

Worksheet 1.2: Economic Concepts

For each of the following statements, identify if it refers to a macroeconomics or a microeconomics concept.

- _____ 1. The unemployment rate is holding steady at 7.2%.
- _____ 2. Congress should lower taxes to allow consumers to keep more of their income.
- _____ 3. Colleges should lower the tuition for freshmen and sophomores.
- _____ 4. The price of cars is rising in spite of a recent recession.
- _____ 5. Increases in personal tax rates hurts middleclass workers.
- _____ 6. Microsoft will be sending one million tablets to Germany.

For each of the following statements, identify if it refers to a positive or a normative economics statement.

- _____ 1. The high school should allocate more parking spaces to seniors.
- _____ 2. The unemployment rate is holding steady at 7.2%
- _____ 3. Colleges should lower the tuition for freshmen and sophomores.
- _____ 4. Generally, if stores lowered product prices, more people would buy the products.
- _____ 5. Movie prices should increase by 5% this year.
- _____ 6. College athletes should be paid for their participation.
- _____ 7. How much should colleges pay athletes for their participation?
- _____ 8. An average electric bill for a family of 4 is \$325/month.
- _____ 9. More people should vote in local elections.
- _____ 10. High schools should begin classes later in the day.

Exit Slip: Module 1

1. Scarcity in economics means:
 - A. the market does not provide an efficient quantity of goods and services.
 - B. the wants of people are limited.
 - C. there must be poor people in rich countries.
 - D. economists are clearly not doing their jobs.
 - E. not having sufficient resources to produce all the goods and services we want.

2. Khalil is offered a free ticket to the opera. His opportunity cost of going to the opera is:
 - A. zero—the tickets were free.
 - B. the price listed on the ticket.
 - C. whatever Khalil would have done had he not gone to the opera.
 - D. the price listed on the ticket plus whatever Khalil would have done had he not gone to the opera.
 - E. the price listed on the ticket minus whatever Khalil could have received by selling it to another person in the parking lot.

3. Which of the following is an example of a normative statement?
 - A. A low rate of unemployment is good for the economy.
 - B. A high rate of economic growth creates more jobs for the country.
 - C. Everyone in America deserves to be covered by national health insurance.
 - D. The federal government spends half of its budget on national defense.
 - E. The Interstate Highway System in the U.S. is an essential part of the transportation infrastructure.

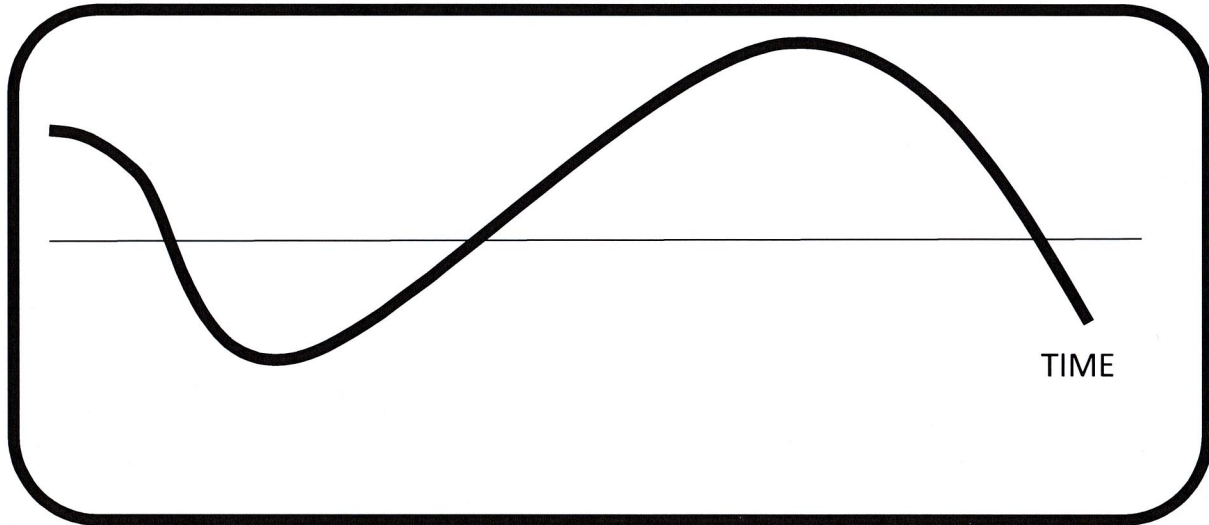
Worksheet 2.1: Questions for “The Business Cycle” Video

After watching Jason Welker’s video “The Business Cycle” found at <https://www.youtube.com/watch?v=DmXvUz0qAtw>, answer the following questions.

