. c 5. b 6. d 7. B 8. T 9. F 10. T 11. T 12. F 13. Profit 14. Capital Resources 15. specialization 16. The division of labor 17. productivity

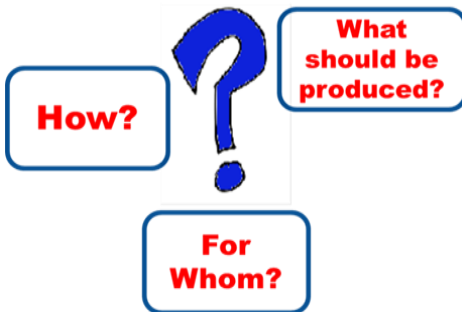
The Four Economic Systems



What is an Economic System?

Economics is all about choices, both individual and group choices. We must make choices to provide for our needs and wants. The choices each society or nation selects leads to the creation of their type of economy. Each economic system tries to answer the three basic questions of what should be produced, how it should be produced, and for whom should it be produced? How they answer these questions determines the kind of system they have. There are four main types of economic systems. Each system has its strengths and weaknesses

The three questions that determine the type of a country's economy.



The Traditional Economic System

The traditional system is the oldest economic system. It has existed since the first hunters and gatherers emerged. It was the norm during ancient times. The traditional economic system still exists today in some communities within developing nations such as Africa and Asia. The system is based on the traditional way of doing things. Customs (beliefs) and past ways of doing things determine what should be produced, how it should be produced, and who should receive the goods and services. The main features of a traditional systems are:

Answer each question with a complete sentence on a separate piece of paper.

1. What three basic questions does each economic system try to answer?
2. How is each nation's economic system determined?
3. How many main types of economic systems are there?
4. Which economic system is the oldest system?
5. In a traditional system, what determines the answer to what, how, and for whom things should be produced?
6. What are three main features of a traditional systems?

1. **The Barter System** = people mainly trade goods/services with each other instead of buying things.
2. **Subsistence Farming** = small family farms produce most of what each family needs to survive.
3. **Many goods are produced by families.**
4. **Sharing of things in the community is common.**



The Command Economic System

In a command system the government is in complete control of the economy. Individuals don't have choices in the system. The government makes the choices on what should be produced, how it should be produced, and for whom. It plans and commands all parts of the economy and sets the price for goods and services. The command economy is a key feature of most communist societies. Cuba, North Korea, and the former Soviet Union are examples of countries that have command economies

The Market Economic System

In a market system, also referred to as capitalism, individuals make all of the economic choices. Individuals have the freedom on how resources will be used and owned. Individuals have freedom to decide which goods and services they want to buy and sell. The government has no say in answering economic questions of how, what, and whom. The individual answers these questions. Because businesses and individuals have this freedom to buy and sell what they want, with no government interference, a **natural market** develops. In a natural market, buyers and sellers come to an agreement on what should be produced, how much should be produced, and whom things should be produced. The key in this system is individuals answer the economic question, not government or traditions.

7. Who is in control and makes all of the economic choices in a command system?
8. Who has no or little choice in a command system?
9. In which type of system do individuals make all of the economic choices?
10. What is market system also known as?
11. Who has little say in answering the three key economic questions in a market system?
12. What develops because businesses have the freedom to buy and sell what they want?
In a natural market what occurs between buyers and sellers?
13. What is key in a market system?

Mixed Economic Systems

Most economic systems in the world are mixed systems. They are mainly a combination of a market and a command system. In this system individuals and governments share in making the economic choices. They both answer the economic questions of what, how, and for whom. How much of a role each plays in making these economic choices varies in each country.

The U.S. is a mixed system. Earlier in our country's history, individuals made most of the economic choices, and the U.S. was closer to being a market system. However, overtime, our government has increasingly played a bigger role in making the economic choices, and we have moved further away from a market system. The U.S. has made numerous laws, created many government agencies, and imposed taxes, all which have had an effect on individual economic choices and freedoms.

