



Social Studies Study Guide

(Test Date: _____)

Unit 4: Economics

Lesson 1 - What is Economics?

1. What is economics and what is an economist?

2. The United States has a "market economy." What does this mean?

3. Economists ask questions when they study economics. List 3 questions they might ask.

a. _____

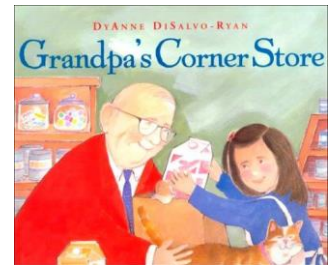
b. _____

c. _____

Lesson 2 - Characteristics of a Market Economy and Lesson 3 - Circular Flow

4. List the SIX characteristics of a market economy. (you made a poster on these, as well as you have a handout)

5. We read a book called Grandpa's Corner Store by Dyanne Disalvo-Ryan. In this book, we gathered information about the characteristics of a market economy. We then considered how a large chain "big box" store like Wal-mart impacts small family-owned businesses in communities throughout the United States. Why did the family and community members want to keep the giant supermarket store from building in their town near Grandpa's Corner Store?



- a. Grandpa's corner store (the smaller family business) cannot compete with the "big box" supermarket store because of positive incentives that the chain supermarket can offer and may go out of business.
- b. The owner of the giant supermarket chain's son beat the grandson of Grandpa's corner store in soccer.
- c. Other buildings will be torn down to make room for the new giant supermarket.

6. Even though it might hurt business for Grandpa's Corner Store (see #5 above), why are "big box" stores allowed to move into communities with family businesses?
- The governor thinks we should have lots of grocery stores in each town.
 - The government passed a law that says all communities should have 2 or more grocery stores.
 - People are free to shop wherever they want and buy what they want.
7. Read each of the following consumer facts and predict how it might affect what is produced in a market economy.

Consumer Fact	Predict How this Will Affect What is Produced in a Market Economy
Many people love to wear jeans.	
Most people would not like to eat chocolate-covered spiders.	
Many children own a lot of Hot Wheels cars.	

8. The U.S. has a market economy based on the interactions of buyers and sellers. Using the graphic organizer chart below, match the example to the economic terms and definition.

Examples	Economic Term and Definition
Each employee at Taco Bell performs a specific job to put Brent's lunch together assembly-line style. _____	A. Competition - When businesses sell the same good or service.
Lowes and Home Depot both sell home goods and hardware. _____	B. Incentives - Actions or rewards that influence the choices people make.
Wendy's has a value menu. You can order a handful of items for only 99 cents. _____	C. Private property rights - Almost everything is owned by individuals or private businesses, not the government.
The Pet Store owner pays Herby for cleaning the fish tanks. Herby goes to the Video Rental and rents a DVD. _____	D. Voluntary exchange - buyers use their income to exchange for goods and services provided by sellers.
Marathon Gas Station Wendy's South Lyon Cycle _____	E. Specialization/Division of Labor - When people produce only one certain good or type of service or split the job apart to increase productivity.

9. Jacob goes to the Game Stop and buys a *hockey* Xbox game instead of a *soccer* Xbox game. This is an example of:
- Supply
 - Producer
 - Consumer Sovereignty
 - Profit



Lesson 4 - Economic Decision Making - The Role of Competition

10. Maxwell owns Sunshine Bakery down the street from Blue Ribbon Bakery. Both bakeries are popular and charge the same price for a dozen cookies. Maxwell decides to drop the price of his cookies at Sunshine Bakery by twenty-five cents a dozen. How might this affect people buying cookies in the neighborhood?



11. What changes will probably **NOT** occur at Blue Ribbon Bakery? (from question #10).
- They will add an incentive such as "Get a free cookie when you buy a dozen."
 - They will stop selling cookies and begin selling only pies.
 - They will lower their price to create completion.
 - They will create an advertisement telling customers that their cookies are the best in town.

12. The price of goods is often affected by many different factors. When a late frost kills many strawberry plants in Michigan, there are fewer strawberries to sell. This then causes the price of Michigan strawberries to increase.



List what happens under each concept and then what happens on price. (2 effects per concept)

a. Import -

b. Supply and Demand -

c. Substitute Good -

13. Alex, the owner of South Lyon Cycle has been charging \$300 for an all-terrain mountain bike that is very popular with biking enthusiasts. He had recently discovered that all of the other cycle shops have sold out of this popular bike. Alex decides to raise the price of the bike. This is an example of what concept?

- a. Goods and services
- b. Supply and demand
- c. Incentives
- d. Human and capital resources



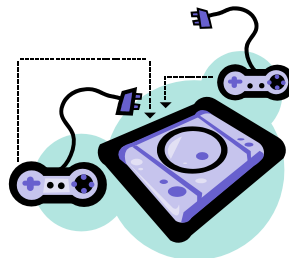
14. When Wendy's, McDonalds, and Burger King compete in "French fry wars" how does this affect the demand for French fries? (refer back to our Gas Wars article).