1. What is the Business Cycle?
2. What does the “trend line” show?
3. Define each of the four phases in any nation's business cycle.
4. What is the goal of macroeconomic policies?

Worksheet 2.2: The Business Cycle

Identify and write the characteristics of each segment of the business cycle.



Exit Slip: Module 2

1. Which of the following measures is typically used as an indicator of the conditions in the labor market?
 - A. The unemployment rate
 - B. The population growth rate
 - C. The inflation rate
 - D. The trade deficit
 - E. The rate at which real gross domestic product is changing
2. If nominal wages have risen by 50% over a ten-year period and aggregate prices have increased by 40% in that same period, then we can safely conclude that the real wages of the workers have:
 - A. fallen by about 10%.
 - B. increased by about 10%.
 - C. not changed.
 - D. increased by about 90%.
 - E. increased by about 1.25%.
3. When a country's total level of output undergoes periodic fluctuations, it is generally known as:
 - A. a recession.
 - B. a business cycle.
 - C. an expansion.
 - D. a trough.
 - E. an output cycle.

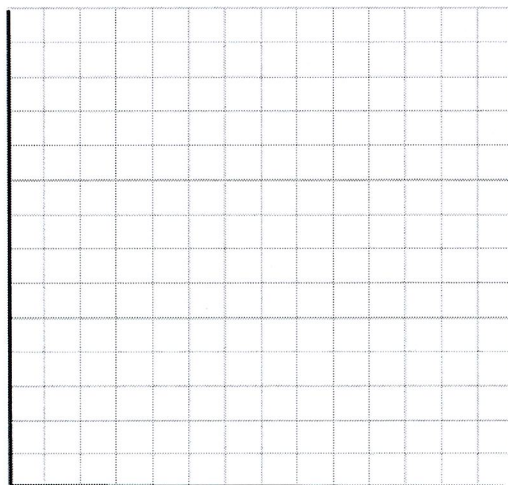
Worksheet 3.2: Questions for “Scarcity, Opportunity Cost, and the PPC” Video

After watching Jason Welker’s video “Scarcity, Opportunity Cost, and the PPC” video, found at https://www.youtube.com/watch?v=kmjzgb_tUJ8, answer the following questions.

As students watch the tutorial, have them write down how the PPC model demonstrates scarcity, opportunity costs, tradeoffs, efficiency, and inefficiency.

1. What is scarcity?
2. What is opportunity cost?
3. What is the production possibilities curve?
4. Use the chart to create a production possibilities curve showing the time you can spend either working or playing. The other 12 hours in the day are committed to sleeping and family time, so you cannot make choices to use them in your day. Place Play on vertical axis and Work on the horizontal axis.

	A	B	C	D	E
Work	0	3	6	9	12
Play	12	9	6	3	0

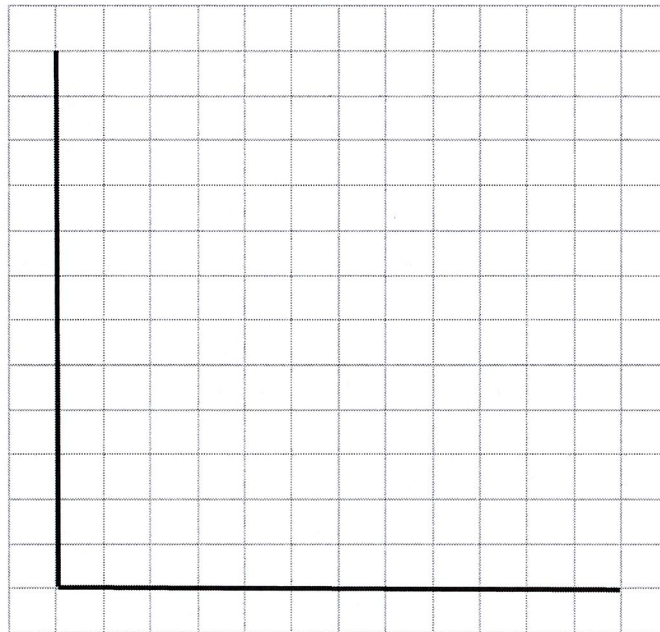


Worksheet 3.3: Shifting the *PPC*

After watching Jacob Clifford's "Shifting the Production Possibilities Curve" video (found at <https://www.youtube.com/watch?v=FwPiWz1a1Tw>), answer the following questions.