Economic Systems	WHAT to Produce?	HOW to Produce?	FOR WHOM To Produce?
Traditional	Determined by Customs & past ways	Determined by Customs & past ways	Determined by Customs & past ways
Command	Determined by Government	Determined by Government	Determined by Government
Market	Determined by Individuals	Determined by Individuals	Determined by Individuals
Mixed	Determined by Government and Individuals	Determined by Government and Individuals	Determined by Government and Individuals

14. What type of economic systems do most countries have?
15. Who makes the economic choices in a mixed economic system?
16. How much of a role does the government and individuals play in each mixed system?
17. What type of economic system does the U.S. have?
18. Overtime, who has begun to make more of the economic choices in the U.S. economics system, individuals or government?
19. What three things has the government done to control more of the economic choice?

Name_____

Per._____ Date:_____

Assessment The Four Economic Systems

Select the best answer for each question.

1.What three basic questions does each economic system try to answer?

- a. When to produce, who should produce it, and, how much should be produced?
- b. What should be produce, how it should be produced, and for whom should it be produced?
- c. How much should be produced, what government agencies should produce it, and when should it be produced?
- d. None of the Above

2.How is each nation's economic system determined?

- a. by a vote of the people.
- b. by the key business organizations.
- c. by answering three key economic questions.
- d. All of the Above

3.How many main types of economic systems are there?

- a. 1
- b. 2
- c. 3
- d. 4

4.In a traditional system, what determines the answer to what, how, and for whom things should be produced?

- a. Customs and past ways.
- b. The businesses.
- c. The environment.
- d. None of the above.

5.A main feature of a traditional system is

- a. The Barter System
- b. Subsistence Farming
- c. Goods produced by families
- d. All of the above.

6. In a market system, who makes the economic choices and answers the three key economic questions?

- a. Government
- b. Individuals
- c. Lawyers
- d. Large Corporations

7.In a market system, because businesses and individuals have the freedom to buy and sell what they like, with no government interference, what is created?

- a. Natural market
- b. Command market
- c. Regulated market
- d. None of the Above

8. What type of economic system do most countries in the world have?

- a. Market
- b. Command
- c. Traditional
- d. Mixed

9.Who makes the economic choices in a mixed economic system?

- a. Individuals
- b. Government
- c. Individual and Government
- d. Businesses

10.The U.S government has increased its influence on the economy by

- a. Imposing taxes
- b. Government agencies
- c. Laws
- d. All of the Above

Select the best term for each.

Customs The Barter System	Subsistence Farming Capitalism
<p>11. _____ People mainly trade goods/services with each other instead of buying things.</p> <p>12. _____ Small family farms produce most of what each family needs to survive.</p> <p>13. _____ Beliefs and traditions</p> <p>14. _____ The market system.</p>	

True or False

15. _____ No longer are there traditional economic systems in the world.

16. _____ In a market system, individuals make the choices, not government.

17. _____ In a mixed system, the amount of influence in which government and individuals have on economic choices is the same in all countries.

18. _____ Over the last century, the U.S. has been moving more toward a market system than a command system.

The Four Economic Systems

How each Economic System is Determined

Complete the chart below by listing who in each of the four different economic systems determines what is produced, how it is produced, and for whom.

Economic Systems	WHAT to Produce?	HOW to Produce?	FOR WHOM To Produce?
Traditional	Determined by _____	Determined by _____	Determined by _____
Command	Determined by _____	Determined by _____	Determined by _____
Market	Determined by _____	Determined by _____	Determined by _____
Mixed	Determined by _____	Determined by _____	Determined by _____

Answer Key

<p>Assessment: The Four Economic Systems</p>	<p>1. B 2. C 3. D 4. A 5. D 6. B 7. A 8. D 9. C 10. D</p> <p>11. The Barter System</p> <p>12. Subsistence Farming</p> <p>13. Customs</p> <p>14. Capitalism</p> <p>15. False</p> <p>16. True</p> <p>17. False</p> <p>18. False</p>
--	---

Why Study Economics?

