Note Taking Outline: Economics, 19th Edition, By McConnell, Brue, and Flynn

Please use this to guide your reading of the chapters. **This is not part of your summer assignment as you do not need to submit this, it is just an extra resource for you to help organize your studying of the chapters.** You will need to know the terms and concepts from chapters 1-2 for your assessment that will take place the first week of school so be sure you are comfortable with the terms and learning objectives listed below.

Chapter 1: Limits, Alternatives, and Choices

Learning Objectives:

- Define economics and the features of the economic perspective
- Describe the role of economic theory in economics
- Distinguish microeconomics from macroeconomics and positive economics from normative economics
- Explain the individual's economizing problem and how trade-offs, opportunity costs, and attainable combinations can be illustrated with budget lines
- List the categories of scarce resources and delineate the nature of society's economizing problem
- Apply production possibilities analysis, increasing opportunity costs, and economic growth
- Explain how economic growth and international trade increase consumption possibilities

KEY TERMS AND CONCEPTS Define each of the following terms on a separate piece of paper or index card		
Economics Economic perspective Scarcity Opportunity costs Utility Marginal analysis Economic principle Other-things-equal-assumption Microeconomics Macroeconomics Aggregate	Positive economics Normative economics Economizing problem Budget line Economic resources Factors of production Land Labor Capital Entrepreneurial ability Entrepreneurs	Consumer goods Capital goods Production possibilities curve Law of increasing opportunity costs Economic Growth

AP Microeconomics
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Chapter 2: The Market System and the Circular Flow

Learning Objectives:

- Differentiate between laissez-faire capitalism, the command system, and the market system
- List the main characteristics of the market system
- Explain how the market system answers the five fundamental questions of what to produce, how to produce, who obtains the output, how to adjust to change, and how to promote progress
- Explain the operation of the "invisible hand" and why market economies usually do a better job than command economies at efficiently transforming economic resources into desirable output.
- Describe the mechanics of the circular flow model

KEY TERMS AND CONCEPTS Define each of the following terms on a separate piece of paper or index card		
Economic system	Freedom of choice	Medium of Exchange
Laissez-faire capitalism (pure capitalism)	Self-interest	"Invisible hand"
Command system (socialism or communism)	Competition	Circular flow diagram
Market system (mixed economy)	Market	Households
Private property	Specialization	Product market
Freedom of enterprise	Division of Labor	Resource market