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Civics & Economics SOL Review, CE 11-14

CE.11a – Economic Terms

The inability to satisfy all wants because resources are limited – scarcity

Natural, human, capital, and entrepreneurship are examples of resources used during production.

The cost of what is given up when a choice is made – opportunity cost

Things that incite or motivate us to buy things (Buy one, get one free) – incentives

The amount of goods or services consumers want to buy – demand

The amount of goods or services producers have to sell – supply

The interaction between supply and demand determines – price

Selecting an item from a set of possible alternatives – choice

Making goods or services – production

Using goods or services - consumption

Consumer preferences, price, and available resources determine what is – produced and consumed

CE.11b - Characteristics of Major Economic Systems

What it the big difference between the different types of economy? Amount of Government Involvement

What are the three basic questions of economics?

What will be produced?

Who will produce it?

For whom will it be produced?

Private ownership of all property/resources – Free Market

Central ownership of property/resources (Communism) - Command

Economic decisions are based on custom and historical precedent - Traditional

Government, businesses, and individuals share decision-making - Mixed

Centrally-planned economy - Command

Profit, competition, consumer sovereignty, and individual choice – Free Market and Mixed

Government has virtually no role in the economy - Free MarketMost common economic system in the world today - Mixed

People often perform the same kind of works as their parents and grandparents - Traditional

Lack of consumer choice - Command

What type of economic system best describes the United States? Mixed

CE.11c - Characteristics of the United States Economy

Businesses are allowed to operate without undue influence from the government – Free Markets

Earnings minus expenses – Profit

Rivalry between producers/sellers – Competition

Competition results in lower prices and better quality.

Businesses and individuals have the right to own private property.

Buyers determine what is produced through their purchases - Consumer sovereignty

CE.12a - Types of Business Ownership

A person who takes a risk in order to make a profit – Entrepreneur

One owner who takes all risks and profits – Sole Proprietorship

Two or more owners who share risks and profits – Partnership

A business who acts as a “legal person” regardless of the number of owners – Corporation

In a corporation profits are shared, but liability is – limited to the investment

Page Eight of “The Golden Ticket”

CE.12b - Economic Flow

Economic flow involves money continuously moving between businesses, individuals, and the government.

Saving and investment provides capital ($$$) that can be borrowed for expansion and consumption.

Who owns resources, sell resources, and use income to purchase products? individuals

Who buys resources, makes products to sell, and uses the profits to purchase more resources? businesses

Who uses tax revenue to provide public goods and services? government

CE.12c - Private Financial Institutions

Banks, savings and loans, and credit unions are examples of private financial institutions.

Private financial institutions bring together savers and borrowers.

Private financial institutions receive deposits and make loans.Private financial institutions encourage saving by paying interest on deposits.

CE.12d - International Trade

Virginia and the United States pursue international trade in order to increase wealth.

What is the worldwide selling of goods and services? Global Economy

Nations trade in order to obtain goods at a lower cost or goods they cannot produce themselves.

Selling goods to other nations helps create new jobs.

When companies in the United States specialize in producing certain goods and services it promotes efficiency

and growth.

Technology lowers the cost of production.

Innovations in technology contribute to the global flow of capital, goods, services, and information. An

example is the internet.

CE.13a - Government Regulation of Business

The government promotes competition by enforcing anti-trust legislation to discourage the development of

monopolies.

The government promotes competition by engaging in global trade and supporting business start-ups.

What government agency regulates radio and TV? Federal Communication Commission (FCC)

What government agency regulates trade? Federal Trade Commission (FTC)

What government agency regulates the environment? Environmental Protection Agency (EPA)

CE.13b - Public Goods and Services

Highways, postal service, and national defense are examples of public goods and services.

Public goods benefit many people and would NOT be available if individuals had to provide them.

The government uses taxes, borrowed funds, and fees to produce public goods.

CE.13c - Taxes and Government Borrowing

What amendment authorizes the government to tax incomes? 16th

Amendment

If the government increases taxes, private spending – decreases

If the government decreases taxes, private spending – increases

If the government borrows more funds, private borrowing – decreases

If the government borrows less funds, private borrowing – increases

If government spending increases, demand, production, and employment – increase

If government spending decreases, demand, production, and employment – decreaseIf government spending increases, taxes – increase

If government spending decreases, taxes – decrease

CE.13d - The Federal Reserve

What is the central bank of the United States? What is the federal government’s bank? What is the banker’s

bank? The Federal Reserve

The Federal Reserve regulates banks to ensure the soundness of the banking system and the safety of deposits.

The Federal Reserve has the duty to maintain the value of our currency (dollar) and manages the amount of

money in the economy to in order to keep inflation low and stable.

If the Federal Reserve wants to the economy to slow down it decreases the amount of money in circulation.

If the Federal Reserve wants to the economy to grow it increases the amount of money in circulation.

CE.13e - Protection of Consumer Rights and Property Rights

The right to own private property is protected by negotiated contracts that are enforceable by the law.

Government agencies establish guidelines to protect public health and safety.

Consumers whose rights are violated can take legal action.

CE.13f - Money

Money is anything that is generally accepted as a method of payment.

Governments issue money in order to help in the exchange of good and services.

What are the three types of money generally used in the United States?

1. Coins

2. Federal Reserve Notes (Paper Currency)

3. Bank Deposits that can be accessed by checks and debit cards

CE.14a-f - Personal Finance and Career Opportunities (Not included in “The Golden Ticket”)

Self-assessment is important when selecting a career includes your interests and talents.

Employers seek employees with a strong work ethic.

Your work ethic includes your attitudes and behaviors.

Education and skills along with supply and demand influence your job income.

Employers seek employees who have kept pace with changes in technology.

Advances in technology create new jobs in the workplace.

Changes in technology influence the abilities, skills, and education needed in the marketplace.Technology and information flows permit people to work across borders.

This creates competition from foreign workers for United States jobs and may create opportunities for United

States workers to work for companies in other countries.

Being fiscally responsible includes:

1. Making careful spending decisions

2. Saving and investing for the future

3. Having insurance

4. Keeping to a budget

5. Using credit wisely

6. Understanding how contracts, warranties, and guarantees can protect the individual.