Needs and Wants



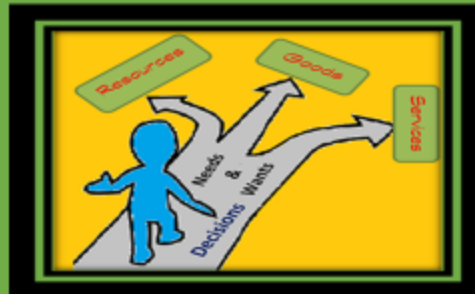
What is economics about?

- A. All about making choices
- B. *Definition* = the study of how people **make choices** on buying, selling, using things.



Where do economic decisions begin?

- Fulfilling people's **NEEDS** and **WANTS**



What are **NEEDS**?

- A. Are basic things we need it in order to survive and remain alive.

Examples: water, food, clothing, and a place to live.



What are WANTS?

- A. are things that we would like have.
- B. Not required to survive.

Examples: cell phone, a vacation, or the latest video

It what two categories can NEEDS and WANTS be separated into?



What are SERVICES?

A. work done for other people



Examples: a doctor, a house painter, and a lawyer all perform a service.



What are GOODS?

A. Things produced or manufactured, which means man-made.



B. made with and from resources



Examples: car, a video game, cheese, and a donut.





The Four Factors of Production



Goods and Services



What is the process that leads to the creation of goods and services?

- A. goods and services are made from resources
(things such as raw material, tools that are used to make a good)
- B. these resources are called factors of production
- C. It takes **FOUR FACTORS** to produce a good or service.

What are the FOUR FACTORS OF PRODUCTION?

1. Natural Resources
2. Labor
3. Capital
4. Entrepreneurship.



What are NATURAL RESOURCES?

A. things found on Earth, occur naturally.

Examples: Animals, trees, coal, and oil.



What is LABOR?



A. The people that perform the work to produce something



What is CAPITAL?



A. Capital is money and all things that are needed to produce a good or service.

Examples: building, tools, and equipment



What is ENTREPRENEURSHIP?

A. The person that starts the business or improves it.



Why are entrepreneurs so important?

A. they combine natural resources, labor, and capital to produce a good or service



Scarcity and Opportunity Cost

The Economic Problem



What is considered the *Economic Problem*?

- Scarcity



What is SCARCITY?

- A. When things are in short supply
- B. not enough of something that people want and need

Some resources are more scarce than others. Example: Gold and Diamond

Why is scarcity considered a problem?

- A. People have unlimited wants and needs, but there are a limited amount of resources to meet their demands.



What is the affect of scarcity for economics?

A. Due to the scarcity of resources, people have to make a lot of choices.

a. Choices

- I. Consumers: What to buy, trade, or use?
- II. Businesses: what resources to use and what products to produce?

What does each economic choice we make have?

A. Choices Have Consequences and Value:

- 1. Benefit
- 2. **OPPORTUNITY COST**

What is OPPORTUNITY COST?

A. The missed opportunity or what you gave up for making the choice.

Each Choice You Make Has...



For Example: You decide to spend money on a four year college degree.

Benefit:
Earned college degree

Opportunity Costs: Missed:
Earning money from a job
Time with friends
Getting job experience and skills
Spent \$40,000.

The Economic Problem



Productivity and Specialization



What is the main goal of business?

A. To make money, a profit

Profit = the money earned after all expenses (bills) are paid

What is key in order to a make a profit?

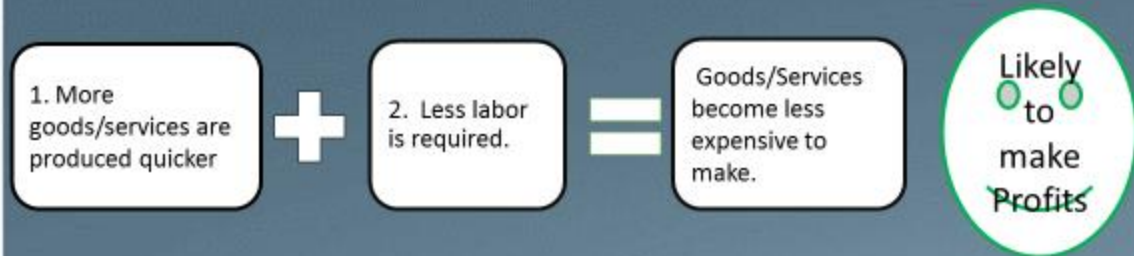
- A. Because resources are limited, businesses need to use them in the best way (efficiently).
 - a. Productivity and Specialization help businesses use resources in the best way.