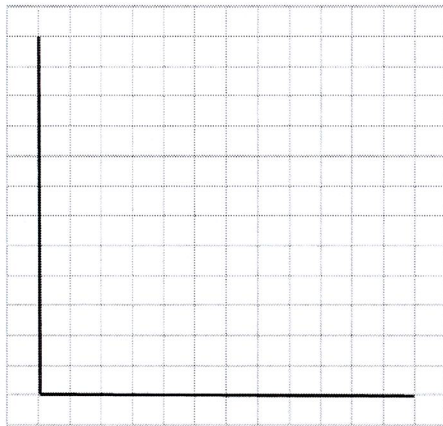
1. What are the factors of production?
2. Use the chart to create a production possibilities curve. Use Bubble Gum on the vertical axis and Barrels on the horizontal axis.

	A	B	C	D	E
Bubble Gum	30	28	24	16	0
Barrels	0	1	2	3	4



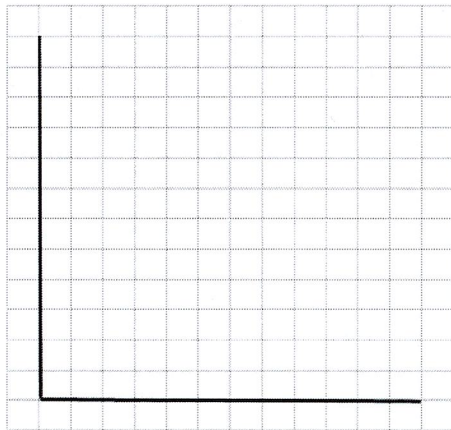
3. Label the following points on the PPC:
 - a. Inefficient or unemployed resources = Label as M
 - b. Efficient = Label as N
 - c. Unattainable = Label as P

4. Calculate the opportunity cost of each of the following:
- a. Point A to Point B =
 - b. Point B to Point C =
 - c. Point E to Point D =
 - d. Point C to Point A =
5. Draw a graph showing constant opportunity costs and explain why constant opportunity costs occur.



Explain:

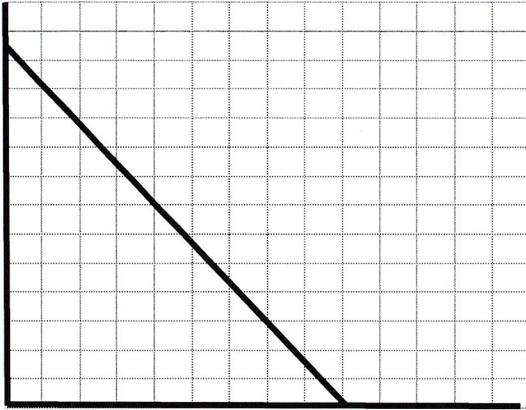
6. Draw a graph showing increasing opportunity costs and explain why increasing opportunity costs occur.



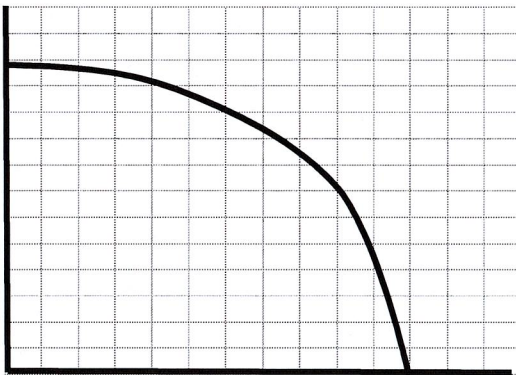
Explain:

Worksheet 3.4: Production Possibilities Curves

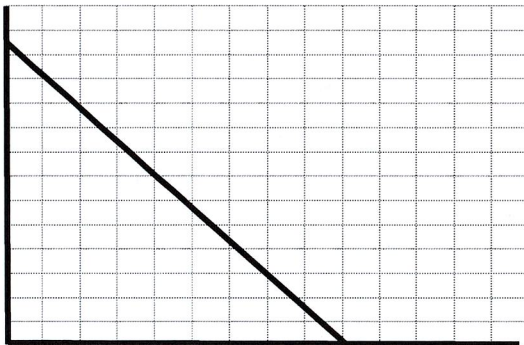
Using the given production possibility curve as a starting point, correctly label the graph and show the result of each of the following.



