**Unit 1 Overview**

**Big Questions:**

How do individuals and economies confront the problem of scarcity?

Why do all decisions have costs?

Why do people and countries trade with one another?

Why do people consider the additional costs and benefits of possible actions rather than just the total costs and benefits when making decisions?

**Essential Understandings and Terms:**

**Students should be able to define and explain how resources allocation is influenced by the economic system adopted by a society.**

Mastery Includes: Define resources and scarcity. Describe the 4 types of economies. Define and describe the 6 broad social goals. Define the 3 economic questions.

Unlimited wants and needs

Scarcity

Factors of Production

Economic Efficiency

Economic Equity

Economic Freedom

Economic Growth

Economic Security

Economic Stability

Three Economic Questions

Opportunity Cost

Implicit and Explicit

Command VS Market Economy

Adam Smith and Laissez Faire

Allocative VS Productive Efficiency

**Students should be able to explain how the PPC illustrates opportunity costs, trade-offs, inefficiency, efficiency, and economic growth or contractions under various conditions using completely and correctly labeled PPCs.**

Mastery Includes: Define a PPC. Create a PPC using data. Deconstruct a PPC into a data table. Calculate opportunity cost using data from a PPC or table. Explain what causes the PPC to shift in or out and what that means when it happens.

Production Possibilities Curve (Frontier)

Marginal Cost and Marginal Benefit

**Students should be able to define and determine absolute and comparative advantage using data from PPCs or tables and be able to calculate mutually beneficial terms of trade and explain how gains from trade can occur using comparative advantage and mutually beneficial terms of trade.**

Mastery Includes: Define absolute and comparative advantage. Use a PPC or data table to determine absolute and comparative advantage. Calculate mutually beneficial terms of trade. Calculate the gains from trade.

Comparative VS Absolute Advantage

Terms of trade

Production Possibilities Curve (Frontier)

**Students should be able to explain how a rational choice involves the use of marginal benefits and marginal costs and use marginal utility per dollar spent to determine if a consumer is maximizing the total utility of their limited income.**

Mastery Includes: Explain the concept of diminishing marginal utility. Understand the difference between total benefits and costs and marginal benefits and costs. Calculate marginal utility per dollar. Explain why sunk costs should not be considered when making a decision. Explain the marginal cost and marginal benefit rule to make a rational decision.

Marginal Utility

Marginal Cost and Benefit

Circular Flow Chart

Total Cost and Benefit

Marginal Utility per dollar

Total Utility