

The Economic Way of Thinking part 1**name:**

Economic Thought

Unit 1A

Key Idea:

In what ways do people deal with scarcity? (1.2)

What Is Economics?

If economics is allegedly about money, why is it taught as a social science?

Define **Needs**

- Examples: _____, _____, _____

Define **Wants**

List all the foods you can think of in the circle below.

What are **Trade-Offs**?

When deciding which food to eat, all the different options are _____.

It's All About the ChoicesWhat is **Scarcity**?

Something is Scarce if it is _____ and _____

What are **Opportunity Costs**?

Life is about choices and the choices we make impact us now and in the future.

Basic Principles of Economic Reasoning

1. People Choose (Everything has a cost)

TINSTAAFL "There is no such thing as a free lunch."

- Every action costs someone _____, _____, or _____
- Remember: Opportunity Cost is the value of the **next best choice** you did not make.
- Not all costs are measured in _____ and _____.

Economics Made Memorable, part 1: Everything has a Cost

When deciding to go to the football game, what things must Paul consider when thinking about how much it *costs* to go to the game?

Explain how this helps you see what it takes to consider the costs of your decisions.

2. People choose for good reasons.

People make decisions based on _____

While this may vary from person to person, it is usually _____

involve weighing the benefits against the costs –

" _____ "

Economics Made Memorable, part 2: The Benefits

Why is it difficult for Paul to determine the benefits of deciding to go to the football game?

How does this help you understand how you make decisions, even if they are not major decision?

We interrupt for a word from our sponsor... Production Possibilities Curves

3. Incentives matter.

When people make their _____ and weighing the benefits against the costs, they are comparing the _____ involved in making the decision

- When incentives change, _____
- Incentives can be _____, such as a reward or added benefit, or a _____ or additional cost

Summarize this worksheet by the key idea below.

In what ways do people deal with scarcity? (1.2)