What is Productivity?

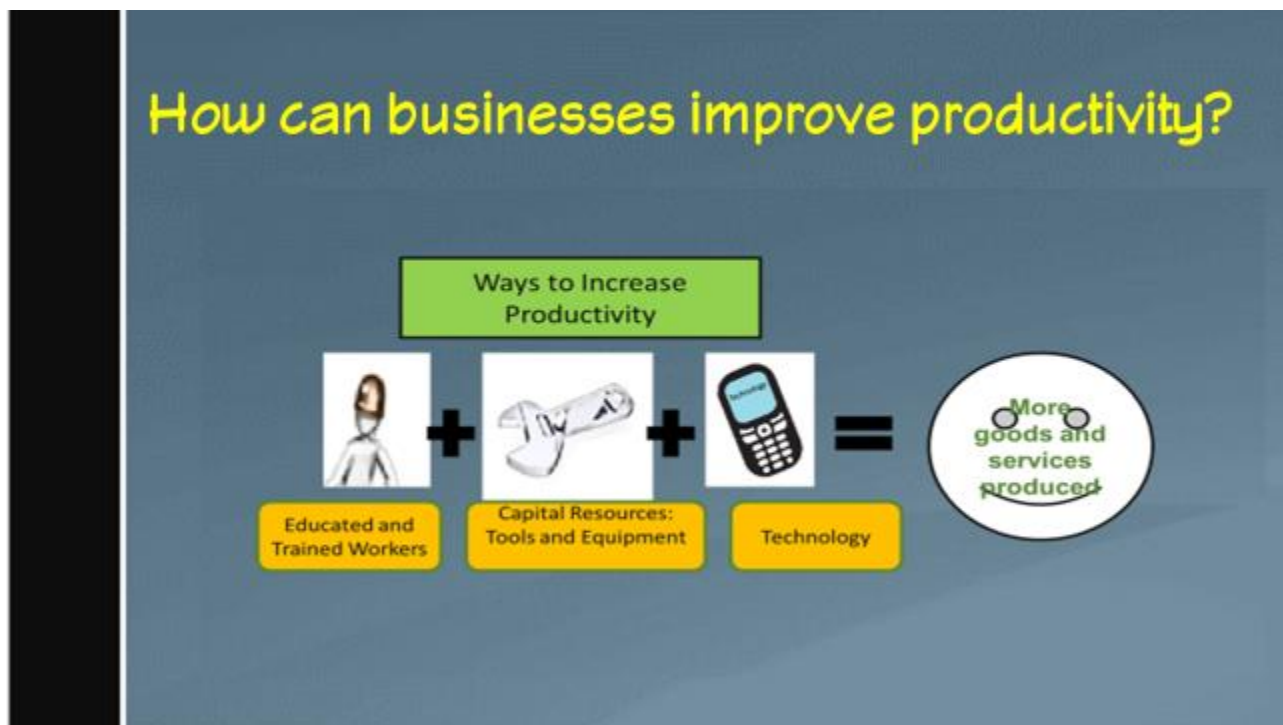
- the amount of goods or services workers can produce in a period of time.



Why is productivity important to business?



How can businesses improve productivity?



What is Specialization?

- A. is when a business focuses on producing a specific type of goods or services.

Examples: *Coca Cola* makes drink.
Ford makes cars.



How does a business benefit from specialization?

