

CHAPTER 18 - SECTIONS 1 AND 2 – SECTION REVIEWS

**ECONOMICS - THE STUDY OF HOW THINGS ARE
MADE, SOLD, BOUGHT, AND USED.**

SECTION 1 - MAKING ECONOMIC DECISIONS - PAGES 422 - 427

- 1. THE TWO IMPORTANT FACTORS INVOLVED
IN DECIDING WHAT AND HOW MUCH TO
PRODUCE ARE:**
 - SUPPLY (AVAILABILITY)
AND**
 - DEMAND (AMOUNT OF PEOPLE WHO WANT
SOMETHING).**
- 2. THE FOUR ELEMENTS DECIDING HOW
GOODS AND SERVICES ARE PRODUCED ARE:**
 - CAPITAL**
 - LAND AND NATURAL RESOURCES**
 - LABOR**
 - MANAGEMENT.**
- 3. MARKETING INVOLVES A FEW FACTORS
LIKE: ADVERTISING, SELLING, STORING, AND
DISTRIBUTING. MARKETING IS GETTING
GOODS TO CONSUMERS.**

SECTION 2 - ECONOMIC SYSTEMS - PAGES 429 - 433

1. MAIN FEATURES OF A TRADITIONAL ECONOMY INCLUDE:
- CUSTOMS ARE HANDED DOWN FROM ONE GENERATION TO ANOTHER
 - PEOPLE SUPPLY GOODS BY HUNTING, FARMING, GATHERING, AND MAKING THINGS BY HAND
 - A SMALL AMOUNT OF TECHNOLOGY IS USED

2. MAIN FEATURES OF A COMMAND ECONOMY INCLUDE:
- THE GOVERNMENT MAKES ECONOMIC DECISIONS
 - THE GOVERNMENT OWNS ALL MEANS OF PRODUCTION AND DISTRIBUTION
 - THERE IS NO COMPETITION AND BUSINESSES ARE NOT RUN FOR PROFIT

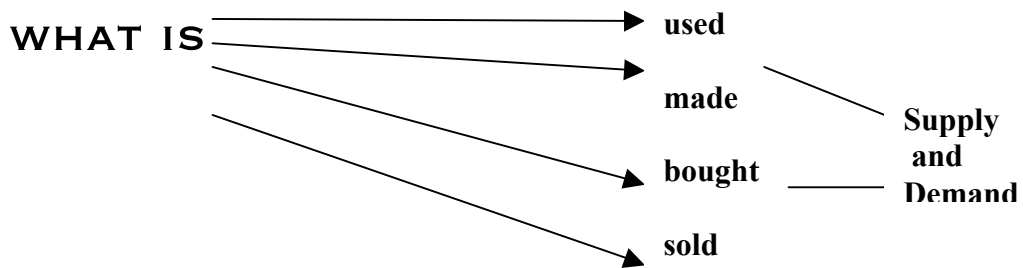
3. MAIN FEATURES OF A MARKET ECONOMY (FREE ENTERPRISE) INCLUDE:
- CONSUMERS MAKE DECISIONS
 - MEANS OF PRODUCTION ARE PRIVATELY OWNED
 - SUPPLY AND DEMAND ARE THE MAIN FACTORS IN ECONOMIC DECISIONS
 - COMPETITION FOR BUSINESS
 - INDIVIDUAL PROFIT IS THE MOTIVE

4. MIXED ECONOMIES CAN BE CONSIDERED A COMBINATION OF OTHER ECONOMIC DECISIONS BECAUSE INDIVIDUALS AND THE GOVERNMENT SHARE THE DECISION MAKING PROCESS.

THERE ARE:

- **NATURAL RESOURCES**
- **LIMITED RESOURCES**
- **UNLIMITED RESOURCES**

**IN A FREE ENTERPRISE OR MARKET ECONOMY,
THE INDIVIDUAL DECIDES**



**SCARCITY IS THE MAIN ECONOMIC PROBLEM,
FORCING US TO USE OUR RESOURCES WISELY.**

CHAPTER 19 - SECTION 1 - MEASURING THE ECONOMY - PAGES 444 - 449

1. THE FOUR PHASES OF THE BUSINESS CYCLE ARE:

- **PHASE 1 - THE ECONOMY IS IMPROVING AND THERE IS GENERAL PROSPERITY (SUCCESS). PEOPLE BUY MORE GOODS AND SERVICES. BUSINESSES PRODUCE MORE GOODS AND SERVICES. BUSINESSES ALSO HIRE MORE EMPLOYEES.**
- **PHASE 2 - THE ECONOMIC ACTIVITY IS AT ITS PEAK. BUSINESSES SELL AND WORK AT FULL CAPACITY.**
- **PHASE 3 - THE ECONOMY BEGINS TO SLOW DOWN. LESS GOODS AND SERVICES ARE BOUGHT. BUSINESSES CUT BACK ON PRODUCTION AND SOME PEOPLE LOSE JOBS. SOME PLACES ARE FORCED OUT OF BUSINESS.**
- **PHASE 4 - KNOWN AS A RECESSION. PRODUCTION IS AT ITS LOWEST POINT. THERE ARE A LOT OF PEOPLE UNEMPLOYED. ALSO, THERE IS LESS SPENDING ON GOODS AND SERVICES.**