

Study Guide Score... 35 Name _____

Deduct. Date _____ Class _____

Your Score.....



CHAPTER 1

Economic Decisions

STUDY GUIDE

PART I

Directions: Place a check mark in Column 2 or Column 3 to indicate whether the item in Column 1 is basically a need or a want. The first item is given as a sample.

COLUMN 1	COLUMN 2 Need	COLUMN 3 Want	For Scoring
0. Sample: a Frisbee		✓	
1. a jogging suit			1. _____
2. a personal-use computer			2. _____
3. a videocassette recorder			3. _____
4. a telephone in a personal car			4. _____
5. a loaf of bread			5. _____
6. a pair of shoes			6. _____
7. a second home			7. _____
8. a stationary exercise bicycle			8. _____
9. breakfast			9. _____
10. racketball club membership			10. _____

PART II

Directions: An important term has been omitted from each sentence in Column 1. In Column 2 write the word or words needed to complete each sentence in Column 1. The first item is given as a sample.

COLUMN 1	COLUMN 2	For Scoring
0. Sample: Economic resources are often called (?)	<u>factors of production</u>	
1. The means through which we produce the things we need and want are called (?) resources.	_____	1. _____
2. Materials that come from the earth, the water, or the air are (?) resources.	_____	2. _____
3. Another name for the labor force, the people who work to produce goods and services, is (?)	_____	3. _____
4. Capital resources are the tools, equipment, and machinery used to produce (?)	_____	4. _____
5. Using our (?) economic resources wisely will help us to satisfy our unlimited wants as fully as possible.	_____	5. _____

PART III

Directions: Indicate your answer to each of the following questions by placing a check mark on the line under *yes* or *no* at the right. The first item is given as a sample.

	YES	NO	For Scoring
0. Sample: Is scarcity a problem for people all over the world?	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
1. Are tangible things we use in our everyday lives called services?	<input type="checkbox"/>	<input type="checkbox"/>	1. _____
2. Is it sometimes difficult to tell the difference between wants and needs?	<input type="checkbox"/>	<input type="checkbox"/>	2. _____
3. Do businesses face the basic economic problem just as individuals and governments do?	<input type="checkbox"/>	<input type="checkbox"/>	3. _____
4. Are city governments dealing with scarcity when deciding whether to build a school or establish a city zoo?	<input type="checkbox"/>	<input type="checkbox"/>	4. _____
5. Are most of the goods and services we use supplied by the government? ...	<input type="checkbox"/>	<input type="checkbox"/>	5. _____
6. Are items like groceries, clothes, and books called services?	<input type="checkbox"/>	<input type="checkbox"/>	6. _____
7. Do some countries have unlimited resources?	<input type="checkbox"/>	<input type="checkbox"/>	7. _____
8. Are food, clothing, and housing usually thought of as our three basic needs?	<input type="checkbox"/>	<input type="checkbox"/>	8. _____
9. Are wants those things we must have to stay alive?	<input type="checkbox"/>	<input type="checkbox"/>	9. _____
10. Does the basic economic problem force us to make choices?	<input type="checkbox"/>	<input type="checkbox"/>	10. _____

PART IV

Directions: Indicate whether each statement below is correct or incorrect by placing a check mark on the line under *true* or *false* at the right. The first item is given as a sample.

	TRUE	FALSE	For Scoring
0. Sample: There is a correct way to go about making decisions.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
1. All decisions are economic decisions.	<input type="checkbox"/>	<input type="checkbox"/>	1. _____
2. The first step in making a decision is making a choice among the available alternatives.	<input type="checkbox"/>	<input type="checkbox"/>	2. _____
3. The "take-action" step in decision making is doing what you have chosen to do.	<input type="checkbox"/>	<input type="checkbox"/>	3. _____
4. The process of choosing which want, among several wants being considered at a certain time, will be satisfied is called economic decision making.	<input type="checkbox"/>	<input type="checkbox"/>	4. _____
5. Reviewing a decision gives an opportunity to profit by mistakes when future decisions are made.	<input type="checkbox"/>	<input type="checkbox"/>	5. _____
6. A frequent problem in making a decision is failure to identify all of the available choices.	<input type="checkbox"/>	<input type="checkbox"/>	6. _____
7. All steps in the decision-making process must be followed even when an emergency decision must be made.	<input type="checkbox"/>	<input type="checkbox"/>	7. _____
8. Choosing among alternatives is never a difficult step in decision making when you have identified all the alternatives.	<input type="checkbox"/>	<input type="checkbox"/>	8. _____
9. The decision-making process is appropriate for individuals but not for business and government.	<input type="checkbox"/>	<input type="checkbox"/>	9. _____
10. Learning to make effective decisions will help people better use limited resources to satisfy more wants and needs.	<input type="checkbox"/>	<input type="checkbox"/>	10. _____

ACTIVITIES

Applying Resources

There are many ways in which we use our time, a valuable but limited, resource. Listening to music is one of the ways that many people spend part of their time. The U.S. recording industry has provided consumers with choices not only in the variety of music but in the media used to play their music: single records, albums, cassette tapes, and—since 1983—compact discs.