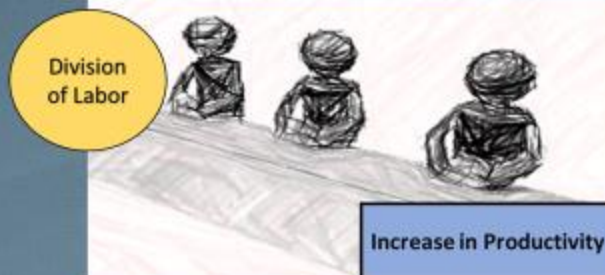
1. Builds a reputation and a recognizable brand
- *2. Focuses its attention on what it does best.
- *3. Able to break down the production process into steps and assign workers a specific task or job.

****Increases PRODUCTIVITY and profitability**

What is it called when workers are assigned a specific task or job?

A. Division of Labor

Specialization



What are the benefits of Specialization and Productivity?

SPECIALIZATION

Encourages the better use of resources, increase productivity

PRODUCTIVITY

Better use of resources, more goods/services are produced for less money

BOTH help BUSINESSES MAKE PROFITS



WHAT IS AN ECONOMIC SYSTEM?

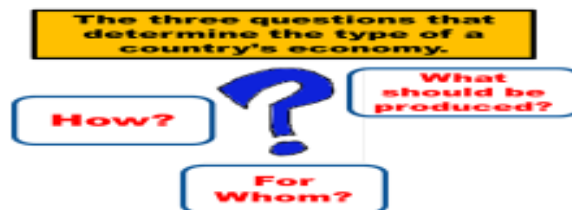
- The type of economy a country has.

Economy = how people, businesses, and government choose to buy, sell, use, and produce things.

HOW IS AN ECONOMIC SYSTEM DETERMINED?

A. how a country decides to answer three basic economic questions:

1. what should be produce?
2. how it should be produced?
3. for whom should it be produced?



HOW MANY ECONOMIC SYSTEMS ARE THERE?

◎ Four

1. Traditional
2. Command
3. Market
4. Mixed

WHAT IS A TRADITIONAL SYSTEM?

- A. Based on the traditional way of doing things.
- a. **Customs** (beliefs) and past ways of doing things determine what and how things should be produced and who should receive them

The main features of a traditional systems are:



1. **The Barter System** = people mainly trade goods/services with each other instead of buying things.
2. **Subsistence Farming** = small family farms produce most of what each family needs to survive.
3. **Many goods are produced by families.**
4. **Sharing of things in the community is common**

WHAT IS A COMMAND ECONOMIC SYSTEM?

A. The government is in complete control of the economy.

- a. It plans and commands all parts of it.
- *b. **Government** makes the choices on *what should be produced, how it should be produce, and for whom.*

- *The command economy is a key a feature of most communist societies.*

Examples: Cuba, North Korea, and the former Soviet Union.

ECONOMY



Command System

WHAT IS A MARKET SYSTEM?

- ◉ referred to as capitalism
- ◉ **Individuals** make all of the economic choices.
- ◉ **Individuals** have the freedom on how resources will be used and owned.
- ◉ **Individuals** answer what should be produced, how much should, and for whom.

WHAT IS A MIXED SYSTEM?

- ◉ A combination of a market and a command system, and sometimes traditional.
- ◉ individuals and government share in making the economic choices.
- ◉ both answer the economic questions of what, how, and for whom.

WHICH ECONOMIC SYSTEM DO MOST COUNTRIES HAVE?

- ◉ Mixed System
- ◉ U.S is a mixed system.

How much of a role government and people play in each mixed system varies in each country.

THE FOUR ECONOMIC SYSTEMS HOW EACH ECONOMIC SYSTEM IS DETERMINED

Economic Systems	WHAT to Produce?	HOW to Produce?	FOR WHOM To Produce?
Traditional	Determined by Customs & past ways	Determined by Customs & past ways	Determined by Customs & past ways
Command	Determined by Government	Determined by Government	Determined by Government
Market	Determined by Individuals	Determined by Individuals	Determined by Individuals
Mixed	Determined by Government and Individuals	Determined by Government and Individuals	Determined by Government and Individuals