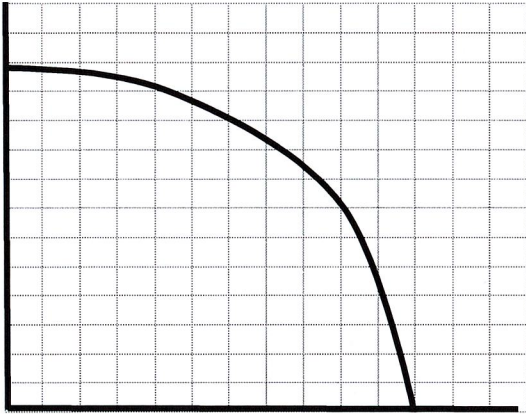
There is an increase in unemployment in a nation using all of its resources and producing 20 boats (Horizontal) and 0 cheese balls (Vertical) or 60 cheese balls and 0 boats.



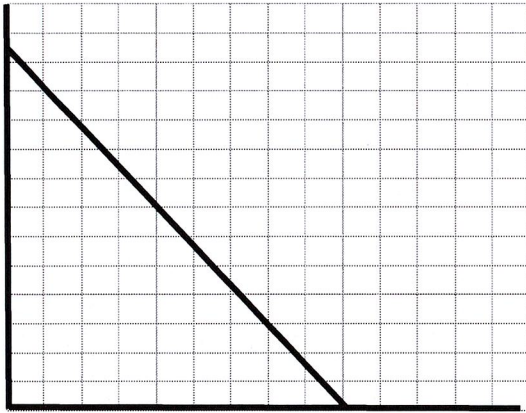
There is a decrease in technology in a nation using all of its resources and producing 100 kites (V) and 0 bales of hay (H) or 25 bales of hay and 0 kites.



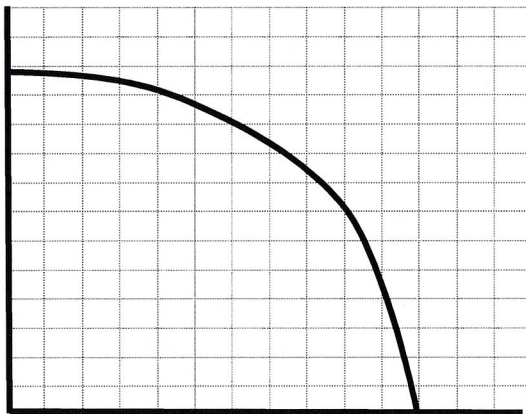
Suppose a nation using all of its resources can produce 20 computers (H) and 0 bottles of salad dressing (V) or 80 bottles of salad dressing and 0 computers. The nation is currently producing 10 computers and 40 bottles of dressing (Label as point A). The residents express a desire to have more computers.



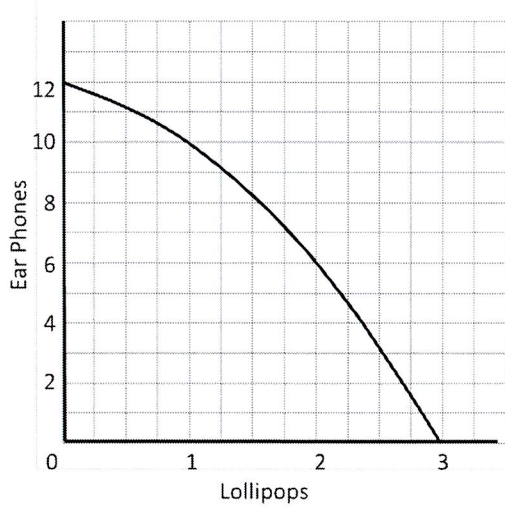
A blight destroys 80% of the potato crop in a nation using all of its resources and producing 400 bolts (H) and 0 bags of potato chips (V) or 600 bags of potato chips and 0 bolts.