- a. The demand decreases as the price decreases.
- b. The demand stays the same and the price stays the same.
- c. The demand increases as the price decreases.



15. When you read the article, "Nintendo vs. Sony: Will Wii Shortages be PS3's Gain?," what does the phrase "turn to other gaming consoles" relate to?

- a. Competition
- b. Substitute goods
- c. Resources
- d. Market day



16. When Jacob was shopping at Bass Pro Shop for a new fishing pole, he looked at the price of the item, asked his brother Brent what he thought, and researched how popular it was by looking to see if the other stores were selling the same style fishing rod. All of these actions related to:
- Ways that people select their hobbies.
 - Ways that people make economic choices.
 - Ways that people are free to open and close businesses.

Lesson 5 - Role of Incentives

17. Describe what type of incentive (positive or negative) this historical advertisement is and how will it affect people's behavior.



18. Describe what type of incentive (positive or negative) the following library fine is and how will it affect people's behavior.

Starville Public Library		
Payment Receipt		
10/31/11		
Date Due	Book	Amount
05/31/07	Super Cats	\$3.50

22. Division of labor is when the production of a good is broken down into many small jobs, each done by different workers. How do the concepts of specialization (described above) and division of labor affect productivity? (*Remember productivity = achieving good results consistently*).

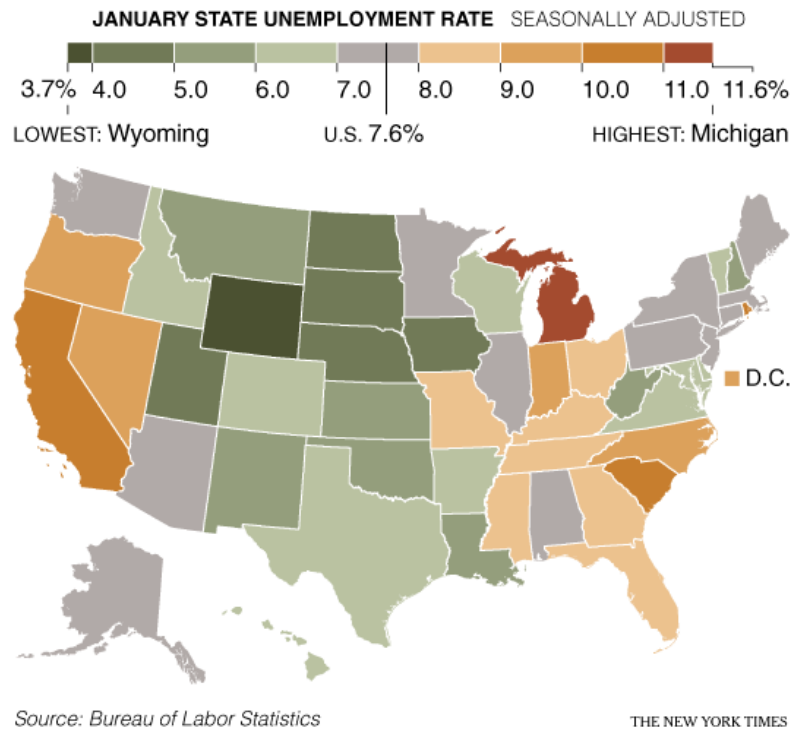


- a. Usually increases productivity.
- b. Usually decreases productivity.
- c. Usually causes higher taxes.

Lesson 7 - How Global Competition Affects the U.S. Economy

23. China has developed a battery-powered car that can go 1,000 miles before it needs to be recharged. It meets U.S. safety standards and is fairly inexpensive to produce. How does this affect U.S. jobs (list both a positive effect and a negative effect).
24. Using the scenario in question #22, what possible effect might this have on the price of American cars?

Lesson 8 - Effects of Changes in the Economy



25. Using this special purpose map, which state would be the *easiest* to find a job?

The *hardest* to find a job?

26. What causes a region to have a **high level of unemployment?**

27. This cartoon is about outsourcing.

- a. The "characters" in the rafts represent _____ and _____.
- b. The "signs" mean they are headed for _____ and _____.
- c. Outsourcing causes jobs in the U.S. to INCREASE or DECREASE? (circle one).



- d. What is outsourcing? Write a paragraph explaining the cartoon. Make sure to include a discussion of 1) what the "characters" in the rafts represent, 2) what the signs mean, 3) what outsourcing means and 4) how it impacts jobs.

Lesson 9 - The Role of the Government in the Economy

The Federal government collects taxes -> in order to provide -> public goods and services -> which help carry out -> the purposes of government.

28. The Federal government uses taxes and spending to serve the purposes of government and the community. An example of this is the provision of armed forces to protect citizens. True or False??
29. What are some examples of services that the government provides that private businesses do not?
30. Why do U.S. citizens prefer the government to provide public goods and services rather than private businesses?
- a. Private businesses might run out of goods to sell.
 - b. Private businesses might not do a good job.
 - c. Citizens might feel these goods and services are too important and they should be available to all people.
 - d. Citizens might feel these goods and services are too profitable for private businesses to run.