

## Section 2

- Pictowords will vary. Possible definitions:
  - wants*: our desire for things that meet our needs or make us happy
  - goods*: physical objects produced for sale
  - services*: activities done for us by others
  - scarcity*: a situation in which the supply of something is not enough to satisfy people's wants
  - shortage*: a temporary condition that occurs when there is less of a good or service available than people want at the current price
- Scarcity exists because we have only limited resources to use in fulfilling our unlimited wants.
- Examples will vary. Goods and services are scarce because the resources needed to produce them—land, labor, materials, and machines—are scarce.

## Section 3

- Pictowords will vary. Possible definitions:
  - land resources*: gifts of nature that are used to produce goods and services
  - labor resources*: the time and effort people devote to producing goods and services in exchange for wages
  - human capital*: the knowledge and skill that people gain from education, on-the-job training, and other experiences
  - capital resources*: the tools, machines, and buildings used in the production of other goods and services
  - entrepreneurship*: the willingness of people to take the risks involved in starting a business
- Workers with high human capital are more productive and earn more money than those with fewer skills.
- Possible answers:
  - Entrepreneurs are innovators who think of ways to turn new products, technologies, or techniques into goods or services that people will want.
  - Entrepreneurs are strategists who supply the vision and make the decisions necessary for new businesses.
  - Entrepreneurs are risk takers who start new businesses.

- Entrepreneurs are like sparkplugs who supply the energy, drive, and enthusiasm needed to turn ideas into realities.
- Flowcharts will vary.

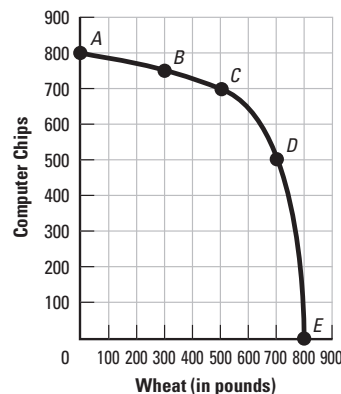
## Section 4

- Pictowords will vary. Possible definitions:
  - utility*: the satisfaction or pleasure one gets from consuming a product or service
  - opportunity cost*: the value of the next best alternative you could have chosen
  - diminishing marginal utility*: a law stating that the marginal utility (extra satisfaction or pleasure) of something decreases as we get more of that thing
- 2–4. Answers will vary.

## Section 5

- Economists use the PPF to show how an economy might use its resources to produce two goods. The graph shows all possible combinations of those goods that can be produced if resources are being fully utilized.

### 2. Wheat and Computer Chips PPF



- 50 computer chips
  - 200 computer chips
  - The economy's land may not all be suitable for growing wheat. Computer chip factories may not be able to find enough workers. The economy's labor force may not be equally skilled at producing computer chips and wheat.
  - The economy would have to increase human capital, increase the productivity of workers, or improve its technology.