The growth in the production of single records and albums began to decline as wants changed and consumer demand for cassette tapes increased. Then the compact disc was introduced and cassette tape production began to decrease as consumers began to prefer compact discs. The production of compact discs today is greater than the production of any of the other music media.

The chart below shows the sales of recordings in the U.S. from 1988 through 2000—a 13-year period. Study the chart and then answer the questions that follow.

RECORDING INDUSTRY—U.S. SALES OF SINGLES, ALBUMS, COMPACT DISCS, AND CASSETTES				
1988 to 2000 (in thousands of units)				
<i>Year</i>	<i>Singles</i>	<i>Albums</i>	<i>Compact Discs</i>	<i>Cassettes</i>
1988	65,600	72,400	149,700	450,100
1989	36,600	34,600	207,200	446,200
1990	27,600	11,700	286,500	442,200
1991	22,000	4,800	333,300	360,100
1992	19,800	2,300	407,500	336,400
1993	15,100	1,200	495,400	339,500
1994	11,700	1,900	662,100	345,400
1995	10,200	2,200	722,900	272,600
1996	10,100	2,900	778,900	225,300
1997	7,500	2,700	753,100	172,600
1998	5,400	3,400	847,000	158,500
1999	5,300	2,900	938,900	123,600
2000	4,800	2,200	942,500	76,000

Source: Statistical Abstract of the United States, 2001.

1. What were the actual number of singles and albums sold in 1988? singles: _____
 albums: _____ in 2000? singles: _____ albums: _____
 What was the decrease in number sold in each over the 13-year period? singles: _____
 albums: _____
2. In what year did the number of compact discs sold first exceed the number of cassettes sold? _____
3. What were the actual number of compact discs and cassettes sold in 1988? CDs _____
 cassettes _____ in 1997? CDs _____ cassettes _____
 What was the increase in number of compact discs sold in that 13-year period? _____
 What was the decrease in the number of cassettes sold in that 13-year period? _____
4. In what year did the U.S. recording industry have the greatest number of all media sold? _____
 What was the total number sold? _____

Applying Business Knowledge

As you learned in this chapter, it is impossible to satisfy all of our wants and needs. There are many reasons for this. One reason is that satisfying one want usually causes you to want something else. For example, when you order buffalo wings at a restaurant, you will probably want a soft drink to go with it. These "go-togethers" are called complementary goods. Below is a list of items that usually call for complementary goods. In Column 2, list the item or items that you think would probably be wanted by a person who buys the product listed in Column 1.

COLUMN 1	COLUMN 2
<i>If you buy:</i>	<i>You will probably also want or need:</i>
1. a set of golf clubs	1. _____
2. a swimsuit	2. _____
3. a hamburger	3. _____
4. a videocassette recorder	4. _____
5. a Jet Ski	5. _____
6. a motor scooter	6. _____
7. a camera	7. _____
8. a power lawn mower	8. _____
9. an ice-cream maker	9. _____
10. a pair of roller blades	10. _____

Applying Interpersonal Skills

You learned that decisions should be made through a logical six-step process. For most situations, using this process will result in more effective decisions. But what about people who say that they make decisions through intuition—that is, they "play their hunches." Intuition means having insight into a solution to a problem without any conscious effort or control. Some people are more intuitive than others. Authorities tell us that people who use intuition well are really very analytical. So regularly do they tackle a problem consciously and go through the logical decision-making process that it becomes a habit. The "flash" or intuitive solution often comes to them during the process. Also, the researching and analyzing they do stimulate their thinking; it puts them in a receptive mental state, which makes it easy to generate solutions. They may experience these solutions as flashes of insight or hunches. Sometimes, after much effort in identifying alternatives (Step 2), they put the problem aside for a while. They "sleep on it" to let the intuitive processes work on the problem. Dr. Jonas Salk, discoverer of the polio vaccine, once stated, "It is always with excitement that I wake up in the morning wondering what my intuition will toss up to me, like gifts from the sea. I work with it and rely upon it." After tedious, drawn-out experiments seeking ways to immunize against polio, Salk made an intuitive leap one morning upon awakening. He knew the correct vaccine.

Even though you are in the early stages of learning how to make decisions through a logical process, you might begin to note your own use of intuition in problem solving. Read the following questions and place a check mark in the column headed "Yes" or "No." After you have completed these ten items, your teacher will help you determine the extent to which you have a tendency to be an intuitive decision maker.