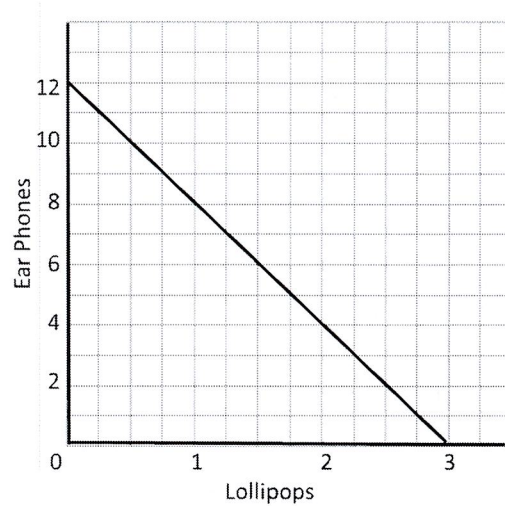
There is an increase in population in a nation using all of its resources and producing 100 t-shirts (V) and 0 baseballs (H) or 100 baseballs and 0 t-shirts.



There is an increase in capital investment in a nation using all of its resources and producing 500 candy bars (V) and 0 trucks (H) or 30 trucks and 0 candy bars.



Nation A



Nation B

Nation A and B can each produce Lollipops and Ear Phones. Assume each nation is producing 12 units of ear phones and 0 units of lollipops.

1. What is the opportunity cost for each nation to increase production from 0 lollipops to 1 lollipop?

Nation A _____

Nation B _____

2. What is the opportunity cost for each nation to increase production from 1 lollipop to 2 lollipops?

Nation A _____

Nation B _____

3. What is the opportunity cost for each nation to increase production from 2 lollipops to 3 lollipops?

Nation A _____

Nation B _____

4. What can you deduce about the costs of production in each nation? Explain.

Exit Slip: Module 3

1. Technological improvements will
 - A. leave the production possibility curve unchanged.
 - B. shift the production possibility curve inward.
 - C. shift the production possibility curve outward.
 - D. necessarily lead to increase unemployment.
 - E. increase the slope of the production possibility curve.

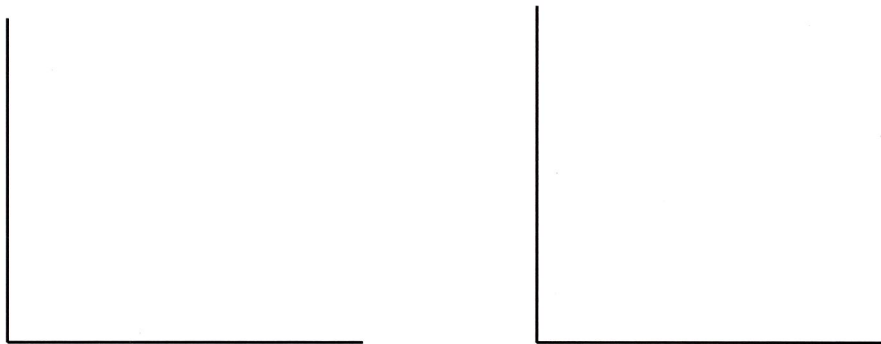
2. Efficient production exists when the economy is
 - A. operating underneath its production possibility curve.
 - B. operating on its production possibility curve.
 - C. operating outside its production possibility curve.
 - D. moving beyond its production possibility curve.
 - E. in a recession.

3. The process through which an economy's production possibility curve is shifted outward is
 - A. comparative advantage.
 - B. economic growth.
 - C. full employment.
 - D. specialization.
 - E. free trade.

Worksheet 4.4: Comparative Advantage

There are two nations that, using all of their resources, both produce lemon drops and boxes. Nation A can produce either 300 lemon drops and 0 boxes per day or 100 boxes and 0 lemon drops per day or any combination that lies on its constant cost PPC. Nation B can produce either 200 lemon drops and 0 boxes per day or 200 boxes and 0 lemon drops per day or any combination that lies on its constant cost PPC.

Draw a correctly labeled PPC for each nation. Use lemon drops on the vertical axis and boxes on the horizontal axis.



