

Name:

Econ Alive Chapter 2:

Respond to each question. Provide a thorough explanation for each decision.

Section 2:

1. Write a definition for each of the terms below.

Term	Definition
Wants	Things people desire but do not need to survive.
Goods	Physical objects that can be purchased to satisfy wants or needs.
Services	Actions or activities performed by one person for another for payment.
Scarcity	The condition of having unlimited wants but limited resources.
Shortage	When the quantity demanded exceeds the quantity supplied at a given price.

2. Why is what we want scarce?

What we want is scarce because our wants are unlimited, but the resources needed to fulfill them are limited.

Section 3:

3. Write a definition for each of the terms below.

Term	Definition
Land resources	Natural resources from the earth used to produce goods, like water, oil, and minerals.
Labor resources	The human effort, both physical and mental, used to produce goods and services.
Human capital	The knowledge, skills, and experience that workers gain through education and training.
Capital resources	The tools, machines, and buildings used to

	produce goods and services.
Entrepreneurship	The ability to combine land, labor, and capital to create new goods and services.

4. Gary Becker, winner of the Nobel Prize, says that 'human capital is by far the most important form of capital in creating wealth and growth.' Why does he say this?
5. He says this because educated and skilled workers are more productive and drive innovation, which creates more wealth than physical capital alone.

6. What are three roles that entrepreneurs perform in the production process?
7. Entrepreneurs innovate new products, organize and manage resources, and take financial risks to start businesses.

Section 4:

8. Write a definition for each of the terms below.

Term	Definition
Utility	The satisfaction or benefit a person gets from consuming a good or service.
Opportunity Cost	The value of the next best alternative you give up when making a choice.
Diminishing Marginal Utility	The idea that each additional unit of a good consumed provides less satisfaction than the previous one.

9. Describe an example of a time in your life when you encountered diminishing marginal utility.

Eating pizza: the first slice is amazing, but by the fourth slice, each bite is less enjoyable.

Section 5:

10. Why do economists use the production possibilities frontier (PPF)?
Economists use the PPF to show the trade-offs and opportunity costs of producing different combinations of goods with limited resources.

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