HISTORY AND SOCIAL SCIENCE STANDARDS OF LEARNING
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Civics and Economics

CE.11 Study Guide

Standard CE.11a -- Marketplace Decisions

Scarcity, consumers, producers, and governments must make choices; everyone's choice has an opportunity cost

Because of** scarcity**, consumers, producers, and government decision makers are forced to make** choices**.

***Whenever you make a choice, you are actually making two choices. This is because whenever you choose to do one thing, you are also choosing not to do something else. What you choose not to do is your** opportunity cost.*

***All choices have** opportunity costs.*

The problem of **scarcity faces all** individuals and organizations, including businesses and governments.

- We have **unlimited wants,** but our resources are **limited**.
- The goods and services we want exceed our ability to produce them.
- **Scarcity** forces consumers, producers, and governments to make **difficult choices**.

Scarcity is the inability to satisfy all wants at the same time.

- All resources and goods are **limited**.
- Limited goods and resources require that **choices** be made.

Resources are factors of production that are used in the production of goods and services.

- Types of resources are **natural**, **human**, **capital**, and **entrepreneurship**.

Choice is **selection** of an item or action from a set of possible **alternatives**.

- Individuals must **choose** or make decisions about desired goods and services because these goods and services are **limited**.

Opportunity cost is what is given up when a choice is made (the second best alternative).

- Individuals must consider the **value of what is given up** when making a choice.

Production is the combining of human, natural, capital, and entrepreneurship resources to **make goods** or **provide services**.

- **Resources** available and **consumer preferences** determine what is produced.

Consumption is the **using** of goods and services.

- **Consumer preferences** and **price** determine what is purchased and consumed.

Standard CE.11b -- Economic Systems

How traditional, free market, command, and mixed economies decide how to allocate their limited resources.

Every country must develop an** economic system **to determine how to use its limited productive resources.

***The key factor in determining the type of economy a country has is the extent of** government involvement.*

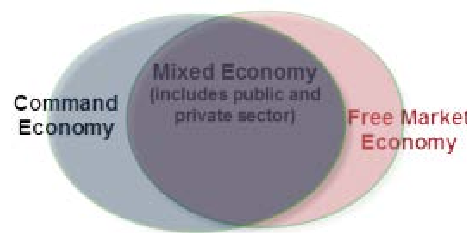
The greater the amount of decision making that is left to the** individual**, the closer a system is to a** free market **system.

***The greater the amount of decision making that is left to a** centralized authority**, the closer the system is to a** command system.*

The **basic questions** of economics

- **What** will be produced?
- **How** will it be produced?
- **For whom** will it be produced?

Each type of economy answers the basic questions differently.



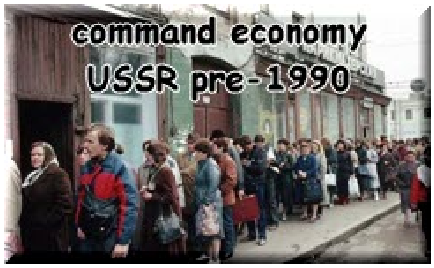
Traditional economy

- Economic decisions are based on custom and historical precedent.
- People often perform the same type of work as their parents and grandparents, regardless of ability or potential.

Free market economy

- **Private ownership** of property/resources
- **Profit** motive
- **Competition**
- **Consumer sovereignty**
- **Individual** choice
- **Minimal government involvement** in the economy

Command economy



- **Central ownership** (usually by government) of property/resources
- **Centrally planned** economy
- **Lack of consumer choice**

Mixed economy

- **Individuals** and **businesses** are owners and decision makers for the **private sector.**
- The **government** is owner and decision maker for the **public sector**.
- **The government's role** is greater than in a free market economy and less than in a command economy.
- **Most economies today**, including the **United States**, are **mixed** economies.