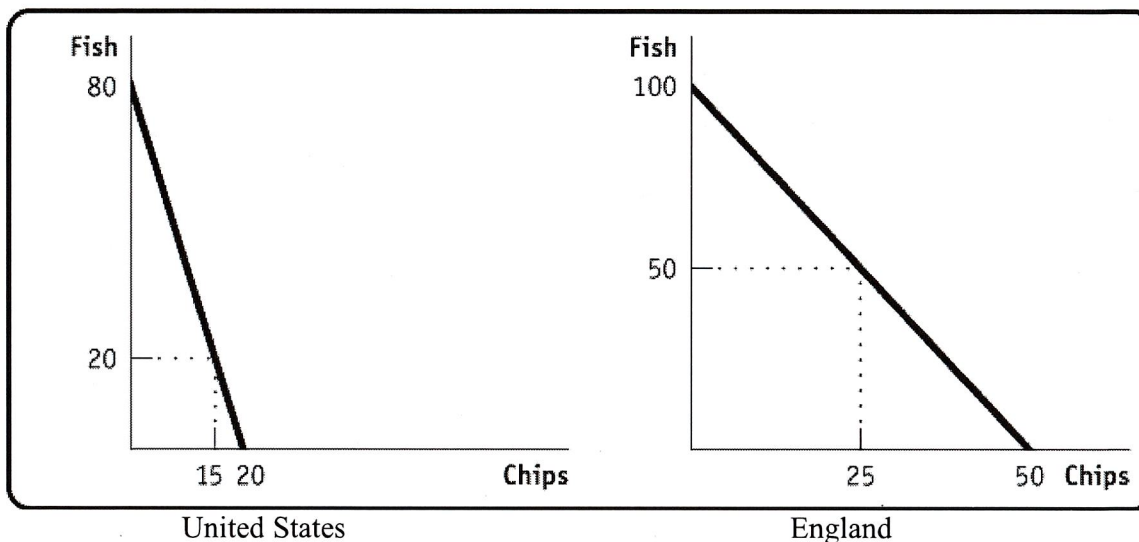
Calculate the opportunity cost of producing each good for each nation. (Calculate means show your work.)

	Lemon Drops	Boxes	Opportunity cost of Lemon Drops	Opportunity cost of Boxes
Nation A				
Nation B				

What good should each nation specialize in? Why?

What range would be acceptable terms of trade? Why?

The U.S. and England have the following production possibility curves.



Using the information on the graphs above:

The opportunity cost of 1 unit of Fish in the U.S. is _____.

The opportunity cost of 1 unit of Chips in the U.S. is _____.

The opportunity cost of 1 unit of Fish in England is _____.

The opportunity cost of 1 unit of Chips in England is _____.

The U.S. has an absolute advantage in _____.

England has an absolute advantage in _____.

The U.S. has a comparative advantage in _____.

England has a comparative advantage in _____.

Fill in the table below.

	Without Trade		With Trade (production)		With Trade (consumption)	
	Chips	Fish	Chips	Fish	Chips	Fish
England						
United States						
Total						

Note: Assume that with trade, each country exports $\frac{1}{2}$ of its production.

What happens to total world output when the countries specialize and trade?

Are the countries better off? Explain.

There are two nations that both produce 100 lemon drops and 50 boxes using the same amount of resources. Nation A can produce lemon drops in 3 hours and boxes in 2 hours. Nation B can produce lemon drops in 4 hours and boxes in 5 hours.

Calculate the opportunity cost of producing each good for each nation. (Calculate means show your work.)

	Lemon Drops	Boxes	Opportunity cost of Lemon Drops	Opportunity cost of Boxes
Nation A				
Nation B				

What good should each nation specialize in? Why?

What range would be acceptable terms of trade? Why?

Exit Slip: Module 4

1. If they spend all night writing computer programs, Laurence can write 10 programs while Carrie Anne can write 5. If they spend all night making sunglasses, Laurence can make 6 while Carrie Anne can make 4. We know that:
 - A. Laurence's opportunity cost of writing programs is less than that of Carrie Anne.
 - B. Laurence's opportunity cost of writing programs and of making sunglasses is less than that of Carrie Anne.
 - C. Carrie Anne's opportunity cost of writing programs and of making sunglasses is less than that of Laurence.
 - D. Carrie Anne's opportunity cost of writing programs is less than that of Laurence.
 - E. Laurence's opportunity cost of making sunglasses is less than that of Carrie Anne.
2. France and England both produce wine and cloth under conditions of constant opportunity costs. France will have a comparative advantage in wine production if:
 - A. it can produce more wine than England.
 - B. its labor productivity in wine production is greater than England's.
 - C. the absolute cost of producing wine is lower in France than in England.
 - D. the opportunity cost of wine production is lower in France than in England.
 - E. it can produce more cloth than England.
3. An economy that has the lowest opportunity cost for producing a particular good is said to have a(n):
 - A. absolute advantage.
 - B. comparative advantage.
 - C. production possibility curve.
 - D. increasing opportunity cost.
 - E. free trade zone.