

Civics & Economics CE.11 –

How economic decisions are made (new 2023 standards)

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CE.11a – Scarcity, Choices, and Opportunity Cost

a) explain that because of scarcity, consumers, producers, and governments must make economic choices and understand that all choices have an opportunity cost

Scarcity means there are **limited resources** (money, time, materials, workers) to meet unlimited wants and needs. **Choices** need to be made.

Resources include:

- **Natural resources** – oil, water, land
- **Human resources** – workers, skills
- **Capital resources** – machines, tools, factories

Because of **scarcity**:

- **Consumers** (people who buy things) must decide what to purchase.
- **Producers** (businesses) must decide what to make and how much to charge.
- **Governments** must decide how to spend money (e.g., roads vs. education).

Opportunity Cost – Whenever you make a **choice**, you give up the **next best alternative**.

Your choice

Opportunity Cost

Spending the \$7 another way

- **Example:** If you spend \$20 on a movie ticket, your opportunity cost might be the pizza you could have bought instead.
- **Example:** If a city builds a new park, the opportunity cost might be a new library it can no longer afford.

Key idea: Every decision has a trade-off.

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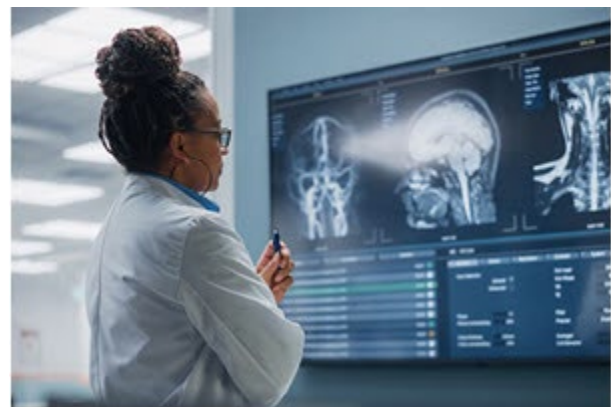
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CE.11b – Innovation and Productivity

b) explain the importance of innovation and productivity, including the freedom to choose occupations, the role of technology, and the development of human capital

Innovation – The development of new ideas, products, or ways of doing things.



Artificial Intelligence
A technology improving efficiency in medicine and many other fields

- **Example:** Smartphones transformed communication.
- **Example:** Online shopping changed retail business.

Productivity – How **efficiently** goods and services are produced using available resources.

- Higher productivity means **more output** with the **same input**.
- Achieved by:
 - Using better **technology**.
 - Training workers to **improve skills** (building **human capital**).
 - **Organizing** work more **effectively**.

Freedom to Choose Occupations – In a free-market system, **people decide** what job or career to pursue. This encourages **competition** for workers and motivates people to **develop skills**.

Role of Technology –

- **Automates** repetitive tasks.
- **Speeds** up production.
- **Connects** businesses and customers worldwide.

Human Capital – The skills, knowledge, and experience **workers** bring to their jobs.

- Education, training, and experience increase **human capital**, which usually increases productivity and wages.



Why It Matters:

- **Innovation** drives progress and keeps economies competitive.
- **Productivity** growth can lead to higher wages, lower prices, and better living standards.

CE.11c – Economic Systems and Resource Allocation

c) compare and contrast free-market, command, and mixed economies to determine how each affects the allocation of limited resources and the subsequent effects on individuals' lives

Every country has to decide how to **allocate limited resources**. This is determined by its **economic system**.

1. Free-Market Economy (Capitalism)



- Most decisions are made by **individuals** and **businesses**.
- Prices set by **supply and demand**.
- **Government** has **little** role in economic decisions.
- **Example:** Hard to find a **pure free-market economy**. Most countries are a mix with at least some government involvement.



The Soviet Union, a command economy before 1990
Consumer goods were usually in short supply

- **Pros:** Encourages **competition**, innovation, and choice.
- **Cons:** Can lead to **inequality** and fewer public services.

2. Command Economy

- **Government** makes all or most **economic decisions**.
- **Government decides** what to produce, how to produce, and for whom.
- **Example:** Former Soviet Union, North Korea.
- **Pros:** Can ensure resources go toward **government priorities**.
- **Cons:** Often **inefficient**, less innovation, **fewer choices** for consumers.

3. Mixed Economy

- **Combines** elements of both free-market and command systems.
- Government and individuals **share** decision-making power.
- **Example:** Most modern economies, including the **United States**.
- **Pros:** Balances **freedom** and **public welfare**.
- **Cons:** Requires constant balancing between **regulation** and **market freedom**.

Key Factor in Economic Type:

- The more decision-making is left to **individuals** → **closer to free-market**.
- The more decision-making is controlled by **government** → **closer to command**.